TOUCHSTONE

The Quarterly News from **HD** Wealth Strategies

HD Wealth Strategies — An Independent Firm

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Risky Business

By: Allie DeYoung, CFP®, CPA, Financial Advisor

We were all hit with a stark reminder in 2015 and the beginning of 2016 that stock markets don't just go up

The fall of 2011 (4 years ago) was the last time we saw the US stock market drop by over 10%, a decline that is usually seen every 18 months or so. We can all agree it's not a great feeling when you open your statement, and investment/401k balances are 10-20% less than they were the month before. Times like these present a great opportunity for investors, whether you invest on your own or if you use an advisor, to assess your personal risk tolerance and determine your plan of action—should you hold tight and do nothing, or rebalance to take advantage of some investments that are a better bargain than they were before.

Your personal risk tolerance defines your ability and willingness to stomach large swings in the value of your investments. This is an incredibly important aspect to investing and one that can substantially affect your returns over time. Markets can move quickly in both directions, understanding how you respond to market moves will start to help you determine how much risk you are comfortable taking in your investment choices to avoid making emotional decisions.

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Community Lead Story

Kicking Off Bike MS 2016

By: Steven Higgins, Financial Advisor, Principal

HD Wealth Strategies is proud to announce that 2016 will mark the sixth consecutive year we will sponsor a team of riders in the Bike MS event in June. The event includes several course options ranging from the 30 mile Fort Collins loop ride to the two day 170 mile course. Each year, the Higgins and DeYoung team has become more dynamic with riders of all different ages and abilities. In 2015, the team eclipsed the $70,000 mark of funds raised for MS research. 2016 carries big expectations as we try to set a record for riders and money raised. Multiple Sclerosis can be a devastating disease but with the energy and enthusiasm of events like Bike MS, we will find a cure.

We are looking for riders to join our energetic team.

Riders need not be the most experienced, have the best bike, or the tightest spandex. Riders, however, do need a bike and the ability to raise at least $400. Being a rider for Team HD Wealth Strategies has some serious perks. We will host several fun events before the ride to help you raise funds. The events usually involve some arrangement of beer, sports, and food. If you are a new rider on our team, we'll provide you with a custom team jersey for the ride.

On Saturday of the ride, we provide a big tent at the race festival with food and drinks and plenty of room to chill out and tell stories about the big ride. Bike MS is one of the most fun events of the year and we look forward to make this the best year yet. We hope you can join us. Of course, it's best to start early so go to our team page, sign up, and mark the calendar. **It's Bike MS time!**

Steven Higgins
Principal
Financial Advisor

Video Blogs by HD Wealth Strategies

You'll get to see more of us in 2016!

Media has evolved at a rapid pace over the last few years. World news and opinion are literally at our fingertips. We hold devices in our hands that vaguely resemble the phones of the past. These devices give us access to ideas and influence that no previous generation has had. The problem with the rapid information is that our ability to understand and rationalize the information hasn't increased as fast as the technology delivering it.

We wanted to get in the game. We know our clients are better off when they stay focused on the long term and commit to goals, so we are producing video segments that address timely issues and items our clients care about. While the big talking heads out there blast their message, we are delivering content directly to you. Our video blog will be posted on our website and we'll let you know when knew content is available.

The whole concept of financial advising is changing and we are committed to providing you with timely and updated information that you can use to help meet your goals. We encourage you to forward and share the videos and of course, we'd love to hear your comments and suggestions.

Check out the videos at www.higginsdeyoung.com/blog.

Wrapping Up 2015

By: Steven Higgins, Financial Advisor, Principal

You Don't Believe in Santa Either?

Investors did not get what they asked for for Christmas this year. Year-end came and went with no gift of positive returns. December was a representative of the entire year...a disappointment with U.S. stocks finishing flat for the year. We hesitate to call it "bad" because "bad" can be much worse. The technical term for 2015 should be "lame." It seems all the scary headlines and fear were completely wasted. This "lame" market couldn't even go down. In July, we witnessed our first stock drop of over 10% since 2011, but investors were resilient and stocks came right back. However, investors seem only confident enough to tread water. There have only been four times since 1929 has the S&P 500 finished within 1% of where it began the year. So, if you want to put a bow on 2015, consider it a gift...you were part of history. Any good "year in review article" should include some highlights, so let's re-cap some of the stories that failed to move stocks in any direction: interest rate hype, President Obama, Greece is broke, ISIS, Russia, oil plummeting, China stocks obliterated, Trump, terrorism, riots in Greece, riots in the U.S., Paris attacks, refugees, Deflategate, more interest rate talk, Congressional budget battles, oil drops even lower. Oh, the memories.

The Upside

We are 15 years in to this fresh new century and U.S. stocks, as measured by the S&P 500, have returned only 2.6% per year. Nobody really uses 15 year rolling periods, but as it stands, it might be the worst 15 year period for stocks in a long time. How in the world is that the good news, you ask? Since its inception in 1928, the S&P 500 has returned about 10% per year. If the first 30 years of this century turn out to be average, the S&P 500 would need to return 17.4% per year for the next 15 years. That would grow $100,000 to about $1,200,000. If the returns for the first 30 years of the 2000s turn out to be 5% per year, just half the historical average, the next 15 years would have to yield a return of 7.4% per year. That would grow $100,000 to over $250,000. We know that time usually tells us that averages mean something and that they are made up of cycles. As unlikely as this may sound to you right now, we think you'll want to be part of this cycle.

What the Heck is Film?

True, stocks have let us down and have failed to meet our expectations, but have companies let us down? In the year 2000, still only a few people had cell phones and those phones were basically just used for talking...crazy huh? On Friday nights everybody rushed to the Blockbuster Video store to get their hands on the limited supply of new release DVDs and nobody had ever heard of Netflix. Only about 15% of Americans were online, and we used "dial-up." The term "wi-fi" didn't mean anything yet. Nobody could figure out how Google made money and Amazon sold some books. Nobody texted, Apple was about to go bankrupt, and we used film in our cameras. The first Tesla wasn't on the road yet and the first Toyota Prius hybrid vehicle was sold in the U.S. Nobody had heard of an iPod, and now they are relics of the past. Facebook's founder, Mark Zuckerberg, was 16. The first human genome was sequenced after decades of research and over three billion dollars of investments. It cost over $100,000 to have your genome sequenced and only 20 people in the world had done it because of the scarcity of scientists and equipment. You can now have your genome sequenced for less than $1,000. In the new age of custom medical treatments, this is a revolution!

All Aboard?

If you are looking for a reason to look forward because looking back is painful, consider this: technology breeds more technology. Better computers allow companies to make even better computers, better computers allow scientists to do more research, and more research leads to the answering of questions and the curing of disease. For fifteen years we have been wowed by technology for the sake of technology. Now as technology is deployed in every industry, new effciencies are created, and productivity increases. As industries find new ways to create and develop new products, companies make more money and you as an investor could be rewarded. Now for those who contend we are in a stock bubble with an over priced market: 15 years of less than 3% returns, almost 18 months of no stock market growth, and month after month of complacency as statements at best look like the one from the previous month does not sound like "irrational exuberance." Over the next 15 years, there will be rough times. There could be a recession or two, there could be "crashes" in the stock market, and there could be negative years. But when you look back, will you have been part of progress and growth and were you able to meet, maybe even exceed, your goals? The last 15 years were not great, however they were still positive. What will the next fifteen years mean for you and your goals?

At Higgins & DeYoung, we don't do hype. We create powerful strategies that help our clients reach goals. We want to be be your financial advisor. Check out HigginsDeYoung.com for more information.

Data source: Yahoo Finance

Steven, Allie, Molly and Josh

Allie DeYoung
CFP® | CPA
Financial Advisor

New to the Team

Join us in welcoming our newest associate!

We're excited to welcome Josh Cook as the newest member of the HD Wealth Strategies team. Josh will serve as our Client Communications Strategist, where he will be responsible for organizing our events and dispersing information to help keep our clients informed.

Josh recently graduated from the University of Kansas MBA program with a concentration in Marketing. He grew up in Kansas City but after his MBA program decided to join his family in Parker, Colorado. He has already gotten used to Colorado living, hitting the slopes with friends and enjoying the outdoors. Josh will be a great addition to our team and we won't hold the fact that he's a Kansas Jayhawks fan against him.

Please join us in welcoming Josh.

Risky Business *continued*

In general, the more you prioritize predictability the less you can prioritize opportunity or growth. Certain goals require more predictability than others, for example, if you're purchasing a car next month, you likely want to prioritize predictability vs. if you're looking to retire in 15 years, you need that money to grow to keep up with the cost of living. It's important to understand the trade offs to risk—both positive and negative—and to be sure to set up your investment portfolio appropriately to ultimately reach your goals, whatever they may be.

Market volatility, both positive and negative, can represent opportunity. Let's assume you're invested in a portfolio that is appropriate for you in terms of risk assumed for your personal situation and to reach your long term goals. In a diversified portfolio, you likely have a couple positions that have done a little better than the others; for example, in a declining stock market, bond funds may steady returns. This is a time to take a look at the fundamentals of the market, the allocation of your portfolio, and see if this is a good time to purchase some attractive investments that are a better bargain than they were before the correction.

Additionally, in prolonged negative or positive markets, it's important to continue to rebalance your portfolio to your appropriate allocation. A common long trusted concept comes to mind...buy and hold, but buy and hold doesn't mean buy and forget. If you start out with a portfolio of 80% stocks and 20% income/alternatives and the stock market declines 50% and now without changing anything your portfolio breakdown is 40% stocks and 60% income/alternatives for the rebound. You took on 80% stock risk in the market decline and then just 40% stock risk in the recovery. This investor, making the correct decision not to sell into the decline, by not rebalancing, has a deck stacked against them in trying to recover losses.

Emotions affect everyone and no one is void of the tendency to make a bad decision when fear or greed gets the best of us. However, having a plan before these market moves is important to practically address your own emotions to help avoid making the wrong decisions for the wrong reasons. A plan won't keep you from getting shaken and frustrated by market declines, but hopefully it will help you bring your practical self to the table to consider what can be done to take advantage.

Watch for our

Fun and Fact Filled Events Throughout the Year

Higgins & DeYoung
Brews & News
Hungry for Information Series

Higgins & DeYoung
Lunch & Learn
Hungry for Information Series

- Presented By -
HD Wealth Strategies

While investments remain the engine, it's the quality of the strategy itself that is most important. The advisors at Higgins & DeYoung are committed to being a firm that crafts strategies and manages investments to reach goals for our clients.

Good Eats at HD Events

Recognizing the Folks Whose Food Make the Event Delicious

Fraiche Catering with Chef Kim Guevara | www.fraichedenver.com

Kim and her team have made HD Holiday Parties a wonderful night of celebration with innovative recipes using locally grown product when available. Her menu has created memorable and delectable events we look forward to every year.

Wok & Roll with Chef Steve King | www.wokandrollteriyaki.com

Our Lunch and Learn and Brews & News events wouldn't be so delicious without the healthy Japanese inspired choices Steve brings to the table. Providing fresh and affordable food for nearly 20 years, this family owned business is one of HD's go-to caterers for any occasion.

Disclaimer Corner

The DOW Jones Industrial Average (DJIA) known as "The DOW" is an index representing 30 stocks of companies maintained and reviewed by the editors of The Wall Street Journal.