

# FOUNTAIN FINANCIAL ASSOCIATES

BUILDING LONG-TERM RELATIONSHIPS THROUGH KEEPING PROMISES

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## In A Hole...Stop Digging



Vinton Fountain

I am frequently asked “who are your biggest competitors”? It is a good question and I appreciate it. The answer is usually unexpected and received with surprising curiosity. Our greatest competitors are not other competing banks and brokerages, but rather human procrastination. In my opinion, this behavioral mistake has reached epidemic proportions. Maybe you have

heard the sage advice if you find yourself in a hole, stop digging. Procrastination is a hole. Although, this might seem simple, it is prevalent among investors who are overwhelmed with options, information and an industry that is changing dramatically.

The costs of procrastination are more severe than we consciously understand. We forget that not making a decision is a decision. In many cases, the cost of inaction may be more expensive than all other costs combined. One reason is these costs are often silent and out of sight.

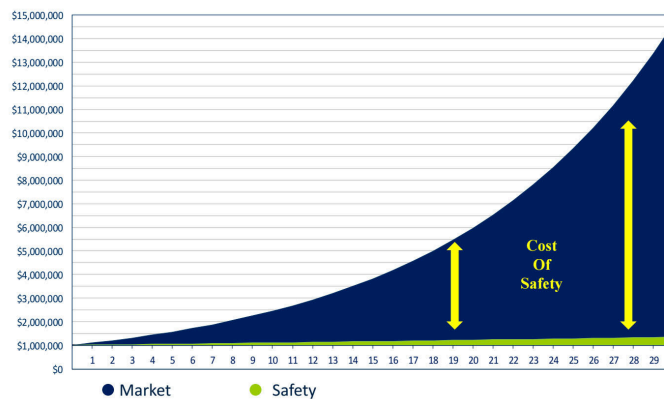
For example, individuals experienced extreme stress in the financial crisis of 2008/2009. In many cases, people believed that cash was a good investment and that safety was worth whatever the costs. So, assets were moved to safe havens and low interest earning money markets. Since that time,

the value of the S&P index has increased by 350%. Let’s take a look at the cost of safety.

Assume an early retirement age of 60. Most individuals will need assets to produce income for thirty years or until age 90 in this case. If a family has assets of \$1 million, the math over a thirty years is dramatic.

For example, \$1 million invested in the S&P Index over thirty years grew to over \$14 million (see chart). These returns have been adjusted for 1% investment advisory services. Now, take the same \$1 million invested in safety or cash earning 1%. Over the same thirty years, the safety account accumulates to just over \$1.345 million. The estimated difference or the cost of safety is an astounding \$12.655 million. If we include the impact of inflation and taxes, the safety account provides a negative return. I call this the capital destruction formula. This math also reveals the power of time and compounding.

So, safety is not cheap or safe. It is expensive and risky unless you don’t need a return on your assets. Most of us need a positive return so that we have income for life and financial confidence.



Our human condition allows for potential mistakes. Procrastination is one of the worst and can be expensive. And, this behavior operates silently, quietly and seemingly without costs. This seems like a very logical conclusion but yet the data in our country suggest that many people are procrastinating and accepting these negative

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# Always Learning

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**Buck Beam**

Earlier this spring, many of our clients took a few minutes to complete an anonymous electronic survey about their experience with our firm and expectations for our relationship. The same survey was

conducted nationwide by similar firms for benchmarking purposes. We appreciate the feedback you provided and always learn from these exercises.

Here are a few key findings according to survey respondents:

- "Progress towards my goals," "Sense of security and peace of mind," and "Investment returns" are the top three most important measures of value received from FFA.

- Investment management, Retirement planning, and Tax planning are the three most important services we offer.

- Satisfaction among clients was very high in all areas and notably higher than peer firms in the following areas: "Professionalism of team," "Responsiveness to questions and requests," "Ability to communicate effectively," and "Understanding my needs and goals."

- 99% of survey respondents would recommend FFA to their friends, family members and colleagues.

Many clients also took the time to offer additional ideas, suggestions and feedback that will surely influence our client service processes and review meeting agendas over the coming year.

Thank you for taking the time to share your thoughts with us and know we are always interested in learning from your feedback.

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## How To Help

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The financial world is changing dramatically. Unfortunately, some of our friends and family don't always have the needed information or education to navigate these changes and make wise decisions. We are concerned about it and so are others. The problem of not having sufficient resources late in life is tragic.

We can make a difference. Helping friends validate their strategic thinking is powerful. It is unnatural for most people so it takes courage. We see people retire, move to the area, sell a business or property, and inherit assets that can use some guidance. Do you ever see these circumstances?

Here is what we suggest. If you want to help a friend or family member, introduce our firm by sending an email highlighting your experience. Copy us on the email at [info@fountainfinancial.net](mailto:info@fountainfinancial.net). This will be a

safe introduction and they will appreciate your thoughtfulness. We will request an introductory meeting. Most people will not call for the meeting on their own. It doesn't happen due to human procrastination and it feels scary taking the first step.

Helping family and friends is one of the most impactful gestures available. People like helping people. We are here to support you, and will take great care with any introductions.

Thank you!

## Words Worth Repeating

*"Sometimes the smallest step in the right direction ends up being the biggest step of your life. Tip toe if you must, but take the step."*

COLIN POWELL

*"The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."*

WINSTON CHURCHILL

*"The way to get started is to quit talking and begin doing."*

WALT DISNEY

*"In matters of style, swim with the current; in matters of principle, stand like a rock."*

THOMAS JEFFERSON

*"Happiness lies not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort."*

FRANKLIN D. ROOSEVELT

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# What is a Fiduciary and Why It Matters

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Chris Riley

Potentially lost in the shuffle of news regarding improprieties at large financial institutions and the battle over what the final standard for investment financial professionals, could be “What is a fiduciary anyway, and why does that matter to us?” It has been a topic of hot debate for over two years now, so what exactly is all the fuss about?

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*Fiduciary duty is defined as the highest standard of care in either equity or law.*

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A fiduciary must place the interests of the person he is serving before his or her own and must provide the very best duty and care in all circumstances. An investment fiduciary is providing investment advice or managing the assets of another person and stands in a special relationship of trust, confi-

dence, and/or legal responsibility.

Prior to any discussions of changing these requirements, our firm and other registered investment advisors have operated under a fiduciary standard. Most financial professionals aren't held to the same high standard and only are required to recommend investments that are 'suitable' for the client. Although these two sound very similar, it can mean a real difference in practice and certainly in net results.

Large institutions have led the charge to oppose and weaken any fiduciary standard largely because it might affect their ability to avoid conflicts of interest created by proprietary investments, incentivized arrangements and even exclusive treatment for certain investment products. The question becomes can you serve the interests of shareholders and the very top of your clientele while still serving the best interests of all the firms' clients? That's not something that has been as highlighted in the past, but what will that look like if all financial professionals are held to a universal fiduciary standard?

The good news we think, is that any progress towards a fiduciary standard would mean a trend towards lower overall expenses for investors and with adherence to this standard, potentially improved performance. Even more importantly we feel that unification within the financial services industry with a goal of putting clients' interests first, through heightened transparency and professional integrity would be a huge win for the investment community at large. Spending more time with clients thinking strategically, actively monitoring, and focusing on the processes and behavior that have led to achieving successful results, rather than overemphasizing products and tactics, would appear to be a net positive for all. Regardless of the final version implemented to improve the current environment, the fiduciary concept should matter to both investors and advisers in the future. Thanks,

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## Five Things To Know About The White House's Tax Reform Plan

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- 1) The number of tax brackets would be reduced to three: 10%, 25% and 35%.** Currently, the tax code includes seven brackets, so reducing it to only 3 could streamline and simplify the tax code. Reducing the number of tax brackets also provides an across-the-board tax cut, as the top rate would be reduced from nearly 40% to 35%.
- 2) The estate tax, alternative minimum tax (AMT) and the Obamacare surcharge would be eliminated.** The estate tax affects estates worth \$5.45 million upon the owner's death; the AMT is a supplemental income tax (in addition to the regular income tax) required for certain individuals, estates and trusts; and the Obamacare surcharge is 3.8% tax on capital gains and dividends. All three would be eliminated under Trump's plan.
- 3) With the exception of charitable and mortgage deduc-**

**tions, personal deductions would be removed from the tax code.** Home office deductions, employee business expenses, transportation expenses, childcare expenses, student loan expenses, state and local tax payments and all personal deductions aside from charitable contributions and mortgage expense, would be eliminated under Trump's plan.

**4) The corporate tax rate would drop to 15%.** The U.S. corporate tax rate currently stands at 35% which is the third highest in the world. This is a key driver of stock prices. Lower taxes lead to higher after-tax earnings, leaving more money for companies to spend on growth or to return to shareholders.

**5) The standard deduction would double.** Trump's proposal would increase the standard deduction from \$6,300 to \$12,600 for individuals and married couples filing separately and from \$12,700 to \$24,000 for married couples filing jointly.



## *In A Hole...Stop Digging*

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results.

So, when in a hole stop digging. Investors tend to get poor results from behaviors, not bad markets. This may be counter intuitive to some people and certainly causes difficulty in taking action. Hemingway

said, "as long as you can start, you are all right. The juice will come." It may be difficult at times, but taking action is the best option and allows confidence to follow.

My best, *Vonte*

## *Latest FFA Happenings*



### **Congratulations Are In Order**

We are so happy to welcome the newest member of the Fountain Financial Associates team, Bennett Sawyer Gibson. Brice and Ashley are the grateful parents of Stewart, 3 years old and little Bennett who was born Feb. 20th. Our FFA team enjoyed meeting Bennett in person at our annual Shred Event held April 29th. We had a huge turnout for the event and were so happy to see many of you.



### **PGA Event In Wilmington**

Wilmington was the proud host of the PGA tournament the first week of May. People of all ages enjoyed being at the beautiful Eagle Point Golf Club to watch their favorite players. Brian Harman won the exciting final round after an impressive 28-foot birdie putt. Pictured here are some FFA children and friends who caravanned to the tournament. A great time was had by all!



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