

# FOUNTAIN FINANCIAL ASSOCIATES

BUILDING LONG-TERM RELATIONSHIPS THROUGH KEEPING PROMISES

Vol. 15, Issue 2: Summer 2014

## Magnify ... Knowledge and Confidence



Vinton Fountain

I am penning this article on my return flight from Chicago and just realized one of the greatest values in the universe ... magnifiers! Maybe this hasn't happened to you yet, but around age 40, my ability to read small print began a slow progression to fuzziness. However, magnifying reading glasses came to the rescue and delivered clarity again. And recently, I bought a pair of magnetic readers that hang around my neck so I don't spend time searching for them ([www.clicmagneticglasses.com](http://www.clicmagneticglasses.com)).

I have realized that investors often suffer from a lack of clarity in understanding their investment costs. Typically, if I ask an investor what they pay for investment services, they will not know the answer. It sounds surprising, but it is true. And it is not their fault.

As a rule, the investment industry is far too complex. The lack of transparency of investment costs is getting better, but it still has a long way to go. As the industry shifts toward the newer preferred model of advice (fiduciary) versus the more traditional model of commissions (sales, products), this should help investors increase transparency and knowledge of costs. Disclosures are not simplifying this issue.

Here is my recommendation. I encourage investors to engage in a conversation with their advisor/provider regarding what you pay and why you pay it. This conversation is productive and will undoubtedly reveal more knowledge regarding the benefits of the relationship.

This conversation about cost should include a healthy analysis of what you receive in exchange for what you pay for the

services rendered. A frequent mistake is to shrink costs at the expense of reduced benefits. This can be very punitive. Understanding benefits is equally important to understanding costs, if not more so. An investor's goals are rarely to shrink costs just for the sake of cheaper services. In fact, most investors want a quality experience that justifies all expenses. Basically, people want to know that the services are competitively priced and that the rewards are exponentially higher than the costs. It is a pretty simple formula.

For example, the cost of my reading glasses is well worth the price. I estimated that I had purchased more than fifty pairs. The magnifiers are worth every penny, dime and dollar.

Engage in a  
conversation  
with your advisor  
regarding what  
you pay and why  
you pay it.

I recently saw a plumbing truck with this statement painted on the side: "The experience of our service will be remembered long after the costs are forgotten." That pretty much sums it up.

The confidence and trust that increases via a candid conversation with your investment provider is uniquely powerful.

I hope you will increase your knowledge and magnify your understanding of what you pay and why you pay it. More clarity and transparency will enhance your knowledge and possibly strengthen your relationship with your providers.

Let us know if we can help.

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# Beyond the Cycle

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Chris Riley, CFP®

As the U.S. economy moves along the curve of each particular cycle, noteworthy characteristics distinguish each in terms of key drivers and detractors. It wouldn't be difficult to believe, based on news reports, that we have been fluctuating between weak and strong growth without much overall progress. While it is

true that the very nature of these cycles leaves us with memories and lessons both positive and negative, the most persistent challenge we face may be the "creative destruction" that must take place along the way. Not only will every expansion eventually subside, we also see our world – and certain comforts of our daily lives in which we have built confidence – changing as well. Some of these may even become major "tipping points" in our world, but in the early days, they feel risky and faddish. Years later, when proof is more evident and validated, we may feel more convinced.

January 9, 2007, probably qualifies as one of the rare instances of which you may actually be able to time-stamp a tipping point. That was the day that Steve Jobs introduced the iPhone to the world. 7 years and 350 million units later, the behavior of millions around the world has been dramatically altered. Worldwide sales of smartphones are expected to double from 1 billion at the end of 2013 to 2 billion in 2017.

More recently, on November 11, 2013, in celebration of Singles Day in China (11/11 – one may not be the loneliest number after all!), unmarried citizens showered themselves and each other with gifts. Alibaba, a Chinese e-commerce company, reported 402 million unique visitors and 152 million parcels shipped via computer and smartphone – a record – and more than twice as many sales that day as on the United States' Black Friday and Cyber Monday combined. It's worth noting that almost 60% of Alibaba (scheduled for a late summer 2014 IPO at a projected record \$26 billion) is owned not by the

Chinese, but by Japan's Softbank and U.S.-based Yahoo.

Although we can draw from thousands of different events over the course of history, sticking to the past 250 years, we could cite as significant tipping points the invention of the telephone, household electricity, the automobile, the airplane, the personal computer, the internet/e-Commerce and countless others. What will be the tipping points we look back on in a few short years that have the most

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*Staying ahead of the curve is crucial to moving the economy – and our net worth – forward, in spite of these cycles.*

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powerful impact? Will it be the US energy transformation, the electric vehicle, digital currency, nanotechnology, medical engineering, cures for cancer? Whether it is all, some, or none of these mentioned, we witness these gamechangers with some degree of both optimism and trepidation. After all, we're only just getting pretty good at living with and utilizing some of the very things that these new,

unproven innovations or significant events may force us to change. Maybe not overnight, but probably a lot sooner than we'd really like.

In the world of business and investing, staying ahead of the curve is crucial to moving our economy – and our net worth – ahead through the ups and downs of each time period. By nature, we are constantly exploring ways to improve our existing reality and dream of new "what ifs." So the drumbeat continues on, as it has for all of history – filled with questions, debates, failures, and plenty of "learning the hard way" and "I told you sos."

Even when businesses are able to move ahead of the curve, most often the work of making the ideas viable and truly impactful takes years. However, the incentives created by capitalism and free markets will continue to greatly reward innovation and refinement. This is, and always will be, the long view for citizens and investors in what is truly a global economy.

A handwritten signature in blue ink, appearing to be 'Chris Riley'.

# 529 Plans: Smart Saving for College



**Buck Beam**

Did you know that May 29<sup>th</sup> (5/29) was 529 College Savings Day? Just in case you missed it this year, we wanted to provide an update regarding college savings and share our best thoughts

on the topic.

As of March 2014, student loans in the US totaled over one trillion dollars. While we support and encourage education, many of us want

our children and grandchildren to receive that education without being saddled by loads of debt.

Many of our clients and several members of our team (including myself) use 529 plans to save for our children and grandchildren's college educations.

We are often asked the best way to save for college, and our advice usually boils down to a few simple ideas:

- 1) **Start saving early.** The power of compound interest is like the wind at your back, particularly if you start saving years before school starts.
- 2) **Save consistently** – Whether it's once a year or every month, a consistent commitment to savings makes accumu-

lating the large amount a student may need much more reasonable.

- 3) **Use a 529** – The major benefit of investing in a 529 college savings plan is that earnings on these accounts are tax free if the money is used for qualified education expenses. Over time, the benefit of tax-free growth is substantial. In some states there are additional state tax deductions for contributions to 529 plans. (For example, this is true in South Carolina, but it is no longer true in North Carolina.)
- 4) **Don't compromise your financial well-being to avoid all debt** – In some cases, parents are willing to defer their retirement goals to help their children. While most of us want to minimize the debt burden on our children, that shouldn't mean putting ourselves in a difficult financial situation. If your child wants an expensive education, allowing them to take some ownership – and maybe even take on some debt – may make sense.
- 5) **Remember that education should be an investment.** Higher education should lead to higher earnings. Said another way, there should be an expected return. A five-year degree in romance languages that leads to a barista job and a mountain of debt can be an enormous drain on your family's time and resources.

If you would like to discuss your 529 investments, or education funding in general, please give us a call. We are happy to help.

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## Words Worth Repeating

*“The best way to find yourself is to lose yourself in the service of others.”*

**MAHATMA GANDHI**

*“If you want to lift yourself up, lift up someone else.”*

**BOOKER T. WASHINGTON**

*“If you go looking for a friend, you're going to find they're scarce. If you go out to be a friend, you'll find them everywhere.”*

**ZIG ZIGLER**

# Keeping Promises

# Latest FFA Happenings

## 2014 Valentine's Day Event

We hosted our annual Valentine's Day market update on March 7, 2014, after rescheduling the event due to the ice storm. Vinton and Buck covered events in 2013 and our outlook for 2014.

PICTURED AT RIGHT: Kathy and Jim Busby.  
PICTURED BELOW: Dr. Marvin and Micki Hage, with Mike and Kathy Thompson.



## Annual Shred Event

We had the largest turnout to date for our 2014 Shred Event on May 10th. We will certainly continue this event next year to assist you with shredding and recycling your old documents.



**UPCOMING  
EDUCATIONAL EVENT**  
*Estate Planning:  
The Basics*  
**Thursday, July 31, 2014  
at 9 am**



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