

FOUNTAIN FINANCIAL ASSOCIATES

BUILDING LONG-TERM RELATIONSHIPS THROUGH KEEPING PROMISES

Vol. 18, Issue 1: Spring 2017

The Genius Of Simplicity



Vinton Fountain

I received a letter from a client recently that reminded me of a quote from the great Albert Einstein. Einstein said “everything should be made as simple as possible...but not simpler.” The client was appreciative for the successful outcomes over the last decade that involved basic and simple fundamentals. I read this note of gratitude just behind

an article in the Wall Street Journal reporting on the lackluster investment results of large prominent Ivy League endowments such as Harvard and Yale.

It was curious to me that our client was successful and the smartest investment institutions in the world were lagging. These polarized circumstances triggered my opinion that excellence does not need to be complicated. In fact, simplicity is desirable most all of the time. Successful investing does not need to be overly complex.

It is true that the investment industry may create unnecessary complexity. Let’s face it; Wall Street likes to dazzle investors with trendy new investment products and themes. You may wonder why this is so? They sell better! (I apologize for the over simplification.) Recent news regarding the failure of complex products such as hedge funds and alternative investments (oil and gas, real estate, hedging contracts, currency, commodities) illustrate my point. For over twenty years, we have communicated with Wall Street’s sales machinery about the next hot product that changes everything. From our beginning, we have maintained a healthy dose of skepticism in the idea of the day or the next sizzling hot story. For example, think about those great stories

leading up to the dot.com bubble in 1999. And, who can forget the armageddon of Y2K?

If someone says “this time is different”, you might take that as a strong alarm to slow down and hit pause. The great John Templeton said “Avoid the popular. When any method for selecting stocks becomes popular, then switch to the unpopular.” Templeton was a brilliant man.

So, wisdom suggests that it is prudent to avoid complicated investment themes and the product du jour. Instead, keep it simple. Invest in things you understand or that your professional can explain in language that makes sense. Great results do not need to be complicated. The far more important concept is the eighth wonder of the world...time and compounding. If an investor will invest in the best businesses in the world, led by the smartest management, providing world class goods and services to an ever increasing global consumer, the results tend to be good. And, in most cases, a dividend that tends to increase each year so that your income keeps pace with inflation.

In closing, beware of the new idea. It is often the well-executed old idea that works. This concept is similar to a great song that never gets old or a great book that gets better each time you read it. Tolstoy told us “there is no greatness where there is not simplicity”.

It is often the well-executed
old idea that works.

Make it a great day,

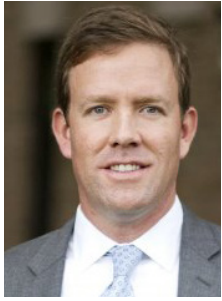
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The Power Of Fear



Buck Beam

We have written before about the emotional reactions investors experience when markets change. Part of our job as advisors is to keep clients from making decisions based on these emotional reactions. Sometimes we talk about this in terms of making rational or irrational decisions during market disturbances.

In a PBS interview about economic bubbles, economist and Nobel Laureate Robert Shiller noted that “fear is perfectly rational, fear is what keeps us alive.”

This comment struck home. If you are in the jungle and you hear something loud and scary, fear is what tells you to turn and move in the other direction. Fear in this case is perfectly rational and it may save your life.

When markets are volatile, we are quick to say they are acting irrationally. However, being concerned about market volatility is perfectly rational for the individual investor because it involves your nest egg. Often this is money saved over decades and watching the daily or monthly movement instills an emotional reaction. Running out of money during retirement might be catastrophic because not everyone has the ability to live off of Social Security or pension income. This fear is therefore perfectly rational. What’s important is that your response to that fear needs to be equally rational.

If I hear something large moving and growling in the bushes, I have options. I could quietly move in the opposite direction, quietly climb a nearby tree, stay perfectly still...or I could run screaming in the opposite direction. The last answer isn’t rational.

During this recent period of positive returns and relative calm in the markets, it is important to remember the need for rational response to volatility in financial markets. Has the volatility created a bargain for some assets? If so, we might want to move some money in that direction. Has the volatility changed our asset allocation? Perhaps we need to rebalance accounts? These are rational responses to rational concerns. The irrational answer might be to sell all of your investments and put the money in your sock drawer. Now you are just running and screaming through the woods. Wise decisions are not typically made in a fearful state.

We cannot control what happens to the stock market, interest rates, politics or global events. Having an emotional reaction to these events is perfectly rational. Part of our job is to help create a rational response.

If you feel an emotional response after reading an account statement or if an article in the paper truly worries you about your nest egg, give us a call. We will try to balance a potential emotional response with a more grounded perspective.



SHORT-TERM
MESS



LONG-TERM
REALITY

BEHAVIOR AMP

Boch

Words Worth Repeating

“Attitude is a choice. What you think you can do, whether positive or negative, confidence or scared, will most likely happen.”

PAT SUMMIT

“May we think of freedom, not as the right to do as we please, but as the opportunity to do what is right.”

PETER MARSHALL

“Since you get more joy out of giving to others, you should put a good deal of thought into the happiness that you are able to give.”

ELEANOR ROOSEVELT

“Service to others is the rent you pay for your room here on Earth.”

MUHAMMAD ALI



Predictions To Count On In 2017



Brice Gibson

With the election behind us, speculation has decreased to some degree. However, the New Year is a customary time to speculate about the year ahead. Most people have an idea, a theory, or the next big thing especially in regards to investments and the markets. Everyone is entitled to their own

opinion and free to speculate what the future may hold. There is certainly no shortage of available opinions.

As an advisor I am frequently asked what my predictions are for the future. While uncertain, the probabilities of different outcomes that I share with friends and clients are based on historical precedent and grounded in decades of academic research.

We do not have a crystal ball, but here is a list of predictions that I am confident we can count on for 2017:

1. Global markets will go up and down.
2. There will be unexpected news that will drive the value of the markets.
3. Speculation about the timing of the next interest rate increase will occur daily.
4. Even more speculation will occur about the impacts of Trump's policies.
5. The financial news media will debate short-term market direction constantly.
6. Some companies will prosper while others will struggle.
7. Some countries' economies will strengthen while others will weaken.

I know, this list is very generic. Uncertainty will never go away and predictions will either be right or wrong.

The real question is how do you handle uncertainty? You prepare for it. I often tell my clients that if you listen to the weather channel like you listen to the financial news media you would never leave your house. This gets a laugh, but there is some truth in this. The meteorologist gives you a forecast, and it may call for precipitation, wind, cold and sunshine all in the same day. Whether or not all of these predictions occur you prepare for them and your day is rarely interrupted unless some sort of extreme event occurs. As an investor you must do the same. Investors must prepare for all seasons, climates, and events that the market puts in front of them to meet their financial goals.

Investors often put their investment strategies in danger by focusing on speculation. Focus on what you can control by having an investment process with a well-diversified, balanced portfolio that is built for your risk and financial goals. Don't let uncertainty ruin your investment process, prepare for it.

We wish you and your family a prosperous New Year!

Brice

Keeping Promises

Latest FFA Happenings



Annual Shred Event

Soon it will be time for some Spring cleaning! FFA will be hosting our yearly Shred Event on Saturday April 29, 2017. We invite you to come by our office on Saturday morning between the hours of 9:00 am and 12:00 pm. and bring any material you would like to put in the Shred truck Pictured at last years Shred Event are Buck and Beau Beam and Brice and Stewart Gibson.



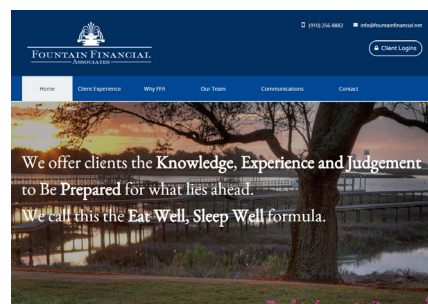
William H. Craig 5K

Mary Grigg and Clayton Fountain, Margaret Robison and Kay Warren participated in this year's William H. Craig 5K. The event celebrates Girls on the Run, Heart & Sole and STRIDE participants. It honors the legacy of Dr. Bill Craig, our friend and a beloved member of the community who believed in giving back. The event was sponsored by Campbell & Covington Orthodontics.

Updated FFA Website

www.fountainfinancial.net

Have you visited the updated Fountain Financial Associates website? From here you can access our recent and archived client communications, log-in to your accounts and communicate with us. If you are interested in online access for your accounts or setting up electronic statements, please let us know.



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