The
FINANCIAL UPDATE

DAY & ENNIS, LLC
FEE-ONLY FINANCIAL PLANNING

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You Don't Need Perfect Knowledge To Invest Well

If you had the power to predict which one of 12 types of investments representing wide range of assets was going to be No. 1 every year for each of the 15 years from 2002 through 2016, you would have averaged a 29.9% annual return.

Of course, no one has the power to predict which investments will be No. 1 every year. Surprisingly, accepting that you cannot predict the future and maintaining equally-weighted positions in the same 12 types of investments in the same period averaged a 7.5% annual return with less volatility.

again, and you would have had to do that annually for 15 years to average 30% return.

It's obviously totally unrealistic to have expected this. It would take a miracle to pull this off!

However, even more miraculous is that common sense, an understanding of the history of investing, and rebalancing annually, achieved an annualized total return of 7.5%, and that may be enough to achieve your financial goals in life.

This approach to investing is grounded in a large body of academic research developed over the past 70 years,

If You Had Perfect Knowledge And Picked The Top Asset Class Annually

29.88% Annualized, 2002 Through 2016

Year	Large U.S. Stock	Midcap U.S. Stock	Small-Cap U.S. Stock	Developed Non-U.S. Stock	Emerging Non-U.S. Stock	REIT	Natural Resources	Commodities	U.S. Bonds	TIPS	Non-U.S. Bonds	Cash
2002	(22.12)	(15.77)	(14.63)	(15.61)	(6.00)	7.88	(13.00)	22.01	10.25	16.57	19.59	1.65
2003	28.39	35.20	38.79	38.45	56.28	38.96	33.63	25.56	4.10	8.40	14.78	0.90
2004	10.75	16.14	22.65	19.75	25.95	33.80	24.24	36.38	4.34	8.21	10.33	1.11
2005	4.79	12.17	6.20	13.39	34.54	12.00	35.79	27.83	2.43	2.65	(6.66)	3.01
2006	15.69	10.05	19.40	26.00	29.53	35.20	16.30	11.47	4.33	0.29	6.44	4.88
2007	5.39	7.64	(6.96)	10.97	39.05	(16.38)	33.82	31.34	6.97	11.46	10.57	5.14
2008	(36.97)	(36.38)	(31.99)	(43.14)	(52.77)	(36.98)	(42.78)	(30.80)	5.18	(2.52)	4.41	2.77
2009	26.42	36.87	30.52	31.41	76.28	29.76	36.92	15.08	6.03	11.38	6.51	0.53
2010	14.93	26.17	24.97	7.52	18.99	28.44	23.23	11.86	6.51	6.10	4.13	0.06
2011	2.06	(1.99)	(4.05)	(12.18)	(18.68)	8.62	(7.81)	(2.71)	7.72	13.40	3.60	0.04
2012	15.84	17.58	18.78	17.22	18.84	17.67	1.71	3.31	4.04	6.80	5.85	0.04
2013	32.21	33.08	36.57	22.62	(5.00)	2.42	15.89	(7.57)	(2.15)	(8.65)	(3.66)	0.02
2014	13.53	9.42	10.55	(5.04)	0.60	30.29	(10.21)	(28.18)	1.32	(1.17)	8.83	0.01
2015	1.34	(2.40)	(4.67)	(0.90)	(15.35)	2.36	(24.52)	(18.64)	0.92	(0.15)	1.08	0.05
2016	11.80	20.33	24.80	0.96	11.75	8.53	30.13	4.27	1.42	2.69	4.67	0.33

Past performance is not a guarantee of your future results. Source: Dr. Craig Israelsen

To be clear, to get that 29.9% return every year from 2002 through 2016, you would have had to invest 100% of your portfolio in the No. 1% asset class on January 1 and held it until the end of the year, and then bought the coming year's leader. The yellow boxes highlight the No. 1 asset classes in each of those 15 years. On January 1, 2003, you would have had to choose which one of the 12 types of investments would be No. 1

generally called "modern portfolio theory." It's an approach we believe has merit, and it is very different from trying to predict the future or picking next year's No. 1 performer.

The lesson here is that you do not need perfect knowledge to succeed financially in life. You do not need a miracle in your portfolio. Sticking with a

(Continued on page 4)

Our New Location In North Georgia

As we open in Blairsville, Day & Ennis, LLC, becomes the sole NAPFA (napfa.org) member in north Georgia. We offer fee-only financial planning and wealth management to those in Blairsville, Blue Ridge, Young Harris, Hiawassee and the entire north Georgia area.

We specialize in comprehensive financial planning for business owners and professionals. The fact that we do not sell any financial products assures clients of unbiased advice. They know we have no vested interest in the recommendations we make. We are also a fiduciary financial advisor, which means we always put our clients' financial interests ahead of our own.

We'll be helping our north Georgia clients achieve their investment goals, so they'll be more secure for the future. If you live in the area, we can help you with planning for retirement, exit planning for your business, managing a 401(k) pension plan or creating a tax-efficient estate plan. In short, we can help organize your financial life.

Reaching your financial goals often depends on how well you plan for them. Please contact us at (706) 400-5763 to arrange a complementary consultation.

Sincerely,
Day & Ennis, LLC

A Bright Outlook For Consumer Spending

Investing prudently requires understanding economic fundamentals. Here's some insight into current economic conditions and the kind of ongoing analysis required to manage wealth prudently for the long term over up and down economic cycles.

The economy is measured quarterly in terms of gross domestic product (GDP), which is the sum of four factors: consumption, investment, government and net exports. Consumer spending is by far most important, accounting for 69% of U.S. economic activity. The key to strong economic growth, then, is a strong American consumer.

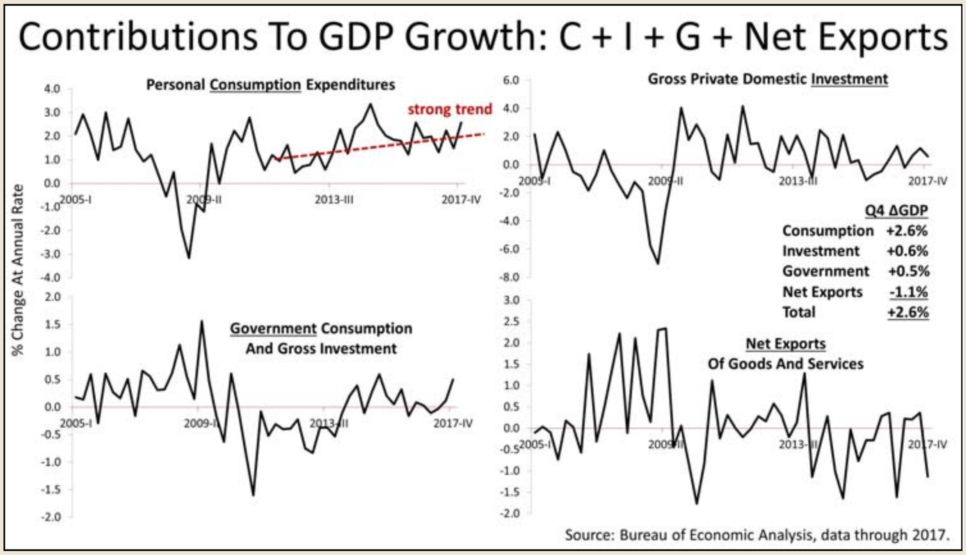
In the final quarter of 2017, net exports were a drag on GDP growth. However, net exports are volatile month-to-month and its dips have been followed repeatedly by surges over the past two cycles of the economic expansion and recession that occurred since January 2002.

Government spending, which includes state and municipal expenditures, has been on the rebound after suffering years of cutbacks in The Great Recession and its aftermath. With real incomes rising since the financial crisis, tax receipts have risen and state and local government spending grew, which has been a positive factor in GDP growth in recent years.

However, government spending, business investment, and government spending are together not even half as important a factor in growth of the U.S. economy as consumers. If consumers keep spending, the good times for the U.S. could keep on rolling, and there is some reason for optimism on that score.

Consumer strength rose in closing out the year, according to the most recent data, extending the strong growth trend line (in red) experienced in recent years. In addition, in February, a lower rate of withholding federal taxes on employee paychecks kicked in, and that is putting more money in consumers' pockets to spend. That could show up in GDP growth figures to be released in early April 2018.

Economic growth shows up in profits of companies and is the key determinant in the value of stocks. Profit expectations at the Standard & Poor's 500 companies grew sharply in the opening quarter of 2018, according to independent economist Fritz Meyer, and the outlook for consumer strength was bright despite an 11.8% correction. ●



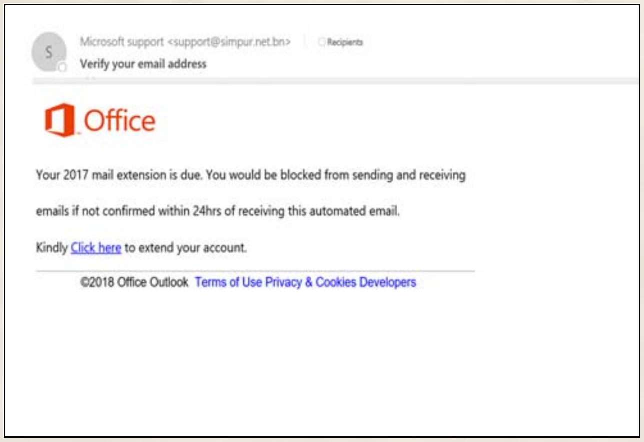
Six Tips To Avoid Phishing Scams

"Fake news" has exacted a high cost to American culture and political discourse, but the internet fakery that costs you time and money is phishing, emails diabolically aimed to trick even you into opening your personal data to crooks and miscreants.

Phishing is the practice of emailing people purporting to be a reputable company to fool people into revealing passwords, credit card numbers, contacts, emails, internet accounts, and your most personal digital data. It's rampant. Whether you're using a smartphone, tablet, and computer, here are some tips for protecting yourself:

Mistakes. Phishing emails often are generated by teens or crooks with weak skills in English punctuation, grammar, and spelling. The phishing email from Office use an improper style in "24hrs" and the capitalization of the phrase, "Kindly Click here" should arouse suspicion. When you look at this email's bottom line, the copyright is "Office Outlook." The logo is off. The product name is Office 365 and there is no mention of Microsoft in the copyright notice. Does the sentence Terms of Use Privacy & Cookies Developers make sense? It's a hint that this is a fake.

Reply email address. In this



Finding The Balance For Retirement Draw-Downs

Victor and Jane Muratti, a computer analyst and schoolteacher married for more than 30 years, are nearing retirement. Over the years, they have accumulated a mosaic of investments, including stocks, corporate and municipal bonds, mutual funds, exchange-traded funds (ETFs), annuities, real estate, and master limited partnerships (MLPs). Some of these investments are in taxable accounts while others are in tax-deferred retirement plans and traditional and Roth IRAs.

Once they retire, the Murattis will begin drawing income from these various accounts, and after they reach age 70½, they'll have to start taking required minimum distributions (RMDs) from their retirement plans and IRAs. But they don't have a clue about the best way to create their retirement "paychecks."

It's a common situation and the circumstances will vary for every person or couple. However, one typical objective is to minimize federal income tax from investment transactions, while preserving as much wealth as you can for a lengthy retirement.

One way to do that is by paying attention to tax brackets. Income taxes are based on a graduated seven-bracket system, with different tax rates for each bracket. The more of your income that falls into lower brackets—and so is taxed at lower rates—the better. And to the extent that you can control how much income you receive, you could try to take just enough to fill up your current bracket without moving into the next, higher one. You can use this tax bracket management strategy throughout retirement.

But to benefit, you'll need to learn the basics for three different types of accounts you're likely to tap during retirement.

1. Taxable accounts: This category includes all of the investments you hold outside of retirement plans. You may have stocks, bonds, mutual funds and ETFs, as well as interest-bearing savings accounts and certificates of deposit (CDs). If you sell any of these at a gain, your profit will generally be taxed at the favorable rate for long-term capital gains—that is, gains on investments you've held for a year or more. The tax rate for long-term gains is 15%, or 20% if your income puts you in the top tax bracket for ordinary income. Most dividend income from stocks is also taxed at 15% or 20%. But interest from bonds and other investments is likely to be taxed at the higher rates for ordinary income.

2. Tax-deferred accounts: Within tax-deferred accounts such as 401(k) plans and traditional IRAs, capital gains and income from dividends and interest all can accumulate without being taxed. But once you start taking money out of these accounts during retirement, all or most of your withdrawals will be taxed as ordinary income. And when RMDs come along, some of the money *must* come out every year.

Deferred compensation from your company could offer similar tax benefits.

3. Tax-free accounts: Of course, no taxes are better than low taxes, and a Roth IRA may give you retirement income that isn't taxed at all. With a Roth IRA that you've had for at least five years, withdrawals after age 59½ are completely tax-free. Meanwhile, although interest income from most bonds is taxed at ordinary income rates, income from municipal bonds or municipal bond funds can be tax-exempt. These bonds could be a valuable part of your retirement portfolio.

When considering which account to draw from and in what order, a common strategy is to take RMDs first—because you must make those withdrawals—then tap your taxable accounts next, leaving assets in tax-deferred accounts to grow without being eroded by taxes for as long as possible. Finally, make tax-free withdrawals from your Roth IRA, which offers the additional advantage of not requiring distributions during your lifetime.

In addition, to the extent you can, you might practice tax bracket management, capping your taxable income at a level that will let you avoid moving into a higher bracket. So that even if you can't avoid taxes entirely during retirement, you may be able to keep them under control. ●

phishing email, the reply address at the top left says "Microsoft support," but if you look closer, the reply email address is "support@simpur.net.bn" and that is not a Microsoft address. The "bn" suffix is the internet country code for Brunei, and that's another telltale sign of fraud. Clever phishing emails often fake reply addresses in other ways. The easiest way to verify a reply email address is to double click on it and look at its properties. If the email purports to be from Microsoft or Google, will hitting reply send an email to a Microsoft or Google email account? If not, it's fake.

Links. Don't click on links in a suspicious email without being deliberate. The link could be a malicious website. Right click on the link and check its properties and see if the link goes to the company.

Slow down. The grammar, misspelling, bad links, and other telltale signs are easily overlooked when you're in a rush, and that's perhaps the reason why people become ensnared by phishing emails.

Verify before you trust. Trust but verify works for some things but not with internet security. First verify and then you can trust.

Secure Software. Microsoft and Apple release updates to computer operating systems continually and those are essential to staying secure. Anti-virus and anti-malware programs are also essential and they need to be kept updated with the latest fixes. ●

Bitcoin, Chasing Your Tail, And Investing

Thinking about Bitcoin? Could be a good time to hop on, right? Wrong! Usually, by the time the average investor jumps on a gaudy, freewheeling bandwagon, it's too late. The price spike has already occurred. If the investment is a fad, a sickening plummet may well await you.

Bitcoin blasted to a record high at rocket speed, hitting $19,783 on December 17, 2017, before plunging 25% in the next 10 days. The crypto-currency may yet be destined for greatness over the long-term, but its supersonic ascent and subsequent nosedive look much like other notorious investment fads.

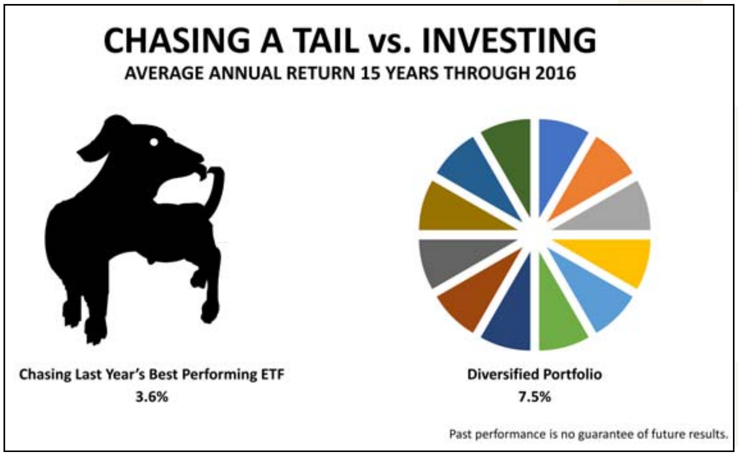
In 1637, Dutch investors lost their bloomers on tulip bulbs. During tulip-mania, prices for bulbs reportedly rose from November 1636 to February 1637 by 2000%, according to academic research published on Wikipedia.

These objects of desire were flowers. It made no sense. The crash of the bulbs shattered lives and has ever since served as a beacon in financial history, warning investors of the risk in chasing performance.

Investing in Bitcoin makes little sense considering that it is one of many crypto-currencies being mined on the Internet. The value of a crypto currency is set by supply and demand and supply is set by a software program that's not tied to a sovereign state. Transactions are easily hidden from tax authorities. Ultimately, crypto-currencies compete with sovereign nations, which is why some governments are starting to move to regulate them. In the time this was written, not only had the price of Bitcoin plunged 25%, but South Korea became the first nation to ban all anonymous crypto currencies and regulate the rest.

Bitcoin's ascent was easy to spot as a mania, but the modern-day danger inherent in chasing hot performing investments is often far less apparent. For example, say you bought the No. 1 performing Exchange Traded Fund annually for 15 years through 2016. Sound like it could be a strategy for success? Think again, according to Dr. Craig Israeslen, Ph.D., who teaches portfolio design techniques to financial professionals. Your average annual return was 3.6% — less than half the annual return of a broadly diversified portfolio invested across 12 different types of assets equally and rebalanced systematically every year over the same 15-year period through 2016.

Human nature makes people susceptible to investment manias, shiny bright objects like Bitcoin, and chasing last-year's winners. It's why people will always need investment professionals to stay focused on economic fundamentals, quantitative analysis, controlling fear and greed. ●



Perfect Knowledge To Invest

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plan for the long-term that is not based on miracles but, rather, on moderation, may be enough to pay for all you need in life.

Withdrawing money from leading investments and deploying it in lagging types of assets to reset a portfolio back to equilibrium at the end of every year, lowered the risk of this portfolio and returned enough to enable financial independence.

It's counterintuitive but those are the facts. The data is from Dr. Craig Israelsen, an expert of low-expense portfolio design, whose research we license to share with you. Of course, past performance is not a guarantee of your future results. Nor is a quantitatively-driven discipline infallible.

However, with stocks appreciating sharply in 2017 and early 2018, be sure you are rebalancing properly. You can call on us for prudent portfolio management based on economic fundamentals and quantitative analysis or with any questions about your portfolio. ●

Perfect Knowledge Vs. Broad, Quantitative Portfolio Returns, 2002 Through 2016

Portfolio Strategy	Average Annual Return	15-Year Standard Deviation	Realistic?
Perfect Knowledge	29.88	18.68	No
Broad Quantitative Diversification	7.51	12.98	Yes

Past performance is not a guarantee of your future results. Source: Dr. Craig Israelsen

US Large Cap represented by S&P 500 Total Return Index. US Mid Cap represented by S&P MidCap 400 Total Return Index. US Small Cap represented by S&P Small Cap 600 Total Return Index. Non-US Developed represented by MSCI EAFE Index NR USD. Emerging represented by MSCI EM Index GR USD. Real Estate represented by S&P Global REIT Index TR USD. Natural Resources represented by S&P North American Natural Resources Total Return Index. Commodities represented by Deutsche Bank Liquid Commodity Optimum Yield Diversified Commodity Index Excess Return. US Bonds represented by Barclays US Aggregate Bond Index TR USD. TIPS represented by Barclays US Treasury US TIPS Index TR USD. Non-US Bonds represented by Barclays Global Treasury Index TR. Cash represented by US-TREAS Stat US T-Bill 90 Day TR.

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