Financial BLOGs versus Financial BLOBs

Thomas Schneeweis

January, 2021

The last year has been a difficult one for many of us. In the financial management profession, we have been restricted in how we interact with our clients and service their needs. As we move forward, one of the ways we hope to reach them as well as others is through the publication of a series of “Informational BLOGs” at Yes Wealth. The ‘Hope’ is that these “short” word stories will help all of us at Yes Wealth Management to better interact with others in helping them meet their present and future investment goals.

What can you expect from these BLOGs? For those who may not know, BLOG is short for “Web Log” and today it is often considered as: a record of news, opinions, about a particular subject that may be of interest to potential user and is often posted on the internet. It is estimated that there are over 600 million blogs on the internet today. Some of these BLOGs offer ‘real’ information while others act more like BLOBs. (BLOBs are just large amount of amorphous material attempting to take over the world (See the truly great 1958 movie titled “The BLOB”)). At Yes Wealth Management we hope our BLOGS offer our clients information that hopefully has real value to them in contrast to BLOBs that simply try to overwhelm investors with ‘large amounts of meaningless material’.

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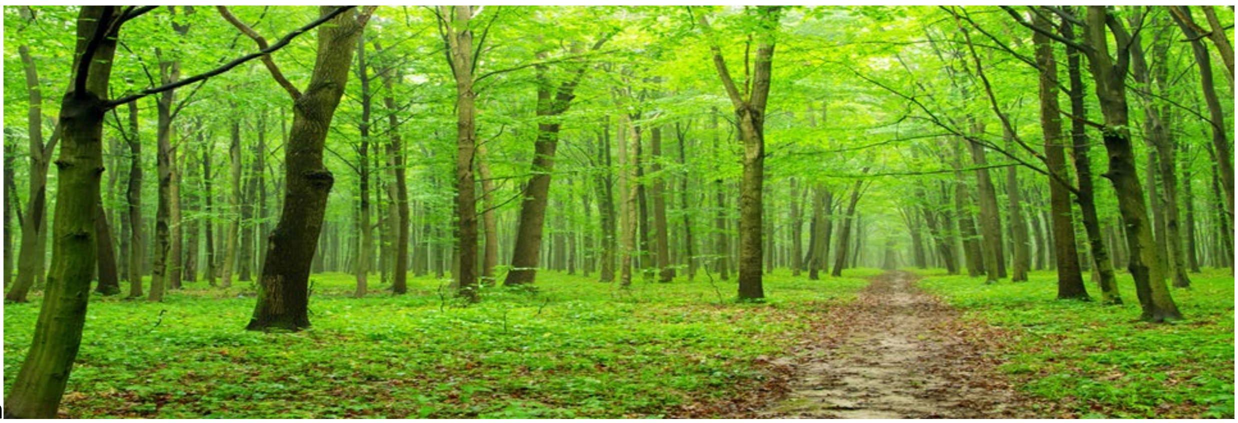
Why YES Management

Thomas Schneeweis

February, 2021

h

An Intelligent Path Through a Forest of Investment Strategies

Many of us are on a constant search for answers to basic questions of how to achieve individual and professional success (whatever that is defined to be). The importance of determining one's goals or life targets is illustrated in the classic "Alice in Wonderland" where the Cheshire Cat pointed out to Alice that; "If you don't know where you are going it does not matter what path you take." This is especially true if one is considering one's investment path or future financial goals. Moreover, if one is not personally familiar with the investment settings, it may make sense to have someone help to determine what path to take, to make sure you remain on your current path or if necessary to move one away from one's current path.

Why YES Wealth Management? We do not have the time in this short blog to detail all the reasons why YES Wealth Management may be your best companion, but if you wish to consider YES Wealth as your guide, please visit us at www.yeswealth.com. We believe that we could have even helped Alice, as we helped many others over the past thirty years, to get through today's financial forest. Simply put, we are familiar with the new investment landscape and the path you may wish to take or may have to take to get through it.

In short, YES Wealth Management offers a unique set of skills to help you in your quest.

Free Education – Worth the Price?

Thomas Schneeweis

March, 2021

Over the past year many of us and our children have been forced to look to new avenues for information. With Covid we have been prevented from leaving our homes and visiting directly with our friends and advisors who in the past may have been considered our best source of information. As an alternative we have used the internet as a primary source of information covering a wide range of subjects including financial information

Whether you are five or ninety-five, the internet has a lot to offer. Particularly when the topic is education, the resources on the internet are seemingly endless and are viewed as often costless or at the very least low cost. One of the problems is how we assure ourselves that the sites we visit are of the highest quality and what is the meaning of the word costless or free. The following was taken from a well-known investment site that stressed its potential services related to retirement planning.

Education and support to help empower your investment strategy

- **Education:** Our *free* (italics mine) educational resources can help with managing and maintaining your retirement strategy.
- **Support:** *Knowledgeable* (italics mine) specialists are available to answer questions and connect you with the *right* (italics mine) resource.

Ok but is it 'really' free and how knowledgeable are their investment specialists. In addition, the sites often direct investors to particular investment areas. In short, despite their assertions, investment education and support are not 'free'. You may pay for it in other ways (e.g., the actual performance of their products or how the product fits your needs). In the future, just make sure you know what you really need and that you are working with those who can help to reach those needs.

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Asset Allocation Simplified

Thomas Schneeweis

April, 2021

Investment management has evolved as investment markets, technology and regulation have forced changes in what is traded, how it is traded, and who packages and sells it. Unfortunately, even today many Registered Investment Advisors are locked into the past and recommend portfolios that do not reflect current market conditions or investment knowledge. For example:

- Despite the overwhelming evidence that in periods of investment crisis that traditional stock/bond diversification fails to deliver true risk management, most investment advisors fail to consider modern alternative investments (e.g., liquid alternatives) as a means to reduce investment risk.
- Despite overwhelming evidence of market efficiency (i.e., stock prices reflect all current information), many investment advisors continue to emphasize portfolios which concentrated on individual stock selection based on assumed under or over equity valuation.
- Despite overwhelming evidence of the importance of "Advisor" independence in the choice of investment product or approach, most investment advisors are dependent on the product creation and risk management services of others (e.g., Schwab, Fidelity…).

So, what should investment advisors do? Since it takes time and effort to educate one's investment clients, many investment advisors simply sell what they can or what their associated firm permits them to sell and not what they should sell. At the very least investment advisors should be honest about what they can and/or cannot do. At its very simplest level one of the primary responsibilities of any investment advisor is to determine for each client the proper asset allocation across multiple asset classes. A number of factors go into this decision; the age of the client, the wealth of the client, the risk aversion of the client, but at the end of the day, asset allocation decisions must be made and the investment advisor must determine the extent to which, he or she believes an asset class or individual asset will meet his/her client's needs.

Remember, if it were easy they would just get a monkey and feed it bananas.

The Present Versus the Past

Thomas Schneeweis/

May, 2021

One of the first questions I often receive from others is how past investments will continue to provide solid means for future growth. They are often surprised and often disappointed when I tell them that investment programs based primarily on the ways things were done in the past may not be the best way to actively manage assets into the future. Research now shows that individual equity or bond selection or even the use of stock and bond mutual funds may result in portfolios which mostly underperform portfolios which use new investment vehicles such as ETFs and or investments such as liquid alternatives. Moreover, firms change characteristics so quickly today, that the past performance of stocks or stock indices such as the S&P 500 may not reflect their composition or performance going forward. In addition, current bond investment in a portfolio may not provide the risk reduction benefits once believed or the return opportunities of the past. Today it is well known that equity is often three times more volatile than traditional bond investments such that even in simple 50% equity and 50% bond portfolios, equity dominates performance.

In short, investment opportunities and investment conditions have changed. In this new world, if one's current portfolio is based on past conditions, it may need to be changed. If you need help in implementing these changes, YES Wealth provides meaningful investment advice using a broad range of modern investment solutions representing the very best in investment advice.

Remember, Those Who 'Only' Follow the Past Are Plagued to Repeat It

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Who is Who in Finance

Thomas Schneeweis

June, 2021

Yesterday, my brother and I were taking a break and while sitting down and having a cup of coffee, I happened to pick up a copy of the Economist (a magazine worth a read) and noticed an article on John Von Neuman. I started to discuss some of his contributions to finance before my brother raised his hand and pointed out he expected few of our customers to have a clue who John Von Neuman was or why he was important. Normally this would have been of no concern to me, but the prior day at the golf course he and I had started to discuss who the Ancient God's of Golf were (e.g., Bobby Jones, Sam Snead, Arnold Palmer, Mildred "Babe" Zaharias ….) and found that everyone in our group had some idea who these men and women were. But ours is an investment firm and I would hope our co-players (e.g., customers, …) would also recognize the names of some of those who created our profession and if they were having lunch with some friends could at least amaze them with some of their knowledge. Here are some of those 'Financial Gods'.

1. John Von Neuman (1944) – Creator of the Efficient Frontier (That there is the curve line which reflects the higher return for the same risk when you combine assets into portfolios)
2. Harry Markowitz (1952) – Founder of Modern Portfolio Theory/Diversification – Just don 't hold one stock. Holding a portfolio of stocks may mean the same return but less risk than the average stock.
3. William Sharpe (1962) - Designed Capital Market Asset Pricing Model (All stock returns are linked to the movement of the overall stock market)
4. Eugene Fama (1970) – Wrote on Efficient markets in which stock prices reflect all current information
5. Fisher Black (1972) - Developed financial model that described the pricing of options and other means of downside risk protection

Now you may wish to just trust me, but here is the issue, having some sense of who was there at the start and why they were important makes the connection with the present interesting and at the least offers answers to Jeopardy questions.