

John's Dispatch

2014 really was a red-letter year for Corner Post Financial Planning.

For me, the highlight of the year was the launch of our Financial Education Series, seven workshops designed to provide investors and savers the information they need to better plan their futures.

So many folks helped along the way, especially our sponsor, Titan Bank, and its Executive Vice President, Dacey Malone. We also partnered with Graham Savings to host

six workshops in Graham and Breckenridge, with topics ranging from budgeting to Social Security.

In all, more than 200 individuals attended our classes.

This year, we look forward to expanding our workshop series and will work harder to ensure we provide programs that meet the unique needs of investors at every stage.

Here's an overview of what's coming in 2015:

- ◆ January: Market Outlook
- ◆ February: Focus on Health
- ◆ March: Focus on Women

- ◆ April: Self-Improvement
- ◆ May: Social Security
- ◆ July: Market Update
- ◆ August: Self-Improvement
- ◆ September: Retirement I
- ◆ October: Retirement II
- ◆ November: Social Security

As always, I appreciate your friendship and trust. May you have your best year yet in 2015.



John R. Berry, CFP®

Client Corner | Laronda and Michael Lee, Mineral Wells

Michael and Laronda Lee enjoy staying active, both in their business lives and in their down time.

Married since 1986, the couple has two adult children, Seth and Kendall. When not working, the Lees spend time in Colorado and on the Texas coast. Michael likes to hunt, and both appreciate riding 4-wheelers and fishing.

Premier Properties is the Lees' full-service real estate firm, serving both residential and commercial needs. Lee Cox Investments is the oil and



Laronda and Michael Lee enjoy riding 4-wheelers to take in the views in remote areas of Colorado.

gas production firm of which Michael is president.

Michael and Laronda aim to operate both businesses by the Golden Rule, saying it's more important to be upfront with potential customers than to make a sale.

You are invited!

Corner Post hosting Market Outlook Workshop

What trends are shaping how the markets might perform in 2015? Find out!

5:30-6:30 p.m. Thursday, Jan. 29, 2015
Hosted and sponsored by:

TITANBank

1701 E. Hubbard St.
Mineral Wells, TX 76067
RSVP: (940) 325-9800

Speaker
John R. Berry CFP®
Corner Post Financial Planning

HAPPY
NEW YEAR

Financial Resolution 101

In 2015, Corner Post Financial Planning will launch a special program designed for those who have specific financial goals they want to reach.

Stay tuned for more information about the program: **My Financial Resolution.**

In the meantime, here are some facts about New Year's financial resolutions:

- ◆ The top resolution: SAVE MORE. Second is to pay off debt, and third is to spend less.
- ◆ The median amount people resolved to save for 2014 was \$2,400.
- ◆ More people favor financial fitness over physical fitness.
- ◆ Interest in saving for luxury items is declining as savers favor practical goals.

Source: Fidelity 2014 New Year Financial Resolutions Study

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4 questions to ask before spending*

Even if you have the best of intentions, it's easy to overspend. According to a Gallup poll conducted June 9-15, 2014,¹ 58 percent of people who had shopped during the previous four weeks said they spent more at the store than they originally intended to.

Even if you're generally comfortable with how much you spend, you may occasionally suffer from a case of buyer's remorse or have trouble postponing a purchase in favor of saving for a short- or long-term goal. Here are a few key questions to consider that might help you fine-tune your spending.

How will spending money now affect me later?

When you're deciding whether to buy something, you usually focus on the features and benefits of what you're getting, but do you think about what you're potentially forgoing? If you buy a new car, will you have to give up this year's family vacation to Disney World? Considering the opportunity cost may help you evaluate both the direct and indirect costs of a purchase.

Some other questions to ask:

- How will you feel about your purchase later? Tomorrow? Next month? Next year?
- Will this purchase cause stress or strife at home? Will your spouse or partner object to your purchasing decision?
- Are you setting a good financial example? Children learn from what they observe.

Why do I want it?

Maybe you've worked hard and think you deserve to buy something you've always wanted. But are you certain that you're not being unduly influenced by other factors such as stress or boredom? Does your purchase align with your values, or are you allowing other people to influence your spending?

Do I really need it today?

Buying something can be instantly and tangibly gratifying. However, consistently prioritizing an immediate reward over a longer-term goal is one of the biggest obstacles to saving and investing for the future. The smaller purchases you make today could be getting in the way of accumulating what you'll need 10, 20, or 30 years down the road.

Can I really afford it?

Whether you can afford something depends on both your income and your expenses. You should know how these two things measure up before making a purchase. Are you consistently charging purchases to your credit card and carrying that debt from month to month? If so, this may be a warning sign that you're overspending. Reexamining your budget and financial priorities may help you get your spending back on track.

¹Source: American Consumers Careful With Spending in Summer 2014, www.gallup.com.

8 biases impacting investor behavior*

Traditional economic models are based on a simple premise: people make rational financial decisions that are designed to maximize their economic benefits. In reality, however, most humans don't make decisions based on a sterile analysis of the pros and cons. While most of us do think carefully about financial decisions, it is nearly impossible to completely disconnect from our "gut feelings."

Over the past few decades, another school of thought has emerged that examines how human psychological factors influence economic and financial decisions. This field—known in the investing arena as behavioral finance—has identified several biases that can unnerve even the most stoic investor. Understanding these biases may help you avoid questionable calls in the heat of the financial moment.

Following is a brief summary of some common biases influencing even the most experienced investors. Can you relate to any of these?

1. **Anchoring** refers to the tendency to become attached to something, even when it may not make sense. Examples include a piece of furniture that has outlived its usefulness, a home or car that one can no longer afford, or a piece of information that is believed to be true, but is in fact, false. In investing, it can refer to the tendency to either hold an investment too long or place too much reliance on a certain piece of data or information.

2. **Loss-aversion bias** is the term used to describe the tendency to fear losses more than celebrate equivalent gains. For example, you may experience joy at the thought of finding yourself \$5,000 richer, but the thought of losing \$5,000 might provoke a far greater fear. Loss aversion could cause you to hold onto a losing investment too long, with the fear of turning a paper loss into a real loss.

3. **Endowment bias** encourages investors to "endow" a greater value in what they currently own over other possibilities. You may presume the investments in your portfolio are of higher quality than other available alternatives, simply because you own them.

4. **Overconfidence** is simply having so much confidence in your own ability to select investments for your portfolio that you might ignore warning signals.

5. **Confirmation bias** is the tendency to latch onto, and assign more authority to, opinions that agree with your own. For example, you might give more credence to an analyst report that favors a stock you recently purchased, in spite of several other reports indicating a neutral or negative outlook.

6. The **bandwagon effect**, also known as herd behavior, happens when decisions are made simply because "everyone else is doing it."

7. **Recency bias** refers to the fact that recent events can have a stronger influence on your decisions than other, more distant

events. For example, if you were severely burned by the market downturn in 2008, you may have been hesitant about continuing or increasing your investments once the markets settled down. Conversely, if you were encouraged by the subsequent bull run, you may have increased the money you put into equities, hoping to take advantage of any further gains.

8. A **negativity bias** indicates the tendency to give more importance to negative news than positive news, which can cause you to be more risk-averse than appropriate for your situation.

An objective view can help

The human brain has evolved over millennia into a complex decision-making tool, allowing us to retrieve past experiences and process information so quickly that we can respond almost instantaneously to perceived threats and opportunities. However, when it comes to your finances, these gut feelings may not be your strongest ally, and in fact may work against you.

Before jumping to any conclusions about your finances, consider what biases may be at work beneath your conscious radar. It might also help to consider the opinions of an objective third party, such as a qualified financial professional, who could help identify any biases that may be clouding your judgment.

Anchoring

Loss aversion

Recency bias

Overconfidence

Confirmation bias



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Community Post



Attendees to our Retirement Planning Basics Workshop don sunglasses because their futures are so bright! Thank you to Titan Bank for sponsoring our 2014 Financial Education Workshop Series. Titan was a great partner, and we thank them for opening up their beautiful facility to us.

City's first electronics recycling day a success!



Corner Post Financial Planning was pleased to partner with the City of Mineral Wells and First Financial Bank on the community's first Electronics and Household Hazardous Waste Recycling Event in November. Despite the cold day, more than 12,000 pounds of material was collected. Pictured with John Berry (right), are Kim Houston and Ben Olsovsky.

Your financial plan needs a solid post to start with | 940-325-9800