

September 30, 2016

In August, we celebrated two milestones, the 30th and 20th anniversaries for Jim and Neal. You can figure out on your own who has been here longest, but just in case you are having trouble, 30 years ago one of us was still in high school.

Compressing the past three decades onto two pages seems to be a disservice to the vast changes we have seen and the events through which we have lived. *Everything* we have witnessed over this span created experiences from which we learned, provided perspective about where we are, and laid the foundation for our beliefs and expectations for the future.

Technological advancement over the past three decades and the impact it has had on our lives can only be described as phenomenal. The improvements have had a profound and positive impact on the world. When you reflect on telephones, televisions, computers, automobiles, renewable energy, and medicine, it is hard to look back and not be amazed by the progress.

From an investment point of view, the stock market has delivered strong gains. The total return of stocks, as measured by the S&P 500 from August 1, 1986 to July 31, 2016 has compounded at just over 10.16% per year. This is probably more impressive when you consider there were not one, but two declines of 50% or more along the way.

There are mountains of data about the financial markets and individual investments. However, regurgitating a bunch of events and numbers from the past three decades makes for a boring read. How we got here is far less interesting than where we are going. It is impressive to see how well stocks did in the past thirty years, but it has little predictive power about the three decades to come.

So, where are we going? What will the next thirty years bring?

The details are unknowable, of course. But we operate in a world where we are always helping you look forward and plan for the challenges which stand in the way of successful real-life outcomes. While it is impossible to know precisely what the future holds, something has to guide the decisions and advice we provide.

OPTIMISM

It starts with a positive outlook for the future. There is overwhelming historical evidence which shows continual and amazing improvements in the world over time.

The financial markets have also shown continual improvement over time. Corporate earnings have grown for decades. Dividends, on a per share basis, have also grown. Yes, there will be disruptions and temporary setbacks in the future. But, there is no evidence to suggest the positive trends will not continue in the years ahead.

Optimism allows us to embrace the concept of the trade off of short-term volatility for greater long-term gains which are the common characteristics of investments like stocks.

Thank You!

We would like to thank all of you for your patience and cooperation during the transition between custodians. Every attempt was made to minimize the inconveniences which were a result of the transition.

National Financial Services charged each account transferring a termination fee (\$75 for non-IRA accounts, and \$95 for IRA accounts) and the IRA custodial fees for 2016 (\$40). TD Ameritrade has reimbursed every account for those charges and they will show up on your monthly statements as a credit of \$75 or \$135.

We continue to work tirelessly behind the scenes to check every account and make sure everything was transferred, including any residual amounts which remained at NFS. Except for a small handful of accounts, the transition is complete, and those few will be completed soon.

Again, thank you for your continued business. We are truly grateful for the opportunity to help you manage your money!

LONG TERM FOCUS

Our decisions and advice are also guided by a long-term perspective and goal driven plans. It helps us to keep our emotions in check, and focus on what really matters: your real-life outcomes.

It would be naive to think the next thirty years are going to be all sunshine and lollipops. There are going to be periods of adversity, and the reaction in the financial markets for some of those will likely be extreme. When this happens, it becomes very difficult to focus on anything else except the current crisis.

The downturns create substantial challenges to your long-term success. Emotions can quickly override rational thoughts. This is when having someone who can focus on the longer-term is valuable. As hard as it is to believe in the moment, those events will end and give way to better times. The turmoil caused in the financial markets will also end and eventually be erased.

By remaining disciplined and patient, we help keep you pointed in the right direction through good times and bad, and on the right path to help you achieve your goals.

MINIMIZE MISTAKES

When dealing with so many unknowns, it is impossible to avoid making mistakes. From the brightest minds in the financial world, to local financial advisors, to investors, mistakes are going to happen. Sometimes the impact of those errors is minimal. Other times they are far more costly.

The third element which guides our decision making and advice is trying to minimize both the number of mistakes made, and the impact those errors might have on your real-life results.

There are numerous types of errors which are commonly repeated. Examples include selling low and buying high, performance chasing, poor market timing, not saving enough, or spending too much. Our aim is to help you avoid these and other mistakes which can reduce your overall lifetime returns and lower the probabilities of achieving your goals.

THE FUTURE IS SO BRIGHT, WE'VE GOTTA WEAR SHADES

Looking ahead to the next few decades is exhilarating. It is exciting to think about the awesome changes ahead of us and the way those will positively impact our lives. It is thrilling to think about the potential for the great businesses in this world who will innovate and create, and in doing so, improve their profitability and increase shareholder value.

It is also exciting to look forward and see many of you reaching your goals. Whether it is accumulating wealth for the future, making the transition from decades of working to decades of leisure, seeing you enjoy a financially independent retirement, or even leaving a meaningful legacy to your children or grandchildren, we are excited to see what lies ahead for you.

We could easily dismiss our anniversaries by telling you it just means we are getting older, but it means significantly more. Ours is a business built on the relationships we develop with you. Without those, there would be no milestones to celebrate. *Thank you* for putting your confidence in us over the past few decades. The future is bright and we are looking forward to sharing it with you.

James A. Watson, Jr.
Financial Advisor

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Financial Advisor

Advisory services offered through Fleming Watson Financial Advisors, LLC a Registered Investment Advisor in Ohio, West Virginia, Florida and Texas. Insurance products are offered through Fleming Watson Financial Advisors, LLC.

*The S&P 500 is an unmanaged index. An investment cannot be made directly in an index. **Past performance is not indicative of future results.** Any rates of return illustrated are not guaranteed nor are they representative of a real investment. Your actual results could be better or worse and will most likely be different than what is illustrated. Careful consideration should be given before making any investment decision. The opinions contained herein are those of Jim and Neal Watson and are not to be considered legal or tax advice. The information herein has been derived from sources believed to be reliable, but this is not a guarantee as to the accuracy and does not purport to be a complete analysis of the security, company, or industry involved. Additional information is available upon request.*

You don't need the big plays to win; you just have to eliminate the dumb ones.

—Lou Holtz