

Dear Reader:

### GURU'S SECRET

From the *Wall Street Journal*:

#### How Pundits Never Get It Wrong: Call a 40% Chance

Talking heads have learned that forecast covers all outcomes; "I just said it was a strong possibility."

What are the chances that readers will make it to the end of this article? About 40%.

If you do make it, that prediction will look smart. If you don't, well, we said the odds were against it.

<https://www.wsj.com/articles/how-do-pundits-never-get-it-wrong-call-a-40-chance-1519662425>

Brilliant!!

### SHELF LIFE

Ever wonder if the food you are about to eat is still good? Here is a website that allows you to check if the date on your food means it can be eaten or should be thrown out.

<http://www.stilltasty.com/>

### BOY, DOES THIS SOUND FAMILIAR

Wisdom from my #1 son:

As I get older, I realize

1. I talk to myself because there are times I need expert advice.
2. I consider "In Style" to be the clothes that still fit.
3. I don't need anger management—I need people to stop pissing me off.
4. My people skills are just fine. It's my tolerance for idiots that needs work.
5. The biggest lie I tell myself is, "I don't need to write that down; I'll remember it."
6. I have days when my life is just a tent away from a circus.
7. These days, "on time" is whenever I get there.
8. Even duct tape can't fix stupid—but it sure does muffle the sound.
9. Wouldn't it be wonderful if we could put ourselves in the dryer for ten minutes and come out wrinkle-free and three sizes smaller?
10. Lately, I've noticed people my age are so much older than me.
11. "Getting lucky" means walking into a room and remembering why I'm there.
12. When I was a child, I thought naptime was punishment. Now it feels like a mini vacation.
13. Some days I have no idea what I'm doing out of bed.
14. I thought growing old would take longer.

15. Aging sure has slowed me down, but it hasn't shut me up.
16. I still haven't learned to act my age, and I doubt I'll live that long.

I wonder if he's trying to tell me something!

### HEAD SCRATCHER

Excerpts from an article in *InvestmentNews* discussing the possibility of the SEC mandating the appropriate use of titles for financial service practitioners (i.e., sales titles for brokerage representatives and advisor titles for fiduciary advisors):

"We're hoping that it will play a significant role because it is an action the SEC could take immediately without going through the whole political process," said Harold Evensky, chairman of Evensky & Katz/Foldes Financial and a member of the Committee on the Fiduciary Standard. "It's a commonsense, mom-and-pop solution to the issue of distinguishing the relationship between the professional and the client."

But nothing is ever as simple as it may first appear.

"If you see the two terms side by side, the ultimate effect is to create a pecking order with a competitive advantage," said Gary Sanders, counsel and vice president of government relations at the National Association of Insurance and Financial Advisors. "It's not the regulators' role to give a competitive advantage to one segment of players over another."

"Competitive advantage"? Letting the public know the difference between a salesman and a fiduciary? For shame! How naive of me. I thought the regulators' role was to protect the public, not a business model.

### REALLY DEPRESSING

From *Financial Advisor*:

#### **Advisor, Pastor of One of U.S.'s Largest Churches Allegedly Defrauded Elderly**

The pastor of one of the nation's largest Protestant churches defrauded elderly investors of \$3.4 million in an investment scheme involving pre-Communist era Chinese bonds, according to a federal indictment.

Kirbyjon Caldwell, senior pastor at Windsor Village United Methodist Church in Houston, orchestrated the scheme with financial planner Gregory Alan Smith of Shreveport, Louisiana, who was permanently barred from the securities industry in 2010 by Finra, according to the U.S. Justice Department and the SEC.

[https://www.fa-mag.com/news/texas-pastor-indicted-for-allegedly-defrauding-elderly-investors-37930.html?utm\\_source=FA+Subscribers&utm\\_campaign=b6f8aac382-FAN FA News SEI LG HartfordFunds 040218&utm\\_medium=email&utm\\_term=0\\_6bebc79291-b6f8aac382-233666217](https://www.fa-mag.com/news/texas-pastor-indicted-for-allegedly-defrauding-elderly-investors-37930.html?utm_source=FA+Subscribers&utm_campaign=b6f8aac382-FAN FA News SEI LG HartfordFunds 040218&utm_medium=email&utm_term=0_6bebc79291-b6f8aac382-233666217)

## MILLIONS OF MILLIONAIRES

The number of millionaires in the United States climbed to over 11.5 million by the end of 2017! (MarketInsights)

## WHERE DO SOME COME FROM?

From *Kiplinger's*:

### CEO Pay Hits the Stratosphere

Pay for the average large-company CEO has risen 46% since 2009, versus 2.2% for the average worker.

2016: \$15.6 million

## IMPORTANT LIFE LESSONS

From Christo, a Lubbock friend:

- I never make the same mistake twice. I make it five or six times, just to be sure.
- The secret of enjoying a good wine:
  1. Open the bottle and allow it to breathe.
  2. If it doesn't look like it's breathing, give it mouth to mouth.
- "It's true, I do sh\*t in the woods." [the bear]
- Dear Optimist, Pessimist, and Realist,  
While you three were busy arguing about that glass of water, I drank it!
- Every box of raisins is a tragic tale of grapes that could have been wine.

## DON'T FEEL BAD

If you don't get to play with the "Big Boys" on Wall Street. From Bloomberg Markets via my partner, Lane:

One of John Paulson's hedge funds has plunged about 70 percent over the past four years, marking a dire stretch for the billionaire plagued with investor redemptions...

The performance marks yet another setback for Paulson, whose claim to fame was his bet a decade ago that the U.S. housing market would collapse. But his Paulson & Co. has failed to keep up such money-making wagers and instead shuttered a fund last year and made wrong-way trades on gold, U.S. banks and drugs stocks.

Investors lost patience. The firm's assets nosedived from a 2011 peak of \$38 billion, when clients contributed about half the capital. Now the firm runs about \$9 billion, and roughly 80 percent of that is Paulson's own money.

Paulson Partners also follows a merger arbitrage strategy, which typically bets that a target company's shares will climb toward the offer price while the bidder's will fall. Since the fund started trading in 1994, it has produced a 9 percent annualized return, while the levered version has gained 7.5 percent since its inception in 2003 [as of early January 2018]. Last year the funds lost money on their pharmaceutical stocks, the person said.

By way of comparison (S&P 500)  
January 1994–January 2018: 9.8% (dividends reinvested)  
January 2003–January 2018: 10.2% (dividends reinvested)

<https://www.bloomberg.com/news/articles/2018-01-09/paulson-s-merger-hedge-fund-crashes-with-70-loss-in-four-years>

### TOOT HIS HORN

From *AARP Bulletin*:

The Kentucky Derby doesn't start until Steve Buttleman blows his bugle call. Mr. Buttleman has been the bugler, playing his 32-inch herald trumpet, at Churchill Downs for 23 years.

### FROM MY LITTLE BROTHER

#### Control Tower Repartee

Tower: "Delta 351, you have traffic at 10 o'clock, 6 miles!"

Delta 351: "Give us another hint! We have digital watches!"

Tower: "TWA 2341, for noise abatement turn right 45 degrees."

TWA 2341: "Center, we are at 35,000 feet. How much noise can we make up here?"

Tower: "Sir, have you ever heard the noise a 747 makes when it hits a 727?"

A student became lost during a solo cross-country flight. While attempting to locate the aircraft on radar, ATC asked, "What was your last known position?"

Student: "When I was number one for takeoff."

A DC-10 had come in a little hot and thus had an exceedingly long roll-out after touching down.

San Jose Tower Noted: "American 751, make a hard right turn at the end of the runway, if you are able. If you are not able, take the Guadalupe exit off Highway 101, make a right at the lights, and return to the airport."

Tower: "Eastern 702, cleared for takeoff, contact Departure on frequency 124.7."

Eastern 702: "Tower, Eastern 702 switching to Departure. By the way, after we lifted off we saw some kind of dead animal on the far end of the runway."

Tower: "Continental 635, cleared for takeoff behind Eastern 702, contact Departure on frequency 124.7. Did you copy that report from Eastern 702?"

Continental 635: "Continental 635, cleared for takeoff, roger; and yes, we copied Eastern. We've already notified our caterers."

One day, the pilot of a Cherokee 180 was told by the tower to hold short of the active runway while a DC-8 landed. The DC-8 landed, rolled out, turned around, and taxied back past the Cherokee. Some quick-witted comedian in the DC-8 crew got on the radio and said, “What a cute little plane. Did you make it all by yourself?”

The Cherokee pilot, not about to let the insult go by, came back with a real zinger: “I made it out of DC-8 parts. Another landing like yours and I’ll have enough parts for another one.”

The German air controllers at Frankfurt Airport are renowned as a short-tempered lot. They not only expect one to know one’s gate parking location but how to get there without any assistance from them. So it was with some amusement that we (a Pan Am 747) listened to the following exchange between Frankfurt ground control and a British Airways 747, call sign Speedbird 206.

Speedbird 206: “Frankfurt, Speedbird 206! Clear of active runway.”

Ground: “Speedbird 206. Taxi to gate Alpha One-Seven.”

The BA 747 pulled onto the main taxiway and slowed to a stop.

Ground: “Speedbird, do you not know where you are going?”

Speedbird 206: “Stand by, Ground, I’m looking up our gate location now.”

Ground (with quite arrogant impatience): “Speedbird 206, have you not been to Frankfurt before?”

Speedbird 206 (coolly): “Yes, twice in 1944, but it was dark—and I didn’t land.”

## SAD BUT TRUE

Excerpts from <https://twocents.lifehacker.com/the-death-of-the-fiduciary-rule-is-bad-news-for-your-re-1823837417>:

The Fiduciary Rule is one step closer to death, and that means it’s once again A-ok for your retirement planner to scam you.

I’m sure they’d take issue with the phrasing, but effectively it’s what they’re doing. For many financial planners, there’s no requirement that the advice they give you is in your best interest—it only needs to meet a “suitability” standard. Instead, they can suggest products and funds that give them a kickback, even if the products don’t perform as well as others or have higher fees attached to them. In fact, the White House Council of Economic Advisers found that non-fiduciaries cost retirement investors (AKA you and me) \$17 billion per year.

Do you know who does have to work in your best interest? Fiduciaries. There are plenty of them out there—you can search for [one here](#)—and these advisors pledge to do what’s best for you, their client. Certified Financial Planners (CFPs) and Registered Investment Advisors (RIAs) are fiduciaries, for example. They don’t get kickbacks from certain products, and they don’t tack on extra fees. Instead they help you make a financial plan that works for you....

The Fiduciary Rule, crafted by the Obama Administration, would have required that all financial professionals (like brokers and insurance agents) to adhere to the “fiduciary” standard—meaning they’d have to work in your best interest if they were advising you on your retirement investments. Simply, they would have had to put your needs before theirs.

Naturally, the financial industry was not happy. How could they continue to turn such enormous profits if they're not able to scam the average investor out of his or her retirement savings?

... a federal appeals court ruled that the Department of Labor overstepped its authority when it wrote the rule. The opinion did say that Congress or another "appropriate" state or federal regulator could act to institute it, though...that isn't going to happen anytime soon.

Who else is held to a fiduciary duty? Lawyers are a typical example. Would we all be fine with some lawyers breaching client-attorney privilege or cutting a deal with the defense to receive a portion of their client's payout on the backend, if they charged the client slightly less upfront? No?

So what can you do? Well, of course be aware that this is happening. If it's possible, hire a "fee-only" planner to advise you on your investments. And lobby your state government to institute its own version of the Fiduciary Rule. And maybe get a little riled up about it.

You might also ask your financial advisor to sign the Committee for the Fiduciary Standards Oath (<http://www.thefiduciarystandard.org/fiduciary-oath/>). At least then you'll know your advisor is committed to your best interest. If they refuse? Consider a change.

## **HANDY TO KNOW**

Also from *Kiplinger's*:

### **When It's Safe to Shed Your Tax Records**

In most cases, the IRS has three years after the due date of your return (or the date you file it) to do an audit. You should keep some records even longer than that, and it's a good idea to hold on to your tax returns indefinitely.

Three Years—W-2s, 1099s, 1098s, cancelled checks, and receipts for charitable contributions. Records relating to HSAs and 529 Plans. Contributions to tax-deductible retirement accounts.

Six Years—Receipts for business income and expenses, if you're self-employed.

## **THIS IS VERY COOL!**

The U.S. Postal Service has a new service called "Informed Delivery." It provides a picture of the exterior, address side of letter-sized mailpieces and tracks packages that are scheduled to arrive soon! You can also check back for the prior week. Sign up for free at

<https://informeddelivery.usps.com/box/pages/intro/start.action>.

## LITTLE HAROLD

From my friend Ron:



A new teacher was trying to make use of her psychology courses. She started her class by saying, "Everyone who thinks they're stupid, stand up!" After a few seconds, Little Harold stood up. The teacher said, "Do you think you're stupid, Harold?"

"No, ma'am, but I hate to see you standing there all by yourself!"

Harold watched, fascinated, as his mother smoothed cold cream on her face. "Why do you do that, Mommy?" he asked.

"To make myself beautiful," said his mother, who then began removing the cream with a tissue.

"What's the matter?" asked Harold. "Giving up?"

Harold's kindergarten class was on a field trip to their local police station where they saw pictures tacked to a bulletin board of the ten most wanted criminals. One of the youngsters pointed to a picture and asked if it really was the photo of a wanted person. "Yes," said the policeman. "The detectives want very badly to capture him."

Harold asked, "Why didn't you keep him when you took his picture?"

The math teacher saw that Harold wasn't paying attention in class. She called on him and said, "Harold! What are 2 and 4 and 28 and 44?"

Harold quickly replied, "NBC, FOX, ESPN, and the Cartoon Network!"

I like Little Harold.

### A TEST

John Durand wrote *Timing: When to Buy and Sell in Today's Markets*, a classic in active investment management. He also wrote *How to Secure Continuous Security Profits in Modern Markets*, in which he opined: "As this is written, one of the greatest bull markets in history is in progress. People have been saying for several years that prices and brokers' loans are too high; yet they go on increasing.... People who deplore the high at which gilt-edged common stocks are now selling apparently fail to grasp the fundamental distinction between investments yielding a fixed income and investments in the equities of growing companies. Nothing short of an industrial depression ... can prevent common stock equities in well-managed and favorable circumstanced companies from increasing in value, and hence in market price." What year was this book published?

Send me an email at [hevensky@ek-ff.com](mailto:hevensky@ek-ff.com) with your guess. No fair looking it up on the web. I will publish the names of the first 5 people who guess correctly in my next newsletter.

Hope you enjoyed,



Harold Evensky  
Chairman  
Evensky & Katz / Foldes Financial Wealth Management