PAYNE CAPITAL MANAGEMENT CHRONICLE

Your Personalized Path to Financial Freedom

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Payne Capital Management: Your Personalized Path to Financial Freedom

Don't Put Too Much Stock in Talking Heads

By Bob Payne, Managing Director and Chief Investment Officer

We live in an unprecedented era of global connection. Thanks to the Internet, ever-advancing technology and the impact of times zones, it's a 24/7 news cycle. In this frenetic environment, the business media has turned into a never-ending carousel of one so-called investing guru after the next. So a common question I hear is, "How much emphasis should typical investors and potential investors put on financial advice they see or hear in the media?" My answer: Not much.

Three Keys:

1. If a stock is mentioned in a prominent media outlet, its price will likely change instantly.
2. So-called "investing gurus" are often just ad-selling entertainers
3. The best strategy is to consult a trusted advisor who will custom-build a portfolio for you

A recent study actually found that any time a stock is mentioned on CNBC, whether positively or negatively, the price of that stock moves immediately. Just think about it – you have some guy sitting in front of a half-dozen cameras on national television, giving advice. Could you possibly be the only one listening? The reality is the minute that information comes out of his mouth, it becomes old news. His perspective has been heard by thousands, if not millions of other investors, and whatever edge it might have given you is totally lost.

So my advice is to treat talking market gurus like the ad-selling entertainers they're meant to be. Listen to their recommendations, but with a gigantic grain of salt. Here's what you really should do. Sit down with a trusted advisor – somebody who will put together a master financial plan and build you a diversified portfolio with a mixture of equity index funds, individual high-quality bonds, and alternative investments like high-yielding real estate. A portfolio that's going to be recalibrated every year according to your distinctive risk tolerance as you get older.

That's the type of strategy you need to help you weather whatever storm might come. The market has certainly been in a storm lately, and I'll tell you what – if you sit down with a trusted advisor, you'll be the better for it. At Payne Capital Management, we specialize in expertly tailoring customized portfolios to each of our valued clients based on their individual goals and circumstances.

Introducing the Newest Member of PCM

Gaurav "Gary" Adhikari is the operations manager for Payne Capital Management (PCM). As a member of the operations team, he helps oversee administrative duties and the proposal desk workflow, while also creating proposal reports for prospective clients. In addition, Gary assists with PCM social media and marketing efforts.

Gary originally hails from Nepal and attended an international boarding school in India, where he met a number of teachers from Minnesota. This experience led him to the North Star State for college in Duluth, where he earned his undergraduate degree in applied economics with a minor in finance.

During his free time, Gary likes to follow sports, especially soccer and basketball. He also enjoys learning about world history and watching documentaries.

'Bonds 101'

By Michelle McKinnon, Wealth Advisor

There's been a lot of chatter in the news lately about interest rates and bonds. So what does that mean and how does it impact us? Well in this article, I'd like to say just a couple things about bonds without getting too in-depth. A quick "101" refresher, so to speak.

Three Keys:

1. High Quality Bonds historically have had an inverse relationship to stocks
2. Interest rates often have an inverse relationship to bond prices
3. It is better to own an actual bond than a mutual fund of bonds

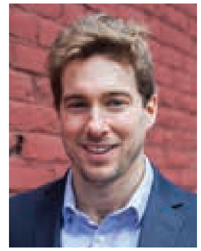
High quality bonds historically, often have had an inverse relation to stocks. So when stocks go up, usually bonds go down and vice versa. It doesn't always play out that way, but is a good rule of thumb. Another important element to look at is the relationship between interest rates and bond prices. In fact, I'd say that's probably the most crucial point. So what happens to bond prices when interest rates (or yields) go up? Well, they typically go down because it's another inverse relationship.

Now, for people in their 20's, 30's or even 40's, odds are you don't have a significant percentage of your portfolio allocated to fixed income, therefore fluctuations in the bond market probably aren't going to affect you much. During that time of life, you normally wanted to be invested more aggressively and focused on a growth oriented portfolio. But for people in their late 40's, 50's or 60's, there's a chance you will have a larger percentage of your wealth invested in bonds, and I'd like to add something about that.

The reality is we shouldn't be so concerned about bonds themselves, but rather how we own our bonds. We need to remember that owning the actual underlying paper (the bond) is what matters most, and to steer clear of just owning a mutual fund of bonds. You want to have the exact date of when your principal will be returned to you (date of maturity) and the fixed interest rate you will receive (coupon). So in the worst case, you will receive your money back and a fixed interest along the way. Unfortunately you do not get that certainty in a bond mutual fund; remember there are no dates of maturities on those funds. We want permanency and definition, this is a vital distinction. If you have additional questions about bonds you can always email me here: michelle.mckinnon@paynecm.com.

$mart WOMEN was created to help empower women by providing some financial tools and support so we can get smart with our money.

The Power of a Diversified Portfolio



By Ryan Payne, President

For anybody planning to retire in the near future, there are three chief challenges to keep in mind. First is inflation, because it's all but certain that goods and services will cost more in the future. Second is longevity risk, since people are living longer and you could be retired for 25-30 years. Third are healthcare costs, which might exceed $200,000 during your retirement.

Three Keys:

1. The greatest challenges to retirement are inflation, longevity risk, and healthcare costs
2. Your best protection against the vagaries of the market is a diversified portfolio
3. Investing in bonds is a vital component of disciplined asset allocation

So there are major expenses coming your way and I realize many investors are caught between a rock and a hard place. Your assets need to grow over time to keep up with inflation, longevity risk, and healthcare costs. When investors have significant money sitting in cash and earning 0%, it's actually losing value because inflation has averaged 3% a year since World War II. On the flip side, money you have in the market has most likely experienced tremendous volatility over the past couple months.

So the natural question is where do you go from here? The answer is a diversified portfolio. That means not having too much money in stocks because you'd be in trouble during periods like this. Especially if you need to start pulling from a portfolio that has suddenly lost 15-20 percent in value since peaking last summer. On the other hand, if your money has just been sitting in cash for the past 5-6 years, it has earned virtually nothing while the market soared to meteoric heights.

One fundamental way to create a diversified portfolio is by including high-quality bonds. Having a targeted fixed income allocation within your portfolio offers several distinct advantages: First, protection for your portfolio. Second, the ability to pull from that bond portfolio if the market is down. Third, strategic buying opportunities since the best time to add stocks is actually during a market decline.

So disciplined asset allocation will enable your portfolio to grow over time with less risk. It also prepares you to fight against inflation, longevity risk and healthcare costs – your greatest enemies in that journey of retirement.

AUDIO

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Every Saturday at 7:00 AM. Hear Bob and Ryan share their strategies to navigate through today's complex financial jungle. **http://paynecm.com/media/**

$mart WOMEN Weekly Podcast. Tips & Tricks for creating a wealthier life.
http://smartwomen.podbean.com/

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CONTACT US TODAY for your consultation

Ready to talk about your goals? Let our team steer you in the right direction to a secure financial future.

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WELCOME to the March 2016 edition Payne Capital Management CHRONICLE,

bringing you timely investment information and insight from the dynamic financial experts at Payne Capital Management (PCM). Our content is based on real questions from potential and current investors. We believe the approach at PCM is both different and better. In this edition, you'll learn our perspective on a variety of significant financial topics such as:

- How much attention investors should pay to financial advice conveyed by media outlets
- Why it's better to own an actual bond than a mutual fund of bonds
- How a diversified portfolio offers great protection against stock market volatility

We bring it all to you in a conversational style that helps make sense out of complicated issues. The Chronicle isn't all just shop talk either. We value the vibrant culture at PCM and appreciate the contribution made by each of our valued team members, so in this issue you can also learn about the newest member of our close-knit staff. Thanks for reading and we hope you enjoy what we have to offer.

Ryan Payne
President

Inside this Issue

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