Fountain Financial Associates

BUILDING LONG-TERM RELATIONSHIPS THROUGH KEEPING PROMISES

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Profits or Politics (Facts or Hypotheses)

Vinton Fountain

This past summer was highlighted with events and headlines that are emotionally charged such as statues, political rhetoric around North Korea and world events of the day. These circumstances reveal the plight of humanity to balance hypothesis and fact. Typically, controversy is generated from hypothesis, not around fact. We tend to hypothesize about subjects to serve our own purposes creating a maze of opinion, attitudes and theories. Facts tend to be fixed and final.

The twentieth century author James Allen writes "We are living in an age of freedom and mental conflict. Never were religious sects so numerous. Schools, philosophical, occult and otherwise abound, and each is eager for the perpetuation and dominance of its own explanation of the universe". Those words were likely written over 125 years ago.

We see the impact of these circumstances in our efficient markets, behaviors and attitudes. Many times an individual will become frustrated by events of the day, which will generate a cynical perspective about our future. This attitude can create a loss of confidence and a breakdown of trust.

> *Successful investing is more about avoiding mistakes than predicting the future.*

Sometimes, this condition may lead to potential mistakes. Successful investing is more about avoiding mistakes than predicting the future. Does that make sense to you?

I would like to share some facts. Our economy is growing albeit slower than needed. Profits are generally good and improving. Inflation is low and relatively stable. The consumer is financially stronger with continued improvement in housing values, employment opportunities, and confidence.

As we approach the onset of autumn's changing foliage, consider the differences of hypothesis and fact. Try to recognize and accept that we control more than we think. Allen said "Man is, as he thinks, as so he is". Our open and free culture allows freedom of opinion and the associated hypothesis. This aspect of our society tends to create controversy and division. The facts are stable and secure. Our opinion and hypothesis that follow can be divisive and controversial.

Our political structure and information outlets seem to prefer hypotheses over facts. Headlines are rarely good for investment or financial planning decisions. I believe the wise investor should avoid the traps of confusion and controversy. Instead, lean into the changing world with optimism, trust and confidence.

Your assets and happiness will appreciate this wisdom.

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From Seed to Harvest

Chris Riley, CFP®

This fall will be one that I will always remember, as my oldest daughter begins her freshman year of college. From curly headed toddler to beautiful, intelligent young lady went by far too fast. As much as I'd like to take more credit for what she has become, I feel most proud of who she's become through her own strong faith, belief in herself and hard work. I've had the good fortune to see scores of other young men and women pursue their higher education over the past two decades, and while some things most certainly change, the core tenets of education and gaining lifelong wisdom still remain. It is a time of life that many of us will never forget nor will our children and grandchildren, as they mature towards adulthood.

In 2001, 529 college savings plans underwent a huge transformation, as the Bush tax cuts allowed earnings inside college savings accounts to not only grow tax deferred but to be distributed tax free if used for qualified education expenses. My daughter was 3 at the time, and with a newborn just arriving, we decided that it was a good plan to save what we could for their future education. Granted, it seemed a long way out at the time, but we went ahead and jumped into a college savings account for both girls, drafting $100 a month for each and increasing that amount when we were able over the subsequent years. Nothing too exciting or fancy either, as there were absolutely no changes in the investments themselves or attempts to outsmart the market. We reduced the allocation to something less risky as college drew near but only using the old standby investment options that we had started with. Along the way we witnessed the Dot-Com Bubble, September 11, 2001 and ultimately the 2006-2009 Financial Crisis. That may not have been one of the best 15 years in recorded market history, but through the middle of 2017, a 7.38% average annual return and a 140% total return looks pretty good. With the cost of college has been growing at a clip close to 8% annually so far in the 21 st century, keeping pace with that inflation only increases the importance of planning ahead. I promise you this wasn't meant to be a farming analogy, but planting those seeds early and often are what provides that needed harvest when the time is ripe. My story is basically just a repeat of what we've been seeing over and over again over the past 20 plus years.

College savings plans are tremendously impactful investment tools for parents, grandparents and young people to take advantage of the combination of time, compounding and tax favored treatment that starting early can generate. Although we consistently beat the drum for these plans here at Fountain Financial Associates, with a new school year upon us, it certainly bears repeating. Having seen it work well over these past 15 years, there's a pretty good chance it will continue to be a smart choice in the future. There is no shortage of available resources to help project these future expenses, but the simple truth is that we have no way of knowing precisely the future of education costs or market returns, not to mention the expanding gap between public and private education costs. Our best advice to clients is to just get started with contributions knowing that the best time to begin is always today. We're here to answer questions and help with details, so don't wait. Start planting today.

Got the Gold Bug?

Brice Gibson

As Investment Advisors, we are occasionally asked our opinion about gold as an investment. I must admit, I love gold. It is shiny, heavy and looks great with a diamond, but we do not see it as an investment. Gold can't grow its earnings over time and it pays zero in dividends or interest. So why do people own gold?

For some people gold is not an investment, but a religion. These people typically own gold for the sole purpose of having currency in the event of an apocalypse, or as a flight mechanism during times of a total catastrophic national collapse when a family fleeing needs capital to start over in a new country. But such fears come at a price. To buy gold bars you will pay a premium above its market or "spot" price. This can be anywhere between 2% and 5% and it's higher for coins due to the fabrication costs. After you have paid to have it transported to you or your bank, you then pay to store and insure it, which typically ranges from 0.5% to 1% annually. You can always store it in your own safe or bury it in the ground (ironically where it came from), but most insurers will only cover up to $1,000 of gold in your home. The Ace Group, an insurer of coins and bars, charges between 1% and 1.5% annually depending on how secure your house is. To sell your gold the buyer might require an appraisal or "assay" and offer you a discount to the spot price.

From our perspective as financial advisors and whether or not to include gold as a part of a long- term portfolio, let's look at its history. Gold hit $400 an ounce in November of 1979. It did not cross the $400 threshold and stay over that mark until August of 2004. That is 25 years of missed opportunity not to mention 25 years of missed dividends and or interest from traditional investments.

Allow me to refer to Warren Buffet's meditation on gold from his 2011 shareholder letter where he estimated that all of the gold mined in history would make up a cube about 67 feet in every direction. He mused about what else one might do with its value at today's prices. "For what that's worth at current gold prices, you could buy all, not some, of the farmland in the United States. Plus, you could buy ten Exxon Mobils, plus have $1 trillion in walking around money. Or you could have a big cube of metal. Which would you take? Which is going to produce more value?"

Gold's poor long term return is due to the fact that it has very little intrinsic value. It is not a productive asset because it produces nothing. If you own stock in a company, the company produces goods and or services, and if the company is any good it generates a profit as well.

The purpose of gold from a financial standpoint is purely speculative. For those willing to keep a close eye on its value fluctuations and gamble on gold ownership there have been short term opportunities, but the precious metal will eventually return to its baseline since it is a non-productive asset. Productive growth requires an asset to produce or create something. This is why gold is generally a poor investment.

The next time you see a C-List actor come out of retirement to promote gold, think about Warren Buffets meditation on gold from his 2011 shareholder letter. It's hard to fathom $1 trillion dollars of walking around money, but that sounds a whole lot more fun than owning a 67 x 67 foot cube of metal.

Brice

Words Worth Repeating

"Friendship is unnecessary, like philosophy, like art…it has no survival value; rather it is one of those things that give value to survival."

C.S. LEWIS

"It is good to have an end to journey toward; but it is the journey that matters, in the end."

URSULA K. LE GUIN

"Opportunity is missed by most people because it is dressed in overalls and it looks like work."

THOMAS A. EDISON

"Nothing is Impossible; the word itself says "I'm possible"!"

AUDREY HEPBURN

Latest FFA Happenings

Meet our newest team members

Maria Forger

Maria Forger joined Fountain Financial Associates in April of 2017 as their Director of First Impressions.

She and her husband have two daughters, who've both now graduated college. They are thrilled to be new home owners in this lovely state, and look forward enjoying all that it has to offer.

Caroline Hills

Caroline Hills joined Fountain Financial Associates in December 2016 as Business Manager of Operations.

Caroline is responsible for compliance oversight, financial management, human resources, special projects and office management.

Caroline relocated to Wilmington, NC in 2013 and she and her husband Gary enjoy traveling and going to the beach.

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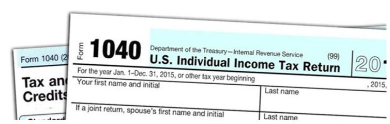

Thinking Ahead

As we approach the end of the year, we are busy thinking about tax-related portfolio management opportunities. If you have significant taxable gains or losses outside of your accounts with Fountain Financial Associates, please let us know. This activity could come from business, real estate or other investments, and we will use this information to maximize year-end portfolio tax management.

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