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## Looking at an Investment Statement: an Emotional Experience

by A. Scott White, CFP®, ChFC, CLU

Many people don't realize that looking at an investment statement is not the same as monitoring an account or due diligence. Why? Because looking at value tells us nothing about our investment strategy, nothing about our goals and objectives, nothing about the underlying investments, and nothing about how an investment manager is performing.

Many times, when people see that number—the statement value—they immediately have a positive emotional reaction or a negative emotional reaction. As humans, we can make our most important decisions in life based on emotion and then try to justify them using logic. This approach can be fatal in the field of investing. For example, if an investor has watched a fund's share value every day for the past three years, he has seen it go up in value with the market and down in value with the market. And since August 2011, the investor has witnessed falling values, generating a negative emotional reaction. This emotional reaction often causes an investor to make a change when none is warranted.

Let's use Qualcomm stock (QCOM) as an example, on Figure 1. During the period September 28, 2009 to Oct 3, 2011, Qualcomm stock was up 3.65% not much of an investment



Figure 1

return for a two-year period. An investor might compare Qualcomm's price movement to the S&P 500 index and learn the index was up just over 3% as well over the same period of time. Logically he would like to see his stock perform better than the index. The investor might incorrectly conclude that, going forward, Qualcomm stock and the S&P 500 index will provide approximately the same return. So he might mistakenly make a change to relieve his negative emotional strain.

What the investor would fail to realize, however, is the power of investing in companies that have profits and the magic those profits have when

*continued on page 2*

## Myths and Facts about Social Security

**Myth: Social Security will provide most of the income you need in retirement.**

Fact: It's likely that Social Security will provide a smaller portion of retirement income than you expect. There's no doubt about it—Social Security is an important source of retirement income for most Americans. According to the Social Security Administration, more than nine out of ten individuals age 65 and older receive Social Security benefits.

But it may be unwise to rely too heavily on Social Security, because to keep the system solvent, some changes will have to be made to it. The younger and wealthier you are, the more likely these changes will affect you. But whether retirement is years away or just around the corner, keep in mind that Social Security was

never meant to be the sole source of income for retirees. As President Dwight D. Eisenhower said, "The system is not intended as a substitute for private savings, pension plans, and insurance protection. It is, rather, intended as the foundation upon which these other forms of protection can be soundly built." No matter what the future holds for Social Security, focus on saving as much for retirement as possible.

You can do so by contributing to tax-deferred vehicles such as IRAs, 401(k)s, and other employer-sponsored plans, and by investing in stocks, bonds, and mutual funds. When combined with your future Social Security benefits, your retirement savings and pension benefits can help ensure that you'll have enough income to see you through retirement.

*continued on back cover*

## Profile

### Adriana White—Administrative Assistant, RJFS

Adriana is responsible for bookkeeping for Scott White Advisors. She handles accounts payable and receivable, reconciles and balances the books, produces monthly financial statements for compliance, and manages tax reporting. Adriana also helps with office seminars, including room logistics and taking photographs.

She enjoys spending personal time with her family and friends. Adriana teaches fitness classes, including boot camp, yoga, Pilates, Zumba and step aerobics. ■



## Fighting Crime in Southwest Florida: An Inside View from Lee County Sheriff Mike Scott



Mike Scott has been Lee County Sheriff since 2001, when the Florida Crime Prevention Association awarded him the President's Award, the highest honor given to any Chief or Sheriff in Florida for his or her progressive actions in the area of crime prevention.

Sheriff's Office deputies are responsible for law enforcement throughout Lee County, 24 hours a day, 7 days a week. Deputies handled more than 503,000 calls

for service in 2010 and helped reduce the crime rate for unincorporated Lee County by 9.8% and total offenses by 10.4%.\*

\*Lee County Sheriff Dept. Annual Report 2010 ■

## An Invitation for You and a Friend

Hear how Sheriff Scott fights crime, and what you need to know to stay safe.

**Thursday, December 8, 2011**

**11:30 a.m. – 1:00 p.m.**

**Location: Scott White Advisors**

**Lunch provided. Reservations required.**

**Please call 239-936-6300**

## Looking at an Investment Statement... *continued from page 1*

compounding them over a period of time. Take a look at the same information over a ten year period:



Figure 2

On this chart, the Qualcomm stock price was up 147.9% from October 1, 2001 to October 3, 2011, while the S&P 500 had about a 0% return. Over longer periods of time, an investor's returns are determined more by the profits of his or her investments, and less by movements in the stock market.

How does that happen? In the short term, large pools of money are sloshing around the globe speculating on future events that may or may not happen. Depending on current events, these pools of money may find a temporary home in the oil, gold, bond, currency or commodities markets. Sometimes that money

finds a home in the U.S stock market. And when it does, stock prices go up. Sometimes that money sloshes out of the U.S. stock market, and prices go down.

In Figure 1, that is all that is moving the stock's price up or down. Investors can't see the value of the business based on Qualcomm stock price. But over time, the Qualcomm stock price is affected less and less by speculative money moving in or out of the U.S. stock market and more by Qualcomm's profits.

The danger here is that the stock market movements up and down turn patient investors into speculators. The only way to make money speculating is to be the first investor in a market before the big pool of speculative money sloshes in, and be the first investor out of a market before the speculative pool of money sloshes out. If not first, the speculator can lose money. And the only way she can make it back again is to guess where the pool of speculative cash is headed next. As any good poker player will tell you, the speculator will have to double down next time to break even. One can envision how this strategy can quickly go wrong.

But for the patient investor, the only mistake she can make is to over pay for a company stock. And if she does, how does she correct the mistake? Assuming the company is still generating profits that it can compound over time, the investor needn't do a thing. The profits have a way of forcing the stock price higher.

When you review your investment statements and you see values plummet, try to resist the temptation to make an emotional decision and become a speculator instead of an investor. ■

## Creating a Solution for Our Economy

by A. Scott White, CFP®, ChFC, CLU

Why is it that when I listen to an interview about the economy, or when I read an article about the economy, I never hear any original thoughts?

Economists claim the government has limited options on how to spur growth. It seems like each economist proceeds to rehash what the previous economist stated. And all of them conclude their interview by stating we need to rise above the politics for a solution. The Democrats will have to give in to some type of entitlement reform and Republicans will have to accept some form of higher taxes. And no one predicts that will happen. Blah, Blah, Blah...

When is everyone going to wake up and realize that government spending does not create jobs? In the long term, government spending is a drag on the economy. Our tax structure takes money from John (or puts it on his credit card) and gives it to Jill. Then we tax Jill and give it to back to John in some other form of tax relief. But Jill doesn't get all John's money and vice versa because James siphons off some and squanders it in the form of a green project, infrastructure rebuild, or jobs retraining program...whatever form the ruse takes so politicians can justify this game of "hot potato."

Austerity is not the answer either. Increasing the deficit is needed to spur economic growth in an anemic recovery. We've just been doing it the wrong way.

Instead, let's increase the deficit by cutting taxes. Cutting taxes does create growth. It puts money in the hands of the people who will most efficiently allocate our scarce resources in the most effective ways. How do you know they'll be effective? Because, if the private sector is wrong, there are consequences. That's not the case with mandated spending, which has structural corruption and no accountability once the payoff is made.

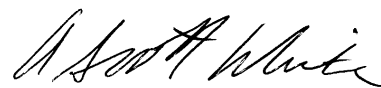
The result of mandated government spending is increased inventories. These idle fruits of our labor—inventories—also contribute to the drag on the economy. The reason mandated spending creates these inventories is because we are producing goods and services that the free market economy does not want. If there were a market for the goods and services our government spending calls for, then we wouldn't have needed the government to mandate the spending in the first place.

It's time to cut taxes—and watch tax revenues increase. Because contrary to the politicians' claims, tax revenues will go up over time. Economic growth always creates more tax revenue. Who cares what tax rates are when tax revenues increase?

And once the economy is back on a growth track we focus our efforts in reducing the size of government. Perhaps the politically polarized federal government is not the best mechanism to manage the fate of society's precious safety net. Besides, the federal government has a pretty dismal record fixing any problem. We need fresh ideas to solve these problems.

But these solutions upset both political parties: Democrats, because of the decreased tax rates, and Republicans, because of the short term increased deficit. But who cares about the politicians' feelings? A country with low tax rates and a lean government is essential to be competitive in a global economy.

Enough blah, blah, blah. It's time to create a solution. ■



## Financial Planning for Surviving Spouses:

Presentation by A. Scott White, CFP®, ChFC, CLU

November 2, 2011 at 9:30 a.m.

Location: Lee Memorial Health System Foundation, HealthPark, Meeting Room 1A & 1B

Reservations are required. Please call 239-985-3550

SEMINAR

## Geriatric Care Managers: Helping You to Make the Best Decisions for Your Loved Ones



As the population continues to age, more families will be faced with the decision of at-home care versus care in an assisted living or skilled nursing facility. For many elderly, the desire to live in their own home setting

can be quite challenging and often times impossible, when they have no one nearby to turn to for assistance. Dawn Moore, RN, is one of the founding Care Managers of the Senior Care Choices program. ■

*The opinions of Dawn Moore and the services of Senior Care Choices are not affiliated with Raymond James Financial Services, Inc.*

### An Invitation for You and a Friend

Dawn will share her experience and tell you what you need to know to help your family.

**Thursday, January 26, 2012**

**11:30 a.m. – 1:00 p.m.**

**Location: Scott White Advisors.**

**Lunch provided. Reservations required.**

**Please call 239-936-6300**

## Myths and Facts about Social Security... *continued from page 1*

**Myth: Social Security is only a retirement program.**

**Fact:** Social Security also offers disability and survivor's benefits. With all the focus on retirement benefits, it's easy to overlook the fact that Social Security also offers assistance in the event of long-term disability. And when you receive retirement or disability benefits, your family members may be eligible to receive benefits, too.

Another valuable source of support for your family is Social Security survivor's insurance. If you were to die, certain members of your family, including your spouse, children, and dependent parents, may be eligible for monthly survi-

vor's benefits that can help replace lost income.

For specific information about the benefits you and your family members may receive, visit the SSA's website at [www.socialsecurity.gov](http://www.socialsecurity.gov), or call 800-772-1213 if you have questions.

**Myth: If you earn money after you retire, you'll lose your Social Security benefit.**

**Fact:** Money you earn after you retire will only affect your Social Security benefit if you're under full retirement age.

Once you reach full retirement age, you can earn as much as you want without affecting your Social Security retirement benefit. But if you're under full retirement age, any income that you earn may affect the amount of benefit you receive:

- If you're under full retirement age, \$1 in benefits will be deducted for every \$2 you earn above a certain annual limit. For 2011, that limit is \$14,160.
- In the year you reach full retirement age, \$1 in benefits will be deducted for every \$3 you earn above a certain annual limit until the month you reach full retirement age. If you reach full retirement age in 2011, that limit is \$37,680.

**Myth: Social Security benefits are not taxable.**

**Fact:** You may have to pay taxes on your Social Security benefits if you have other

### What Is Your Full Retirement Age?

If you were born in	Your full retirement age is
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

*Note: If you were born on January 1 of any year, refer to the previous year to determine your full retirement age.*

income. If the only income you had during the year was Social Security income, then your benefit generally isn't taxable. But if you earned income during the year (either from a job or from self-employment) or had substantial investment income, then you might have to pay federal income tax on a portion of your benefit.

Up to 85% of your benefit may be taxable, depending on your tax filing status (e.g., single, married filing jointly) and the total amount of income you have. For more information on this subject, see IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits. ■

*Source: Forefield, Inc.*

### Major Sources of Retirement Income



*Note: Data may not total 100% due to rounding.*

*Source: Fast Facts & Figures About Social Security, 2010, Social Security Administration*

*The information contained in this report does not purport to be a complete description of the securities markets or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing materials are accurate and complete. Any opinions are those of Scott White Advisors and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein. Past performance may not be indicative of future results. You should discuss any tax or legal matters with the appropriate professional. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.*

*Keep in mind that there is no assurance that strategies discussed in this newsletter or any strategy will ultimately be successful or profitable nor protect against loss. Strategies discussed may not be suitable for all investors. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.*