



NORTHWEST QUADRANT
WEALTH MANAGEMENT

THE **TOP VIEW**

3rd Quarter 2019 Newsletter

The financial cost of emotional decision-making in investing

When faced with certain choices and in the midst of volatile periods, most people fall prey to their stock market emotions and make decisions that may not be in their long-term financial interest. A look at certain investing patterns offers insights.

If it feels right, it may be time to worry.

According to Nobel Prize-winning psychologist Daniel Kahneman, for most people, the fear of losing \$100 is more intense than the prospect of gaining \$150. This so-called loss aversion is an academic-sounding term for the very natural compulsion to move to the sidelines during market downturns. It's also an example of how emotions can overtake logic during periods of market volatility. It's one of many such biases and behaviors that Kahneman and his peers found govern our investing behavior.

But it's important to understand that, more often than not, investing decisions that "feel right" can derail long-term financial plans. Having a plan for managing your market emotions in both rising and falling markets can help keep you on course during volatile times.

If wanting to sell when markets are trending down or the yearning to buy when markets are rising describes you, you're not alone. In fact, investment flows in mutual funds seem to follow a "buy high, sell low" pattern, with money pouring in as markets crest and flowing out as they trough.

Tips to help investors avoid making emotional investment decisions

Equipping yourself with knowledge and perspective can help you regulate your stock market emotions and stay on course during periods of volatility.

1. It's natural to feel worried. Even experienced investors steeped in the market's historical cycles may feel torn between emotions and knowledge.
2. Sleep on major decisions before taking action. A 24 to 48 hour window of reflection may help investors avoid making potentially destructive, short-term decisions during volatile markets.
3. A regular investing strategy (based on process, not emotion) can help investors focus on their long-term goals, rather than short-term market fluctuations.
4. Diversification (more on this on page 3) spreads your money among different asset classes, sectors and geographies and can blunt the impact of market downturns.

Bend

Eugene

Portland

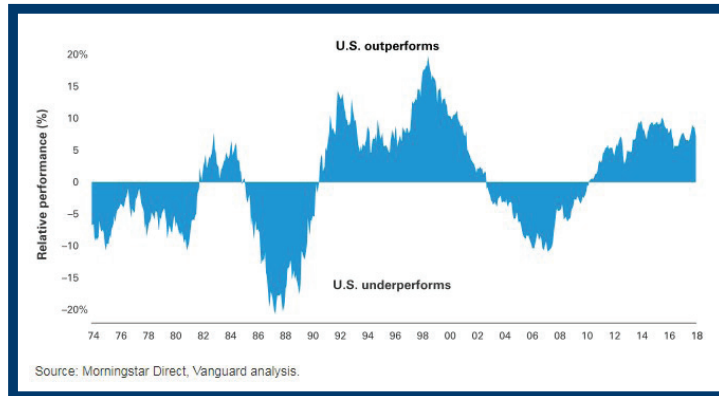
John Day

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Diversification Don't Ever Give Up!

Global equity markets experience natural ebbs and flows. In turn, when specific regions, countries, and sectors outperform, don't fall prey to the temptation to chase performance, but instead remain committed to longer-term financial objectives. However, it's not always easy—a prime example has been the period following the 2008 global financial crisis.



Since the market hit bottom in March 2009, U.S. equities have bested their international peers by 6.2%, on an annualized basis, and with considerably less volatility (13.6% versus 16.1%, respectively). With perfect foresight, we would've invested our entire portfolio in U.S. stocks. However, keep in mind 2 important facts: we don't have perfect foresight

(in fact, no one does), so sometimes we'd win and sometimes we'd lose; and while recent performance differences are significant, they're not abnormal.

While returns are important, they paint only half the picture. As an investor, you want to capture these returns in the most efficient and consistent way possible. Globally diversifying your portfolio (i.e., holding both US and international stocks) is a powerful approach that can help you meet that objective.

Generally, the average long-term returns of U.S. and international equities are similar, but their paths to those returns differ. Including both investments in a portfolio can help reduce volatility without sacrificing potential gains.

Given the relative underperformance of international stocks, they look more attractively valued compared to their US counterparts. Based on that information, over the next decade we expect international equity returns to outpace US market returns, and to reduce overall volatility when added to a portfolio of domestic stocks. That said, it's always essential to approach market forecasts with a sense of humility.

While it's impossible to predict which region will perform best over the next decade, we're confident that periods of outperformance and underperformance by US and international stocks will persist, and the benefits of diversifying your portfolio make a strong case for global equity investing.

Spring was full of family events for **Cheri**. Her granddaughter Maia just turned two, and together they are planning all sorts of mischief. Cheri also welcomed her new grandson, Braven. She was able to be at the hospital for his birth and spent most of his first day holding him. Now that the excitement is over, she is looking forward to relaxing and just enjoying the summer.

For **Troy** it is all about kids. Alycen is home after the first successful year of college, Bianca is going on an exchange trip to Europe and Africa, and Forrest is occupied this summer playing competitive water polo and golf. It will be a very busy summer!



Josh has been busy as a new dad, his family added its newest member: Grayson Kohl Fenili, born May 18th, weighing 7 lbs. and 1 oz. Both Grayson and Kohleen are happy, healthy, and recovering quickly.

Over spring-break **Alisa** and her husband followed their youngest son and his baseball team to Arizona to watch them play in a tournament. It felt nice to watch games in the warm weather; she can now see why people like to "snow-bird". With summer just around the corner she is ready to fire up the grill more often and enjoy all the activities summer brings along with her family.

Tyler and his son Finn headed to Omaha to watch the College World Series. It wasn't the same this year without having Oregon State to cheer for. This summer the whole family headed to Alaska to visit Catherina's family and do some fishing. This fall Finn will be starting his freshman year at Summit High School and Reece will be a 7th grader at Pacific Crest Middle School.

Shelly is having a fun and busy summer season going to concerts, weekend beach trips, fishing and camping trips with family. She is very, very excited that her first Grandchild is due at the end of August, and she has been collecting baby items, making a baby blanket, and hovering over her pregnant daughter like a helicopter.

Audra and her husband John were busy working on their back-yard improvement projects. It paid off as flowers were blooming and garden was ready on time. A trip with a nice couple of friends to Victoria BC Canada was a highlight of spring. They brought back many unforgettable moments. The breathtaking Butchart Gardens were "WOW" for sure. Their trip inspired a ton of great ideas for their own backyard and garden projects.

LISTEN TO OUR SHOW! Hear Troy, Tyler & Josh on these local stations

Bend: KBND 1110AM: Sat. 10am-Noon
Portland/Vancouver: KBNP 1410AM: Sat. 8-10am
John Day: KJDY 1400AM: Sun. 12-2pm
Eugene: KUGN 590: Sun. 4-6pm



Josh Fenili

Tyler Simones

Troy Reinhart

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth in the article may not develop as predicted and there can be no guarantee that strategies promoted will be successful. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Stock investing involves risk including loss of principal.

DATES of NOTE

07/04/19 Independence Day
Office and Markets CLOSED

09/02/19 Labor Day
Office and Markets CLOSED

10/14/19 Columbus Day
Office and Markets OPEN

11/11/19 Veteran's Day
Office and Markets OPEN

11/28/19 Thanksgiving
Office and Markets CLOSED

11/29/19 *Family Day
Office is CLOSED, Markets EARLY CLOSE

12/24/19* Christmas Eve
Office is CLOSED, Markets EARLY CLOSE

12/25/19 Christmas Day
Office and Markets CLOSED

12/31/19 New Year's Eve
Office EARLY CLOSE
*Markets close at 10am Pacific Time

THIS and THAT

If you are turning 70 1/2 this year, please be sure to contact us regarding Required Minimum Distributions (RMDs) from your retirement accounts.

Now is a good time to review your legal documents. Do you have Durable Power of Attorney, Will or Trust, and Healthcare Directive? Are they up to date?

Did you know?

- U.S. paper money is not paper at all: It's 75% cotton and 25% linen. In Ben Franklin's day people repaired torn bills with a needle and thread.
- It takes about 4,000 double folds (first forward and then backward) before a bill will tear.
- There are 293 ways to make change for a dollar.
- A quarter has 119 grooves around the edge; a dime has 118. The grooves were added to keep people from scraping off the coin faces and selling them as precious metals.
- The Federal Reserve note with the shortest lifespan is the \$10 bill and the longest is the \$100 bill.

Do you know what to pack in the event of an emergency evacuation?

Being prepared will make a huge difference. Here are some ideas.

- Take photos of all the rooms in your home, along with all your valuables. Store these photos on a cloud server and back them up on a flash drive.
- Scan all your important documents and save them on a flash drive. You could also save them to a cloud server, but only if you have an encryption service you trust.
- Sign up for your community's warning system (check your city or county website)
- Know how to turn off your homes' utilities
- Microchip your pets
- Buy fire extinguishers and know how to use them
- Buy a fireproof and waterproof safe to keep important papers together

Don't forget that electricity is often knocked out early during emergencies and can impact your garage door opener. Make sure to move your escape vehicle from the garage, park facing the street, and keep the keys in your pocket. Cell service is also quickly overwhelmed. Plan on not being able to contact anyone.

- Designate a place to meet and/or leave messages in case of separation.
- Select 2 friends or relatives as designated contacts. One local and one outside of the area.
- Make sure you know several ways to leave the area.

Create an evacuation and action plan to keep you focused during an emergency.

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