



Newsletter

BUMGARDNERMORRISON

CERTIFIED PUBLIC ACCOUNTANTS
WEALTH MANAGEMENT ADVISORS

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It's what we do!



What's Inside...

The Investment Risk

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The Investment Risk You May Not Know About

What can you do to allay this risk?

Provided by J. David Bayarena, CFP®, MBA

Knowledgeable investors are aware that investing in the capital markets presents any number of risks – interest-rate risk, company risk, and market risk. Risk is an inseparable companion to the potential for long-term growth. Some of the investment risks we face can be mitigated through diversification.¹

As an investor, you face another, less-known risk for which the market does not compensate you, nor can it be easily reduced through diversification. Yet, it may be the biggest challenge to the sustainability of your retirement income.

This risk is called the sequence-of-returns risk.

The sequence-of-returns risk refers to the uncertainty of the order of returns an investor will receive over an extended period of time. As Milton Friedman once observed, you should “Never try to walk across a river just because it has an average depth of four feet.”²

Sequence of Returns. Mr. Friedman’s point was that averages may hide dangerous possibilities. This is especially true with the stock market. You may be comfortable that the market will deliver its historical average return over the long term, but you can never know when you will be receiving the varying positive and negative returns that comprise the average. The order in which you receive these returns can make a big difference.

For instance, a hypothetical market decline of 30% is not to be unexpected. However, would you rather experience this decline when you have relatively small retirement savings or at the moment you are ready to retire – when your savings may never be more valuable? Without a doubt, the former scenario is preferable, but the timing of that large potential decline is out of your control.

Timing, Timing, Timing. The sequence-of-returns risk is especially problematic while you are in retirement. Down years, in combination with portfolio withdrawals taken to provide retirement income, have the potential to seriously damage the ability of your savings to recover sufficiently, even as the markets fully rebound.

As you consider your options, keep in mind that a certain amount of risk is unavoidable. Diversification is helpful, to a degree, but it can also be helpful to have a plan in mind if you face a difficult year ahead. Are you able to delay retirement for a year or more, potentially adding additional years to save as well as allowing the financial environment to recover? Another alternative may be to reconsider, downsize, or delay some of your bigger plans. These alternatives may not be preferable, but you can take comfort in having those plans and ideas in place, should they ever become necessary.

If you are nearing retirement or already in retirement, it’s time to give serious consideration to the “sequence-of-returns risk” and ask questions about how you can better manage your portfolio.

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Citations.

1 - <https://www.kiplinger.com/article/retirement/T047-C032-S014-is-your-retirement-income-in-peril-of-this-risk.html> [7/3/2018]

2 - <https://quotefancy.com/quote/868218/Milton-Friedman-Never-try-to-walk-across-a-river-just-because-it-has-an-average-depth-of> [2018]



Employee Spotlight...

Amber Bittlebrun

Amber Bittlebrun joined the Bumgardner Morrison team in May 2018. As a member of the accounting staff, she works with both audit and tax clients. Before joining BMC, Amber worked as an office manager for the Victoria Economic Development Corporation. She also has prior experience in banking and bookkeeping.

In May 2017, she graduated Cum Laude from The University of Houston-Victoria with her Bachelors of Business Administration in Accounting. She earned a Global Masters of Business Administration with a concentration in Accounting from The University of Houston-Victoria in May 2018, and is currently working towards obtaining her CPA license.

Amber and husband Jared were married in the fall of 2018. Apart from studying for the CPA exams and working, Amber enjoys traveling with her husband - most recently to England. Later this year they will be making their way to Italy for their belated honeymoon.

She also enjoys spending time with her family, especially her three young nieces (ages 6 months to three years old). Amber is the oldest in her family and has four siblings.

When not working, you can usually find Amber shopping at Target or enjoying her favorite meal with a sweet tea at Chick-Fil-A.



Employee

TRIVIA

Sometimes when making something so precious, beautiful and unique, it takes an extra helping heart.



This employee was a surrogate for her best friend's second child.

Can you guess who that might be?

The answer is hidden within these pages.

Just For Grins...



A man feared his wife wasn't hearing as well as she used to, so he called the family doctor to discuss the problem.

The Doctor told him there was a simple informal test the husband could perform to give the doctor a better idea about her hearing loss.

Here's what you do," said the Doctor, "Stand about 40 feet away from her, and in a normal conversational speaking tone see if she hears you. If not, go to 30 feet, then 20 feet, and so on until you get a response."

That evening, the wife is in the kitchen cooking dinner, and he was in the den. He says to himself, "I'm about 40 feet away, let's see what happens." Then in a normal tone he asks, "Honey, what's for dinner?"

No response. So, the husband moves closer to the kitchen, about 30 feet from his wife and repeats, "Honey, what's for dinner?" Still no response.

Next he moves into the dining room where he is about 20 feet from his wife and asks, "Honey, what's for dinner?" Again he gets no response.

So, he walks up to the kitchen door, about 10 feet away. "Honey, what's for dinner?" Again, there is no response.

So, he walks right up behind her. "Honey, what's for dinner?"

"Clyde, for the fifth time... CHICKEN!"

Peach Cobbler

By Barbara Warmuth

Cobbler:

Preheat oven to 350°.

You will need:

- 1 cup flour
- 1 cup sugar
- ¼ tsp. salt
- 2 tsp. baking powder
- ¾ cup milk
- 1 tsp. cinnamon or pumpkin pie spice

Also:

- 1 stick of butter
- ½ cup sugar
- 2 cups chopped peaches (or other fruit)



Bourbon Sauce:

You will need:

- ½ cup (1 stick) butter, melted
- 1 cup sugar
- 1 egg
- ½ cup Kentucky bourbon whiskey
(more or less to taste)

Make the bourbon sauce while the cobbler is baking. Melt the butter in a medium saucepan on low heat. Add the sugar and egg and whisk to blend well. Slowly cook over low heat, stirring constantly, until the mixture thickens enough to coat the back of a spoon, then remove from heat. Do not allow the mixture to simmer! Whisk in bourbon to taste. Whisk again before serving. The sauce should be soft, creamy and smooth.

Best fresh and eaten the day it is made.

Mix together the first six ingredients.

Melt 1 stick of butter in baking pan.

Pour batter into baking pan over the melted butter.

Mix 2 Cups chopped fruit with ½ cup sugar and pour over batter. Sprinkle with a little cinnamon and sugar.

Bake at 350° until cobbler is brown. Serve warm with bourbon sauce on the side.

BumgardnerMorrison Approved!



life quiz

You don't actually have to take the quiz. Just read this straight through and you'll get the point...

Here's the first quiz:

1. Name the five wealthiest people in the world.
2. Name the last five Heisman trophy winners.
3. Name the last five winners of the Miss America contest.
4. Name ten people who have won the Nobel or Pulitzer prize.
5. Name the last half dozen Academy Award winners for best actor and actress.
6. Name the last decade's worth of World Series winners.



How did you do?

The facts are, none of us remember the headliners of yesterday. These are no second-rate achievers. They are the best in their fields. But the applause dies. Awards tarnish. Achievements are forgotten. Accolades and certificates are buried with their owners.

Here's another quiz. See how you do on this one:

1. List a few teachers who aided your journey through school.
2. Name three friends who have helped you through a difficult time.
3. Name five people who have taught you something worthwhile.
4. Think of a few people who have made you feel appreciated and special.
5. Think of five people you enjoy spending time with.
6. Name half a dozen heroes whose stories have inspired you.

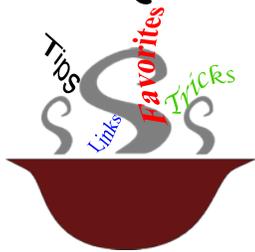


Easier?

The lesson: The people who make a difference in your life are not the ones with the most credentials, the most money, or the most awards. They are the ones that care.

*"People don't care how much you know,
until they know how much you care."*

The Soup...



How'd They Do That???

1. Grab a calculator (you won't be able to do this one in your head)
2. Key in the first three digits of your phone number (NOT the area code -- example: 555-976-5555 -- you'd use "976")
3. Multiply by 80
4. Add 1
5. Multiply by 250
6. Add the last 4 digits of your phone number (e.g. 5349)
7. Add the last 4 digits of your phone number again
8. Subtract 250
9. Divide number by 2.

How did they do that! Try it again with a different number.



We hope you enjoyed our newsletter. It is also available at <http://www.bmccpa.com/blog>.

If you would like to receive a copy via email, please send your request via email to Lori Devereaux at lori@bmccpa.com.



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