*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

***Helping You Secure Your Future™***

**henry@YourIndependentAdviser.com**

# *Fall 2017 Newsletter:*

***#1 Why This Economic Expansion (Still Not a Recovery) Can Continue (At Least for a While), But That Doesn't Mean There Won't Be Speed Bumps!***

***#2 Don't Lose Your Balance He Told Me...If I Knew What He Meant, Maybe I Wouldn't Have Gotten a Bloody Nose?***

***#3 The New Fiduciary Rules: Creating Paragons of Vitriol?***

***#4 Cash is Not Trash, Cash is Not King... But Cash Does Provide You With the Big Double O's: Opportunism and Optionality***

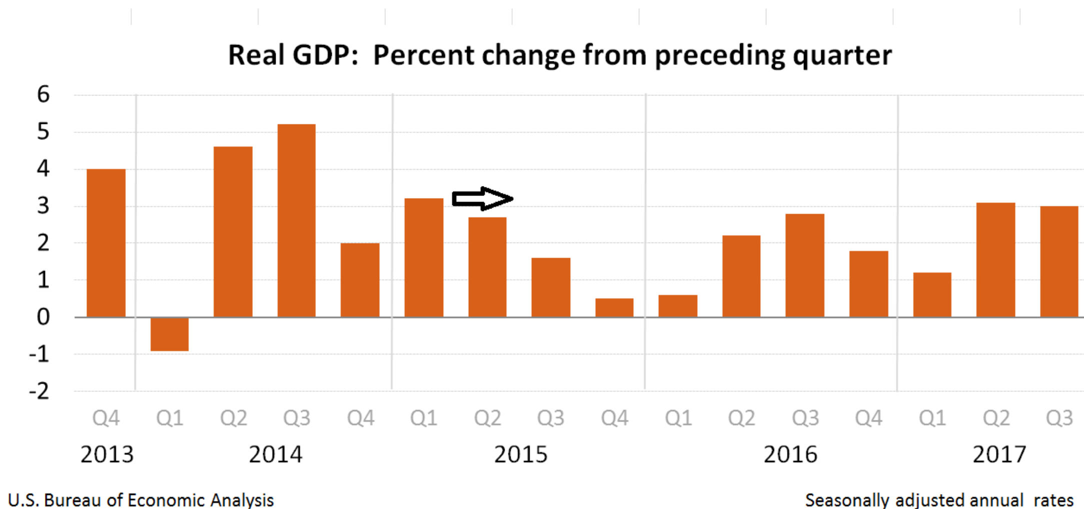
*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

# Why This Economic Expansion (Still Not a Recovery) Can Continue (At Least for a While), But That Doesn't Mean There Won't Be Speed Bumps!

The BEA (Bureau of Economic Analysis) is responsible for collecting data on and then reporting, changes in the Gross Domestic Product (GDP) of the US. In recent years, we have been quite disappointed by the slow pace of growth in our economy, so much so that we contend that there still has not been a recovery from the Great Recession. Economically speaking, we have not made up for the contraction of 2007-2009 and continued the 3% trend line growth that has been the norm in the post WWII era.

2017's second and third quarters have shown decent growth, coming in at 3.1% and 3.0%[1], respectively. But following another poor first quarter, unless the Christmas season is the best in years, we still will post full year GDP numbers in the 2%-ish range. Maybe a few tenths better than the previous couple of years, but still not what we would call a "recovery", or even trend line growth.

Taking a look at this more detailed chart below, also from the BEA[2], it is evident that we have had sluggish growth for quite some time.




We drew an arrow near the beginning of 2015 to emphasize this point. Look at all the "white space" between the top of each bar and the 3% line, from 2015 until now. This is below trend line growth without the benefit of having seen above trend line growth (for a sustained period), since the end of the recession in June, 2009. It is all a part of the mediocre economic news backdrop that you're probably already well aware of even if you're not versed in all the details. Let's add in contentious debate in Washington, D.C on

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

passing tax cuts/tax reform and we may all feel as though we're stuck in an never ending bad play.

But all is not so bad. The economy is still growing and even a devastating hurricane season did not change this. Our favorite economic think tank, the American Institute for Economic Research, continues to report that their leading indicators point to continued expansion for the foreseeable future[3].

While we don't quite see a recovery as yet, this economic expansion is now over eight years old. The longest expansion in the past century clocked in at exactly 10 years (1991-2001), so ours is definitely getting older (whether or not we count in dog years). Since we failed to see the normally expected high flying growth in the early years of this expansion, there is still a bit of optimism that overall growth could continue for some time.

While some economic players have enjoyed great prosperity, perhaps by starting successful technology businesses or investing in the stock market heavily after the 2009 bottom, a great number of folks are only beginning to pull themselves up from financial stagnation. Their gains can become everyone's gains, as a rising tide does indeed lift all boats. Consumer confidence increased in October of this year to a level that was last seen 17 years ago[4]. If consumers open up their wallets for the upcoming holiday season as expected, we may clock in with another 3% (or slightly better) quarter for Q4. Start of a trend, perhaps? Maybe.

In October 2007, the stock market was hitting a new record, while the economic and financial picture began to darken. This is simply not the case today. There is a built-in expectation for corporate and (to a lesser extent) individual income tax cuts, which have not yet materialized. If they are delayed much longer or watered down, we think some kind of pull back or even a correction, is likely.

But then one might argue, so what? While the current bull market is generally thought to have begun in March of 2009 with a low of around 666 on the S&P500® index, let's keep in mind that there have been significant hiccups along the way. But this bull was not replaced by a bear. For example in 2011, this large cap index fell almost 18%, based largely on the US Treasury debt downgrade by S&P and other political and fiscal infighting in D.C. This deep correction proved to be a buying opportunity. For the entire year of 2011, the Vanguard 500 Index fund posted just under a 2% return[5]. But had you focused more on other aspects of your financial planning, forgotten about the volatility and just checked in at year-end, you may have wondered what all the fuss had been about.

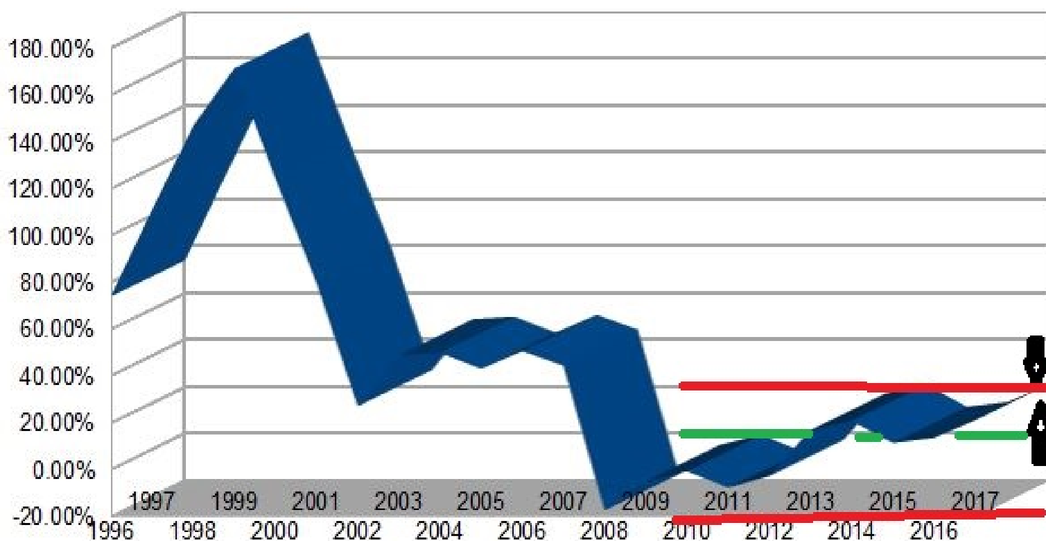
*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

The stock market is a leading indicator of the economy, especially at major turning points such as October, 2007. But it can also just get ahead of itself, as with the Crash of 1987. We only really know for sure, after the fact. But knowledge of past market and economic history can be a big help.

We offer the following as a sobering example. 1984 was one of the most stupendous years in US history from an economic growth perspective, with 7.3% GDP growth[6]. We have not seen anything close to that performance since. But what did the stock market do during that same year? It barely registered any gain at all.

Sometimes markets need to "take a breather" and consolidate gains before going higher. This is normal and healthy. In fact, going straight up is abnormal and leads to bubbles. Some of our event level predictor (ELP) "friends" now forecast a "stock market melt-up"! Get in now, ride it to the top and then get the heck out, right? We'll take a pass on that one. But these ELPers need a new gimmick, nonetheless.

So where does that leave us? Here is our current view on stock market valuation.




While we have a chart going back to 1970 (as a point where we assume "fair value" existed), we present this abbreviated version for ease of viewing. The current level seems to be on the high side of a range. This range stretches from -20% to +20% from a point of our definition of "fair value". Markets can and do go up much higher than this, as the chart demonstrates. But this rise from the depths of the 2007-2009 bear seems more well behaved than some past bull markets.

We would certainly not advise to sell everything and go to cash. But if you have not re-balanced back to your target asset allocation (do you know what yours is?) in the past

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

twelve months, it is time to get your pig out of a poke. Keep in mind: bulls make money; bears make money, but pigs? I think you get the picture.

Getting a market correction within the next calendar year may turn into a blessing in disguise. If markets consolidate the gains of the past several years and turn in a slightly positive or slightly negative 2018 calendar year performance, do not be afraid. Look at those GDP growth numbers and see if they continue to point upward. Getting a "1984 type year" would be a huge plus.

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

# Don't Lose Your Balance He Told Me...If I Knew What He Meant, Maybe I Wouldn't Have Gotten a Bloody Nose?

I can vaguely remember my father shouting at me something to the effect: “Don't lose your balance!”. Balance? What was that, something I dropped? I'm peddling along, but all of a sudden, something's not right. And there I went, right down to the ground. At the time, I don't recall whether I actually knew what “balance” meant. Truth be told, my mother was more instrumental in helping me to learn how to ride a bicycle. She simply had patience for a struggling young boy who didn't have a good enough grasp on what that word “balance” meant.

Much of personal financial planning really comes back to that same word. Ultimately, it is not about maximizing your return or minimizing your risk (or even your expenses). Achieving a sense of balance among your family life, career and finances, is paramount. But in our experience, we see that it's the financial life which is usually sacrificed, but at a great long term cost.

The rationales we sometimes hear from those who talk to us for the first time and delve into their past to explain their financial decision making, appear to be similar: “I simply had no other choice”. That may seem to be the case when you arrive at the end of the line. No decision making earlier on, or poorly thought out choices, or a lack of unbiased advice, or perhaps acting on poor advice, all resulted in being backed into a corner from which there appeared to be no good way out.

Balance in life seems to imply that there are no extreme conditions that create unpleasant outcomes. We would sail through life, eat right, get enough exercise, pay all our bills on time, save for retirement and of course, sleep well (and enough). We would love our families and everyone would love us. We would all get along just fine. If only life was that easy.

When it comes to investing, balance in a portfolio implies that multiple, fundamentally different asset classes are all present, in specific or targeted proportions which would result in a desired level of risk and return, over various holding periods. In fact, these specific proportions are customized to a given investor, in order to achieve the balance between risk and return that is desired. We have described the three dimensions of risk tolerance elsewhere (willingness/ability/need: to take risk). Maintaining “balance” among these three elements is another but different, example of what we mean by balance.

Once achieved, balance is not like a childhood vaccine, where the patient is “good to go” for the rest of their lives (or maybe until shingles hits). Since the performance of every

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

investment and every asset class is going to vary year by year, the idea of maintaining balance as effortlessly as a child who rides his bicycle (by apparently doing nothing special), is misleading. Maintaining balance in an investment portfolio leads us inexorably to the concept of re-balancing. In other words, this is <u>the active process of putting the asset class proportions back to their specific targets, especially at regular, preset intervals</u>.

The logical question at this point may be, why even bother? It will take time, it may cost money and we may not want to deal with it at all. In the absence of re-balancing, the end result is that portfolio performance goes off in a direction significantly different from what we expected. What's worse, we may not notice this condition is happening until it's too late.

This is where one real example is worth a thousand words. Consider an investor who adopts a so-called “classical 60/40 allocation”, implemented with three Vanguard funds: 60% to the Vanguard Total Stock Market Index Fund (VTSAX), 30% to the Vanguard Total Bond Market Index Fund (VBTLX) and 10% to the Vanguard Prime Money Market (VMMXX). The “40” in this case represents the total amount allocated to fixed income, including cash. We begin our analysis shortly after the end of the Y2K inspired bear market, beginning with 2003 and extend it to the end of 2016[7]. This includes the financial crisis and Great Recession, as well as the bull markets that preceded and followed the big bear market of late 2007 to March, 2009.

**No Re-Balance Scenario**

| Year | Tot Stock Mkt VTSAX Return | Tot Bond Mkt VBTLX Return | Prime M_Mkt VMMXX Return | Tot Stock Mkt VTSAX Value | Tot Bond Mkt VBTLX Value | Prime M_Mkt VMMXX Value | 60/30/10 Total Portfolio Return |
|---|---|---|---|---|---|---|---|
| 2003 | 31.42% | 4.04% | 0.90% | $78,852 | $31,212 | $10,090 | $120,154 |
| 2004 | 12.61% | 4.33% | 1.11% | $88,795 | $32,563 | $10,202 | $131,561 |
| 2005 | 6.09% | 2.49% | 3.01% | $94,203 | $33,374 | $10,509 | $138,086 |
| 2006 | 15.63% | 4.36% | 4.88% | $108,927 | $34,829 | $11,022 | $154,778 |
| 2007 | 5.57% | 7.02% | 5.14% | $114,994 | $37,274 | $11,588 | $163,857 |
| 2008 | -36.99% | 5.15% | 2.77% | $72,458 | $39,194 | $11,909 | $123,561 |
| 2009 | 28.83% | 6.04% | 0.53% | $93,347 | $41,561 | $11,973 | $146,881 |
| 2010 | 17.26% | 6.54% | 0.06% | $109,459 | $44,280 | $11,980 | $165,718 |
| 2011 | 1.08% | 7.69% | 0.05% | $110,641 | $47,685 | $11,986 | $170,312 |
| 2012 | 16.38% | 4.15% | 0.04% | $128,764 | $49,664 | $11,991 | $190,418 |
| 2013 | 33.52% | -2.15% | 0.02% | $171,926 | $48,596 | $11,993 | $232,515 |
| 2014 | 12.56% | 5.89% | 0.01% | $193,520 | $51,458 | $11,994 | $256,972 |
| 2015 | 0.39% | 0.40% | 0.05% | $194,275 | $51,664 | $12,000 | $257,939 |
| 2016 | 12.66% | 2.60% | 0.49% | $218,870 | $53,007 | $12,059 | $283,936 |
| | | | | | | | |
| | | | Starting Asset Allocation: | 60% | 30% | 10% | |
| | | | Ending Asset Allocation: | 77% | 19% | 4% | |
| | | | | | | | |
| | | | | | | Jan 1, 2003 Starting Value: | $100,000 |
| | | | | | | Jan 1, 2017 Ending Value: | $283,936 |

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

$100,000 is invested at the beginning of 2003, with 60% going into stocks, 30% into bonds and 10% left in the money market fund. Stocks had a super rebound year with over a 30% return, while bonds return only 4% and cash has a meager less than 1% tally. As can be seen in the table above, no re-balancing occurs. So in 2004, the amount in the stocks "bucket" starts out with $78,852 , earns a 12.61% total return and ends up with $88,795. Similar calculations are carried out for the other funds, resulting in a year end 2016 total of $283,936, as shown.

What happens if we would have re-balanced? In this case, the total amount at year end 2003 of $120,154 is utilized. The percentage allocation to stocks is considered "restored" back to the original 60%, or $72,092. This amount in the stocks bucket grows by the same 12.61% in 2004 to end up with $81,183, as shown in the table below.

**Re-Balance Scenario**

| Year | Tot Stock Mkt VTSAX Return | Tot Bond Mkt VBTLX Return | Prime M_Mkt VMMXX Return | Tot Stock Mkt VTSAX Value | Tot Bond Mkt VBTLX Value | Prime M_Mkt VMMXX Value | 60/30/10 Total Portfolio Return |
|---|---|---|---|---|---|---|---|
| 2003 | 31.42% | 4.04% | 0.90% | $78,852 | $31,212 | $10,090 | $120,154 |
| 2004 | 12.61% | 4.33% | 1.11% | $81,183 | $37,607 | $12,149 | $130,939 |
| 2005 | 6.09% | 2.49% | 3.01% | $83,348 | $40,260 | $13,488 | $137,096 |
| 2006 | 15.63% | 4.36% | 4.88% | $95,114 | $42,922 | $14,379 | $152,415 |
| 2007 | 5.57% | 7.02% | 5.14% | $96,543 | $48,934 | $16,025 | $161,502 |
| 2008 | -36.99% | 5.15% | 2.77% | $61,057 | $50,946 | $16,598 | $128,601 |
| 2009 | 28.83% | 6.04% | 0.53% | $99,406 | $40,910 | $12,928 | $153,244 |
| 2010 | 17.26% | 6.54% | 0.06% | $107,817 | $48,980 | $15,334 | $172,130 |
| 2011 | 1.08% | 7.69% | 0.05% | $104,394 | $55,610 | $17,222 | $177,225 |
| 2012 | 16.38% | 4.15% | 0.04% | $123,753 | $55,374 | $17,730 | $196,857 |
| 2013 | 33.52% | -2.15% | 0.02% | $157,706 | $57,787 | $19,690 | $235,183 |
| 2014 | 12.56% | 5.89% | 0.01% | $158,833 | $74,710 | $23,521 | $257,064 |
| 2015 | 0.39% | 0.40% | 0.05% | $154,840 | $77,428 | $25,719 | $257,987 |
| 2016 | 12.66% | 2.60% | 0.49% | $174,389 | $79,408 | $25,925 | $279,722 |
| | | | | | | | |
| | | | Starting Asset Allocation: | 60% | 30% | 10% | |
| | | | Ending Asset Allocation: | 62% | 28% | 9% | |
| | | | | | | | |
| | | | | | | Jan 1, 2003 Starting Value: | $100,000 |
| | | | | | | Jan 1, 2017 Ending Value: | $279,722 |

You may be tempted to dismiss the whole idea at this point, since your balance using annual re-balancing is lower (at this point). Is there anything special about annual re-balancing? Not really, but it does give you a chance to easily compare your returns versus the calendar year values published by fund companies. Annual, end of year re-balancing provides a common and repeatable process to follow, during a time which is usually less volatile and oftentimes which provides market returns that are slightly more positive than at other times of the year.

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

To find real value in the re-balancing process, we need to look at a longer period of time that also includes at least one bear market. Note how the end of year 2007 NRB (non re-balanced) portfolio has a value of $163,857, versus $161,502 for the RB (re-balanced) portfolio.

A clear lead for NRB, though not a huge one. So three cheers for doing nothing? But wait. The great bear is on the prowl and decimates both portfolios in 2008. This time, RB ends up with $128,601, while NRB has only $123,561. In fact, it is not until the end of 2016, that the NRB portfolio jumps back out ahead of the RB portfolio.

Two more observations can be made at this point. The greater volatility (more swings) with the NRB portfolio may cause some investors to loose faith and bail out of the market, at precisely the wrong time. Secondly, even if they remain invested as they were, the ending asset allocation points them in a dramatically different direction than from where they started. Just look at the ending allocation for the NRB portfolio, now with 77% in stocks. With the investor fourteen years older than when they began, do they really want to keep so much in stocks at this time?

The ending values of $283,936 for NRB and $279,722 for the RB portfolio represent only a 1.48% gap. But what would happen if we encounter a market correction or another bear right when the NRB has such a skew in favor of stocks? Let's pretend that instead of 2017 being a big positive year, we actually saw a 10% drop in stocks, rising bond yields resulting in a -2% total return in bonds and cash yields rising to 2%. In other words, “yuck” by any other name would still smell as...

The NRB portfolio after such a “yucky” year would be as follows (listed by fund):

$218,870 – 10% = $196,983
$53,007 – 2% = $51,947
$12,059 + 2% = $12,300

which totals to: $261,230.

The RB portfolio by contrast, would show:

$167,833 – 10% = $151,050
$83,917 – 2% = $82,239
$27,972 + 2% = $28,531

which totals to: $261,820. So Re-balancing strikes back!

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

But this is not the end of the story. Perhaps the most interesting observation about the NRB portfolio after a long holding period and immediately after a losing year, is what resources are we then left with, to address this new, latest situation?

We may be unmoved by the fact that in the above example, we wound up with almost the same amount of money in either scenario. But the re-balanced portfolio has more than double the amount of cash remaining. These funds could be used to purchase more shares of the stock fund, at lower prices. But in the NRB scenario, we are stuck with only about $12K in cash.

Not re-balancing over the longer time frame gave us a more volatile, riskier situation, with less in cash to be able to buy more stocks in the future at lower prices. We are almost “stuck” in a condition, waiting for stock prices to rebound.

Lastly, this situation gets even more volatile if we add regular retirement withdrawals into the mix. By taking out either a standard percentage (such as by using the legendary 4% rule), or a variable percentage or amount to live on each year in retirement, non-rebalancing can make life even worse.

***A skewed allocation, coupled with retirement withdrawals and a couple of down market years, could be all it takes to lead your investment portfolio to an earlier demise. Don't let that happen!***

We believe that pure analysis is and always will be, the best antidote. Hopefully, this example provided you the information and confidence to consider re-balancing as part of your annual portfolio maintenance. Remember, don't lose your balance!

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

# The New Fiduciary Rules: Creating Paragons of Vitriol?

*"And they lived happily ever after..."*, or so goes the usual ending to a fairy tale of some sort. By contrast, we don't think this is generally applicable to the financial advisory industry and its clients and prospective clients. Will applying a new rule regarding fiduciary advice to holders of retirement accounts, create the happy ending that its proponents seem to expect? We don't think so.

While we have previously discussed our views on the concept of giving pure analysis and advice without selling products or taking custody of assets, we have also explained what it means to act as a true fiduciary. Here we focus instead, on the new rules that might be fully implemented (or maybe not). We will also refrain from using much technical or legal jargon, so that our discussion is understandable to the general public.

If I am looking for advice on what to do, it must mean that there is a decision in my life that must be made, or an action that I must take. If this is a consequential decision or action, I probably know that I need to act deliberately and only after giving my decision/choice much consideration. A lot depends upon it. In a complex world with constraints on my time and budget, along with my lacking a lot of knowledge and skill in the relevant area, I may ultimately decide to seek professional advice or some other form of help, in order to make this decision.

***Once I decide on who I will depend upon to be my advice giver, do I then need to be concerned about the advice given?***

Here is a rather silly example which demonstrates the issue with some clarity. You find yourself and your spouse on a car dealer's lot. You walk past many nice looking vehicles, peering inside and glancing at their windshield stickers. Just browsing. Your gaze is then suddenly shifted to the other end of the lot, where a man wearing a plaid suite has jumped out of the sales office. He hurriedly approaches you, exhibiting a swift gait, giving the impression that he is trying to make up for the few minutes of solitude that you both had just enjoyed, alone with these fine automobiles.

Upon noticing that he has made eye contact with you from afar, do you engage in the following conversation?

"Well, hellooo there!"

"Oh ah, hi there. Are you my *Transportation Adviser*? Could I rely on you for my transportation needs? So...what do you think? Should I buy a car today?"

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

We now ask the simple question, why doesn't the previous dialogue occur on car lots? But more to the point, why does the implication of this dialogue often find itself at the heart of the financial advisory industry?

Plainly speaking, any car buyer knows full well that the man exiting the sales office is not and never has been, a ”transportation adviser”. His job is not to advise a client on their transportation needs. He is not expected to put the best interests of the customer first. He works for the car dealership. He earns a commission. He sells cars. That is his job. This is the way it's been and probably, this is the way it will forever remain. The general public is quite used to this situation. There is not much hue and cry to change it, even though stories of the dishonest sales tactics of a few car salesmen do occasionally make it into the news.

But let's say we switch the topic of discussion to personal finance. One could easily argue that this is an area far more important than one's own mode of personal transportation. Decisions made and products owned could shape a person's future and determine whether retirement will be lived in the lap of luxury, or in simply making laps, while you ferry passengers as part of the Uber job you do, just to make ends meet in your so-called “retirement”. What went wrong, you ask?

Understanding the financial services industry is far more complex than understanding the car buying process. But at it's core, there are the same conflicts of interest. You most likely do not expect a car salesman to analyze your commuting needs and the local traffic patterns you deal with on a daily basis. When introduced to a self-described frugal, semi-retired couple, do you expect him to figure out a method by which the pair could manage downsizing to a single car? Let us say, by utilizing such things as ride sharing and public transportation, thereby saving a lot of money on maintenance, repairs and insurance? If the answer is no, then why would you expect a commission based product salesperson (CBPS) to take the lead in offering you financial advice that is in your best interests, regardless of what old or new regulations say?

This discussion is not meant to demonize the CBPS. Comparably speaking, the fee-only but asset based (percentage of assets under management) adviser, <u>effectively has the same conflicts</u>. They are just manifested in a different way. If this last point is not clear, then perform this simple thought experiment.

Imagine every single dollar you own and wherever you may own it. Draw an imaginary circle around this in your mind. Then think of every single dollar you owe and to whomever you may owe it to. Draw a circle around all of them. Then draw a final imaginary box that encloses both of these circles. This is your mental balance sheet or

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

net worth statement. This is a way you view your finances, or at least part of your financial picture.

But guess what? This is not the way that either the CBPS or %AUM adviser views your finances. 99% of the advisory industry is run using a business model based upon either "push" or "pull". CBPS push financial products out to clients for a commission. %AUM advisers pull assets under management for a percentage. To use that tired cliché, "at the end of the day", it's all about push or pull. Always and everywhere, about push or pull.

The CBPS who does a remarkable job in analyzing a problem for clients and suggests a low cost solution that the clients implement with their own 401(k) plan, without selling them a product, is a CBPS who will soon be out of a job. The %AUM adviser who does not grow his firm's assets under management and instead, shows his client how she can have a lower cost solution by utilizing institutional class mutual fund shares within her particular 401(k) plan, faces the same repercussions as the CBPS. Neither will do something which is inherently against their native business model.

So then why would we keep expecting people to act in a manner that is contrary to their natural tendencies? We wonder if Albert Einstein ever said anything about that one.

Our view was and still is, that the financial services industry is fundamentally vital to the health of the nation and has provided a wide variety of products, tools and techniques that have made millions of lives better and more prosperous. But it is also fundamentally flawed by two inherent defects: conflicts of interest and a pro-cyclical bias. This article addresses the former and maintains that creating a universal but watered down, fiduciary standard, would not be a step in the right direction.

The Obama Administration, to their credit, sensed that something was going wrong for many folks saving for retirement: they are receiving conflicted advice. The instructions to the Department of Labor (since DOL has regulatory authority over retirement plans), was to come up with a universal fiduciary standard, that would apply to all financial professionals who give retirement investment/savings related advice. This standard would then force the professionals to act in the best interests of their clients.

You may well ask, what could be so wrong with that? To which we would reply, by repeating our first sentence about that fairy tale ending. Not only is real life messy, but government helped to create much of that mess. No fairy tale ending possible over here.

To review, a fiduciary is someone who operates in utmost good faith, always in the best interest of their clients. This does not mean that a fiduciary is "God", or can predict the future, or works for free.

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

First of all, consider the following background information besides the DOL:

1. Broker dealers and their employees (i.e. Registered reps aka stock brokers) have never been subjected to a fiduciary standard before. The same is true of insurance agents and many others in the financial services industry. Instead, these professionals were required to adhere to the so-called "suitability" standard. A recommendation needed to simply be suitable for that client and nothing more.
2. Registered Investment Advisers (RIAs) and their reps have always (at least dating back to the Investment Advisers Act of 1940) been required to act as fiduciaries and to put the best interests of their clients first.
3. The term "Investment Adviser" has a legal definition. "Financial Advisor" does not have a legal definition, so anyone can use that term to describe themselves.
4. Traditionally, many CBPS worked for broker dealers, while %AUM based advisers worked for RIA firms. CBPS tended to work with clients with smaller asset bases, while %AUM advisers usually had large minimum account sizes.
5. Both the Federal and state governments have played regulatory alphabet soup over the decades. For example, RIA's are primarily regulated by either the SEC, or the individual Secretaries of State in those states where they are registered. Broker dealers are primarily regulated by FINRA (Financial Industry Regulatory Authority, a self-regulatory organization or SRO) and the SEC. Insurance is primarily regulated at the state level. Banks have a number of regulators including the states, the FDIC, the Federal Reserve, the OCC (Office of the Comptroller of the Currency) and the newer Consumer Financial Protection Bureau (CFPB), depending upon what is being regulated and where. The end result of many different regulators with different priorities has been a complex web of rules, out of which creating a "perfect harmony" that results in that fairy tale ending, is basically impossible.

The DOL did create a fiduciary standard which was announced in 2016 and was supposed to take effect in the Spring of 2017[8]. However, it was one step forward and two steps back. The complex ruling also created things such as the "Best Interest Contract Exemption" also known as BICE[9], which is seen as a way for CBPS to continue doing what they have always been doing, while just disclosing more gobbledygook to an already confused public. In other words, "thicker and slicker" contracts and disclosure documents. Some opponents of the fiduciary rule believe that BICE will create a number of class action lawsuits[10].

The Trump Administration has been generally seen as rolling back regulation. In this case, the DOL has now delayed implementation of the enforcement arm of the fiduciary rule, until mid 2019. This has been explained as allowing the department to conduct a thorough review of the rule, as requested by the President. Additionally, DOL stated that

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

it will coordinate with the SEC and state insurance commissioners[11]. While we don't assume that this will create the perfect harmony mentioned above (5), shouldn't this have been worked out well before setting the original implementation date, for such a wide ranging regulatory change? Proponents of the new fiduciary rule are against this delay, with some thinking that the entire rule may fade away and die.

I must say that I oppose this new fiduciary rule. Does that mean that I am against the concept? Absolutely not. I think that this rule, in attempting to make it seem that a fairy tale ending is possible, actually creates a watered down standard that is not beneficial to the general public. It may create paragons of vitriol, instead.

I feel that what is really needed from our federal government is the following:

1. Maintain a single and robust definition of fiduciary. If it is necessary to maintain more than one definition, then create a "Gold Standard" that is the most restrictive, especially one that is modeled after the ERISA law (Employee Retirement Income Security Act of 1974).
2. Enforce prominent disclosure of exactly who is and who is not, such a fiduciary. The word "prominent" here is meant to be a disclosure that is easily understood by the general public. Think of the warning label on a pack of cigarettes. This is prominent disclosure. It needs to be delivered prior to any advice being given.
3. Foster competition. If CBPS get to distribute thicker and slicker disclosures that scream, "Hey, we're now fiduciaries too, just with million dollar Ad campaigns", why would the general public seek out those of us who always were real fiduciaries, but just never had the marketing megaphone required to be heard?

At that point, why not let the general public determine what they are really looking for and then approach the various advisers with their pointed questions. Some folks are just looking to be able to carry out low cost brokerage transactions. Since they are either not looking for advice, or the advice is of a very narrow or technical nature (such as trading techniques), they may be satisfied with a non-fiduciary but very cheap platform. Others who are really interested in asking the general questions and getting some pure analysis done, need much more than that. And they need a way to identify who is providing it.

As we mentioned in our thought experiment, if you are interested in someone viewing your total financial picture in the same way that you do, neither the CBPS nor the %AUM adviser is truly prepared to do this. Pure and objective advice means that there is no such thing as "investing with us" versus "not investing with us". Custody does not mean "care" and lack of custody does not mean "care-less". This is a distinction created by CBPS and %AUM advisers who have custody of client assets or discretion over client accounts. It is the major, age old conflict of interest in this industry.

***Copyright 2017 by Castling Financial Planning, Ltd.  All rights reserved.***

By contrast, there are a very small number of us hourly, as needed, non product selling, non AUM based advisers, who don't have custody or discretion over client accounts.  We are free to view the entire financial picture of the client in an independent and agnostic fashion.  We have a business model more aligned to clients with general questions or those needing help involving the analysis of their financial situations.  Hourly is rarely, if ever, talked about during the discussion of a fiduciary standard.  Since it's only 1% of the industry, it does not seem to matter.  The conflicted 99% would like to keep it this way.

In conclusion, I don't want to see a standard watered down and then applied to all.  This would be a sham.  Instead, let's strengthen it and make prominent disclosure rules force all those who give advice, to show their cards upfront.  Are they or are they not, true fiduciaries?  Then place some responsibility back on to the general public, to first determine what type of help they really need and then to determine if they are also willing to pay for it.  No fairy tale ending is expected here.  But if we could get a workable solution, such as what I have outlined above, it would be a great start.

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

# Cash is Not Trash, Cash is Not King... But Cash Does Provide You With the Big Double O's: Opportunism and Optionality

I recall the day back in 1980 when I was in college and a friend of a friend boasted that he had the then princely sum of $10,000 in something called ***Dreyfus Liquid Assets*** (a Money Market Mutual Fund). At the time, I could never imagine to have saved up that amount of money as a student. I had no idea what a money fund was. What's more, the guy mentioned how he was earning more than 10% per year on this amount, all while taking no risk and still beating the rate of inflation (which was sky high at the time). This sure creamed my 5 1/4% passbook savings account. I certainly had some catching up to do. But first, I needed to graduate.

Fast forward thirty something years. Holding cash in a bank or money market account looks like a sucker's bet. While this is slowly changing, the idea of holding one's assets in cash based vehicles still appears to be disappointing. Our purpose here is to dispel some of this negativism and to restore your faith in cash, especially when it is used in the right way.

<u>The only time and place we think that holding cash as an investment is wrong headed, is when it becomes the ONLY thing you have</u>! Extremism, in the defense of financial planning, <u>is</u> a vice! This fundamentally biased judgment arises whenever we think that there may be one investment out there, that beats all the rest and into which, we should want to pour all of our wealth. Or equally troubling, if we buy into the notion that the world is coming to an end and that we need to liquidate everything and remain in cash indefinitely. Please keep in mind that the world can come to an end only once, while according to those sage doomsayers, we should have seen the end at least a dozen times by now. I guess the end of the world isn't what it used to be.

The best laid plans of planners and advisers of all stripes, is to remain broadly and deeply diversified in a number of asset classes, each of which differs significantly from the rest. And yet one of these asset classes, our analysis continues to indicate, definitely still is cash.

Our own research concentrates on the concept of consistency across rolling periods of time. Again and again, we see that having what may be called significant amounts of cash and “near cash equivalents”, leads to more consistently performing portfolios with lower levels of overall risk.

An interesting aside is that long-term bonds (whether government issued or corporate debt), have not been so consistent in terms of their performance and overall portfolio risk

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

level. 1982 was certainly a fantastic year to own long term bonds, since interest rates started their dramatic decline. But aside from a few of these time periods, long term bonds have not been that generous to investors.

So what's the deal with cash? Let's begin by defining what we mean when we identify it as an asset class. First of all, this four letter word is meant to encompass a range of investment and savings vehicles and could more properly be labeled: "Cash, Cash Equivalents and Near Cash Equivalents". This continuum is important to keep in mind. Different products come with different features and are only available in certain places and for certain types of accounts. We will discuss some of these.

How we use cash is also something worthy of explanation. Many could argue, "I don't need you to explain to me how to use my cash. I carry a wallet. I pay most of my bills electronically. So there." However, some surveys indicate a lack of liquid savings so acute in American society, that if they are to be believed, about 60% of us do not have the savings on hand to cover a $500 to $1,000 unexpected expense.

Could it be that we don't have an adequate enough handle on this thing called cash? Could we be going into debt at the most inopportune times, in order to raise cash when needed, simply by not having an adequate emergency fund in the first place? Might we be holding on to too little of it after riskier investments have sunk, such that we are unable to buy low, in order to participate? Do we sometimes hold on to too much of it when the expected returns of riskier asset classes are much higher (and we know we need some of those assets, in order to achieve our long-term goals)?

We strongly feel that a lack of understanding of a few simple principles is behind most of these problems. For example, the basic concept of maintaining liquidity is the ability of transforming any asset into cash, quickly and with little or no loss to principal. So keeping an adequate emergency fund in a bank savings account is considered extremely liquid. Pawning your gold watch in order to make this month's mortgage payment after losing your job, not so much.

Here is our summary of the "what" and the "how" regarding cash, cash equivalents and near cash equivalents. Currency in a wallet or safe deposit box is obviously liquid cash and we don't have much to say about it, since it is primarily a medium of exchange, but does not earn any interest. Moving on, we discuss the various vehicles to use as cash and near cash.

1. **Checking accounts** provide the ultimate liquidity since you can write a check to pay a bill, while not risking principal (as long as you stay within the FDIC deposit insurance limits). The bigger issue these days is to find a bank willing to offer

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

you checking without monthly fees, for the least amount of bother (such as maintaining a certain level of balance, setting up direct deposit, bill pay, etc). Many pay no interest. Others that do pay typically give you a meager sum.

2. **Savings accounts** limit the number of checks written or other debit transactions that are allowed per month (typically six or fewer), in exchange for higher interest payments. The more interesting ones are offered on-line and pay rates comparable to Money Market Mutual Funds. A bank savings account may also be referred to as a **Money Market Deposit Account**, but this is not a mutual fund. The good thing about these is that they can usually be linked to checking accounts, to allow for convenient on-line money transfers. Just keep in mind that the bank running the on-line show makes money by holding on to the "float", since time is money. Schedule a transfer from your on-line savings back to checking to cover that unexpected car repair and you may find that while the withdrawal takes place almost immediately, the money does not magically appear in the other account. You may need to wait several days.
3. **Certificates of Deposit** (**CDs**) are timed deposit instruments usually issued by banks. In exchange for tying up your funds for a set period of time, such as one or two years, you are offered a higher yield than the two accounts mentioned above. This brings us to the concept of "laddering". By buying a series of CDs stretching out, for example (while apportioning your funds among them): 6 months, one year, 18 months and two years, you could enjoy the higher yields associated with longer maturities. But every six months, another CD would come due. You would then buy another two year CD, to keep the ladder going. Rising interest rates would mean a rising ladder of yields. If you needed to "break into a CD" in order to fund an unexpected expense, it would not mean paying an interest penalty across all of them.
4. **Money Market Mutual Funds** (**MMMF**) are the real deal, as compared with bank money market deposit accounts. The later does come with FDIC insurance, though. A well run "prime" money fund, such as Vanguard Prime Money Market Fund (VMMXX) does not come with any principal guarantee (none of the money funds do), but this one carries a negligible amount of risk. One of the chief characteristics of these funds is their effort to maintain a net asset value (NAV) of $1.00 per share. While this is not assured, there have been very few instances where a MMMF "broke the buck" and had an NAV of less than a dollar. MMMF hold a variety of money market instruments. While these details are a bit beyond our scope, suffice it to say that these funds look for high quality and extremely short maturity instruments, that pay interest at current market rates. Unless the average holding within the fund matured in only one to three months and was of very high quality, the fund could risk losing money. Sticking to very large and long-term successful funds is important. Where you maintain your brokerage account(s) may dictate which MMMF you wind up using. Monthly interest

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

payments are called dividends. Because of the Federal Reserve Bank's zero interest rate policy until late 2015, the past five years have seen dismally poor annualized returns of less than a half percent. But this is changing.

5. **Short Term Bond Funds** and those variously described as “very short term”, “investment grade” or “Treasury”, represent a class of investment vehicle that does fluctuate in principal value. The net asset value or daily price of a share of this fund, can go up or down depending upon the direction of interest rates. A high quality example is the Vanguard Short-Term Investment-Grade Fund (VFSTX)[12]. The biggest fluctuation in the price of these funds in recent memory, came during the financial crisis when they fell by about 10%, before rebounding by about the same amount, after just a few months. From the end of 2009 until now, their price volatility has been in an extremely narrow range of less than 1% (+/-). But monthly payments of interest (also called dividends) have resulted in a total return (which includes any price changes mentioned above) of about 1.8% per year over the last five years. The major implication here is that if you don't need the money right away, you would have done much better with this kind of fund over a MMMF, at least during the past 5-10 years. The average maturity of the holdings in this type of fund may vary, but should come in around 3 years or less. This means that their sensitivity to rising interest rates is much lower than intermediate or longer term bonds. We believe that the combination of this type of fund, along with a MMMF, is a solid pairing.
6. **Stable Value Funds** (also called Fixed Income Funds) are a type of fund offered only within qualified plans such as a 401(k). They are not available to an IRA or through a standard brokerage account. This type of investment is meant to maintain a stable net asset value, such as $1.00 per share. The underlying investment vehicle is often called a “Guaranteed Investment Contract” (GIC). These are linked to an insurance company's general fund. Life insurers are huge investors who need to maintain stable portfolios. The periodic payment of earnings back into the Stable Value Fund can increase and decrease with the overall level of interest rates and the performance of the individual insurer's general fund. Stable Value's returns have also been very low over the past five to ten years, but have been in a range of 1% to 2%. This has generally outperformed money funds, with no additional risk to the investor. Sometimes, these have rivaled the performance of short term bond funds, while also exhibiting lower risk[13].

We could go on to mention more esoteric or fringe type products, but that would not be as productive as focusing on how to use those we have already mentioned. Above all, our goal is to explain the importance of cash from our perspective, since this topic seems to be mishandled by some otherwise, very intelligent “gurus”.

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

We have previously explained the distinction between investing and saving. But the act of saving can be a precursor to investing. After all, we need to "save" from current income sources, in order to have something to invest with. Every pay period that results in a 401(k) contribution, is an example of this. So let's call this the first major use of cash. A part of savings can also be targeted for future investment. This exhibits a lag and is what we mean by "opportunism".

Another part of savings is meant to be long-term. For a long time homeowner, we view home equity as being part of those savings, alongside what we term "liquid" savings (i.e. the above list). It is generally understood that for an asset to be considered liquid in every sense of the word, it would be easily transformed into cash, with minimal or no loss to principal. While a home is a real estate asset that obviously has a market value that fluctuates (perhaps wildly, as during the real property boom and bust of the past twenty years), the ways of accessing a portion of that home equity can give the appearance of stability. This is where home equity lines of credit (HELOC) and reverse mortgages (HECM) come into play.

Home equity as a form of savings is built up through regular payment of the mortgage loan, as well as through regular prepayments of principal. Let's call this the second major use for cash. Since you earn a rate of return on a prepayment that is equivalent to the interest rate on your mortgage loan, it is an easy matter to compare this yield versus other savings vehicles, to determine if it is worthwhile to do (and by how much). The benefit of this approach also depends upon how long you intend to live in the home. The longer the better. For a couple with indefinite plans on staying, it matters not what is happening with the month to month market price volatility of their home. Features, landscaping, a garden, the local school district and commuting time to work, school and other amenities, are far more important than speculating now as to what the house will sell for in ten, twenty or more years, down the road.

Always consider inflation. Your liquid savings may have been earning only 0.25% to 0.50% per year, for most of the past decade. Even with low inflation, those savings were smashed by rising prices. By funneling part of your cash savings into prepaying a 4% mortgage, by contrast, you "earned" 4% by not paying 4% on the principal prepayments. Some "gurus" still can't seem to understand this simple idea. This does not mean and never has meant that you perform this act of savings to the exclusion of investing. Yes, we can walk and chew gum at the same time (just not text, walk and chew gum, or something to that effect).

Later on, you may see that tapping a HELOC or HECM in retirement, as a cushion when investments fall, can be a very valuable strategy. Having a paid off mortgage along with a $100K HELOC (with a zero balance), is then a savings vehicle that can be liquified, as

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

needed. A HELOC as the first and only lien against your home is unlikely to ever be frozen or impaired during a financial crisis. Every story we ever saw criticizing HELOCs involved using them as a secondary lien. In those cases, the banks involved were concerned about losing to the first mortgage holder. This was usually justified.

A third major use for cash, also in your savings portfolio, is to form an emergency fund. This should include three to six months worth of after-tax budgeted spending amounts, in liquid savings vehicles. A separate savings account, very short term CDs (less than one year) and even the bottom of your existing checking account, will all do. Some advisers have jacked up this period to eight months or longer. We think it all depends upon the nature and stability of your employment (and that of your spouse's), the probability of receiving severance and how realistically you budget in the first place. Our concern is that if you maintain eight months of spending in an account earning very little interest and maintain it for twenty years or longer, you are ultimately doing yourself a disservice.

Some of this money could have been used to pay down your mortgage, thus eliminating it much sooner. Yes, having to tap a HELOC in an emergency will cost you interest. But true emergencies should be relatively rare in your life. If they are happening every single year, then your budgeting process needs to be overhauled. Or probably, there is no budget process in the first place. I was slightly amused from reading once about the personal finances of a bank executive, who seemed to have trouble budgeting for semi annual property tax payments. Since they did not come in monthly, it seemed that twice per year he was always short of money for other things, after paying the real estate taxes.

The fourth major use of cash is as an asset class in your investment portfolio. This is a distant cousin to cash in a savings portfolio. Never the twain shall meet or intermingle. This cash can and will be deployed into riskier asset classes, during the normal course of re-balancing your portfolio back to its target allocation, such as once per year, at the end of each year. This is where stable value funds shine within 401(k) accounts.

The fifth major use of cash can be described as providing "optionality". A trading portfolio in a brokerage account can hold cash, which is then used to buy stocks, against which covered call options can be sold. This is termed "covered call writing" and is considered a conservative income producing strategy, since selling the call options generates cash from what are called "option premiums". The risk of holding stocks during the time period that the option contracts are in force, is always present. While we would not exactly call this an investment strategy, it is not a speculation, either. Both "optionality" and "opportunism" come together here. This is clearly the most demanding, in terms of effort, of anything we have covered up to now. The mere act of holding cash means that you can be ready for whatever may occur and then take advantage of it. But holding that cash for ten years straight (paralysis of analysis?), is not what we mean.

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

Being ready to spot either a stock which has been beaten down (lucrative call options may be sold against it in the near future, after a rebound), or an asset you had in mind for a long term purchase (that has only now dropped below your "entry price"), gives you a certain peace of mind:

1. Let's take action now. This is my opportunity to buy it, since my cash is ready or,
2. Let's use this cash to buy and trade the asset, trying to generate cash from the optionality it provides or,
3. Let's do nothing now and simply wait for a better opportunity.

So what could you say to all the naysayers who pooh-pooh cash and near cash equivalents? Just remind them that at the point of a correction or bear market, if they were already fully invested in riskier assets and held little or no cash, what opportunism or optionality do they then have?

*Copyright 2017 by Castling Financial Planning, Ltd.  All rights reserved.*

## References

**1. Bureau of Economic Analysis (BEA)** Website, accessed via the following link:
**https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm**
RETURN

**2. Ibid.**
RETURN

**3. "**October Business Conditions Monthly", **American Institute for Economic Research (AIER)**.  This article and chart data may be accessed via the following link:
**https://www.aier.org/research/october-business-conditions-monthly**
RETURN

**4.** "Consumer Confidence Survey®", **The Conference Board**.  This data can be accessed via the following link:
**https://www.conference-board.org/data/consumerconfidence.cfm**
RETURN

**5.** Total return data for the **Vanguard 500 Index Fund (VFINX),** was obtained via the **Vanguard Advisor's** Website.  This information is also available directly from their Personal Investors site, via the following link:
**https://personal.vanguard.com/us/funds/snapshot?FundId=0040&FundIntExt=INT#tab=1a**
RETURN

**6. Bureau of Economic Analysis (BEA)** Website has a wealth of data available.  The following link was used:
**https://www.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=3&isuri=1&1910=x&0=-99&1921=survey&1903=1&1904=1984&1905=2016&1906=a&1911=0**
RETURN

**7.** All **Vanguard** mutual fund data used here can be found on their Personal Investors Website, by using the following link and entering search terms using the fund ticker symbols provided:
**https://personal.vanguard.com/us/**
RETURN

**8.** "Fiduciary Rule Changes: What Investors Need to Know", Daisy Maxey, **The Wall Street Journal**, February 6, 2017, p. B8.
RETURN

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

**9.** "DOL Files to Delay Fiduciary Rule's January Compliance Date", Melanie Waddell, **Investment Advisor**, September, 2017, p. 13. This article can also be accessed using the following link:
http://www.thinkadvisor.com/2017/08/28/dol-files-to-delay-fiduciary-rules-january-complia
**RETURN**

**10. Ibid.**
**RETURN**

**11.** "Delay in DOL Rule Enforcement Mechanisms Final", Mark Schoeff, Jr., **Investment News**, December 4, 2017, pp. 3, 32.
A version of this article published November 27, 2017 online, is available by using the following link:
http://www.investmentnews.com/article/20171127/FREE/171129942/delay-of-dol-fiduciary-rule-enforcement-mechanisms-now-final
**RETURN**

**12.** All **Vanguard** mutual fund data used here can be found on their Personal Investors Website, by using the following link and entering search terms using the fund ticker symbols provided:
**https://personal.vanguard.com/us/**
**RETURN**

**13. Stable Value Investment Association (SVIA)** is a trade group representing stable value funds. Useful information about this unique asset class is available on their Website via the following link:
https://www.stablevalue.org/
**RETURN**

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

## How to Contact Us

*Have a comment, suggestion, criticism or just plain feedback? We would like to hear from you. Please contact us by email, post, telephone or our **Facebook** page, as shown below.*

***Castling Financial Planning, Ltd.** was created as a unique, hourly, fee-only, non-product selling and non-AUM investment adviser and financial planning firm, that is still very affordable for middle America. We do not engage in conflicts of interest (and prove it), never set asset minimums and welcome all clients. Less than 1% of all financial advisers are both hourly and affordable for middle America.*

*Do you currently have an adviser who says he offers you "free" advice? We are so confident that we can save you money over your current adviser (based on your total costs), that if we can't demonstrate how during our initial meeting with you, we will offer to perform your financial planning services in 2018 without charge, completely pro-bono.*

*"Free" advice is worth exactly what you paid for it. How do you separate where the sales presentation ends and the analysis begins? **Castling Financial Planning, Ltd.** advises everyone to stop paying for the privilege of buying a financial product, such as through commissions and sales loads. We also disagree with the concept of paying asset management fees to a %AUM based adviser. Does he actually spend a great deal of time working on your finances? By definition, he has an obligation to provide "continuous and regular supervisory or management services" for your securities portfolio. Good luck finding a definition for "continuous", other than having this apply to the continuous fees YOU wind up paying.*

*We believe financial planning services should be billed for in the same way as your accountant, dentist or lawyer. You pay each based on their time expended and for their professional expertise, not a percentage of some amount.*

**Registered Investment Adviser Principal:**
Henry F. Glodny,
CRPS®, MBA, MS
CFP® Candidate
Principal
***Chartered Retirement Plans Specialist(SM)***

**Mailing Address and Office Location (Hours by Appointment Only):**
***Castling Financial Planning, Ltd.***
1337 Hunters Ridge East
Hoffman Estates, IL 60192

**Telephone:**
224.353.8567 (Office)
847.284.6647 (Mobile)
**Email:**
henry@YourIndependentAdviser.com
**Facebook:**
http://www.facebook.com/CastlingFP
**Twitter:**
@CastlingFP

*Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.*

## How to Check Out Our Investment Adviser Registration

Point your Internet browser to the Securities and Exchange Commission (SEC) Website at:

http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx

(If this page has moved or changed, go to the SEC home page at: http://www.sec.gov/ and follow the links for information on Advisers.)

Choose “Firm” and then in the Firm Name search box, enter the word: “**Castling**” without quotes.

Click on the Start Search button.

On the Investment Adviser Search results page, click on the Investment Adviser Firm link. Our CRD (Central Registration Depository) number is **150844**.

Click on the “**Illinois**” link shown on the next page.

This should bring you to our complete Form ADV filing. Please take your time browsing it and comparing with your current financial adviser's filing. If they do not have their own Form ADV filing, they may be a stock broker, insurance agent or even be unregistered as an adviser. You may be somewhat surprised to compare Part 1A: Item 7 “Financial Industry Affiliations” with that of other advisers. Affiliation is really a euphemism for “conflict of interest”. A completely independent adviser will not have any box checked on this page.

Lastly, we encourage you to download our Form ADV Part 2 Brochure, from the SEC Website. It is important to note that many advisers do not make this important document available until after you contact them or just before you sign an advisory agreement with them. While this behavior is technically legal, we find it to be not in the best interests of clients.

Our brochure covers our advisory services, approach to clients and also our very affordable fee schedule.

***Copyright 2017 by Castling Financial Planning, Ltd. All rights reserved.***

## Disclosures and Disclaimer

*All investments involve risk, including risk of loss of principal.*

*The information provided in this report has been furnished completely free of charge and obligation, for educational purposes only. Information contained within this report should not be construed to constitute investment advice for any particular individual or group.*

*All calculations, analysis and assumptions used in this publication are the sole responsibility of Castling Financial Planning, Ltd. and were developed with great care. All background information used to create this report is believed to come from sources that are reliable. No warranty, whether express or implied, is given to any reader or user of this report. Castling Financial Planning, Ltd. expressly disclaims any liability resulting from the use of information contained within this publication, including incidental or consequential damages arising from the use of this publication.*

*Castling Financial Planning, Ltd. does not provide any investment or financial advice without performing analysis of a client's situation and goals. Anything less is, at best, a sales presentation.*

*Castling Financial Planning, Ltd. is an hourly, fee-only financial planning practice and investment adviser, registered in the State of Illinois.*

*Castling Financial Planning, Ltd. operates elsewhere, where permitted by state law, based upon the National Di Minimus provision to the Investment Advisers Act of 1940.*

*Castling Financial Planning, Ltd. believes strongly in the concept of independent, fact based advice, which is not tainted by conflicts of interest. As a result, we do not sell any financial products, nor seek affiliations with any broker/dealers or other financial product providers.*

*Castling Financial Planning, Ltd. is not in the business of providing legal or tax advice. Please consult with your attorney or qualified tax professional, for legal and tax advice specific to your personal situation.*

*Castling Financial Planning, Ltd. is not responsible for events beyond its control, such as wars, strikes, natural disasters, terrorist acts and market fluctuations.*

*This disclaimer does not seek to waive, limit or minimize any rights a client may have under applicable state or federal laws.*