



## **P&A Happiness Factor**

Dear Friends and Clients,

The markets performed like a champ during the first quarter of 2017. The Dow was up a little better than 5% and the S&P finished over 6%....figure 5.50% on average which some would dangerously annualize to better than 20%. Don't know what the rest of the year holds but we're off to a great start. To remove some of the drama, we still "Really Like" equities. There are some changes afoot, however, which I will let you read on for.

### **"Happiness"....the best thing to have?**

When I started in this business I wanted to speak to clients with as much polish as I could. Just like in Speech 101, I would outline my thoughts, rehearse my presentation and try my best to keep the conversation organized and on track. Unfortunately, clients would interrupt my well organized train of thought with questions like "when do I get my dividends?" or "where are my stocks listed in the paper?" After each interruption I took the conversation back to P/E ratios, internal rates of return and market caps. No way, as soon as I paused to draw a breath the client quizzed me about our 800#, who their contact would be and how often they got statements. It was as if the money involved was theirs, not mine. My expectations and their priorities were different....imagine that.

Brokerage firms and bank investment departments can be pretty lazy places....I've worked at both. When the public isn't interested in what you do (that happens a lot), it's easy to have time on your hands. To fill those voids, brokers and bankers enjoyed challenging one another on the most esoteric qualities of stocks and bonds. Eventually they begin to think that their victims....I mean customers....should be interested in these factoids as well. To that end, their sales pitches become engineered around quant, technical and fundamental research. Individual investors are not stupid people, they know what they want and develop a sixth sense used to ferret out honesty, integrity and intelligence....key factors when they set about selecting an advisor. Most clients don't give a hoot about equations and percentages. They want to know their money is safe, their advisors are honest, how much they started with, how much they spent and of course....how much is left. They all seem to be able to create their own benchmarks and criterion for success. Fulfilling these expectations then creates a **"happiness quotient."**

### **Getting to "Happiness" .....**

In order to predict happiness, these and a variety of other questions need fulfillment:

"Can I look at all my accounts in one place?"

"How much income does my portfolio produce?"

"Are my dividends growing?"

"How much did I start with and how much is my account worth today?"

"I don't like tables, can you show me how my account has performed against the S&P in a graph?"

“I don’t like graphs, can you show me how my account has performed against the S&P in a table?”  
“I just got hacked. What is P&A doing to protect my identity?”

Interestingly enough, that “What did I start/end with question” has been a real stumbling block throughout my career. Custodians don’t like the responsibility of providing a lot of custom information. I must admit, it’s been a tough one for us and only through our most recent software upgrade can we answer that question over the phone or with our portal on demand. Since all of us can use a phone, I’d like to show you how we answer questions like these using our portal. It’s easy to access and extremely robust. P&A is of the opinion that the average client’s “**happiness quotient**” will increase with the portal’s use. Let’s see if I can entice you.

### Access to your portal....

In 2014 we invested in a new portfolio management product, the name of the software provider is Tamarac. It was a decision that was years in the making and as is often the case, the learning curve was steep. Up to any task, my P&A partners and staff have done a wonderful job of incorporating this beast into our lives. We married Tamarac using a cloud based IT administrator from Kansas City.... RightSize Solutions. The result is a six figure IT budget which supports portfolio management, CRM, reviews, rebalancing, and a double safe fully encrypted document vault. It is available from the cloud virtually anywhere on demand, we are very serious about this product.

At the current time, 65% of you have set up portal access and logged in. If you have not, just contact my associate Kristin Kliewer ([kristin@pittand.com](mailto:kristin@pittand.com)) and she will escort you through the process. Once that is done, it will be our job to impress upon you the importance of this tool and why it should qualify as a regular destination for you. Fire up your computer or tablet, access the portal and allow me to guide you on a short tour designed to solidify your “**happiness quotient.**”

The portal home page has our logo in the upper left hand corner and looks like this:

**Pittenger & Anderson, Inc.**  
REGISTERED INVESTMENT ADVISOR

ACCOUNTS REPORTS DOCUMENTS SERVICE TEAM

JIM PITTENGER  
Data as of 3/31/17

FIND DATA FOR: **Balanced 60/40 Tax-free \$3.5 million (0005)**  **CHANGE** HIDE TILES ^

ACCOUNT VALUE		MARKET VALUE					
Start Value	\$3,630,265	<b>\$3,805,508</b>					
Net Contribution	\$0						
Investment Gain	\$175,243						
Ending Value	\$3,805,508						
Year to Date	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	12/31/2016 to 3/31/2017	3/31/2016 to 3/31/2017	4/1/2014 to 3/31/2017	4/1/2012 to 3/31/2017

PERFORMANCE		ANNUAL INCOME	
<b>+4.83%</b>		Dividend Income	\$50,307
P&A Blend 60/40 Index (Benchmark)		Interest Income	\$34,056
Trailing 1 Year		Income	\$84,363
Trailing 3 Years		Trailing 1 Year	
Trailing 5 Years			

ASSET ALLOCATION CURRENT HOLDINGS COMPARATIVE REVIEW PERFORMANCE BY ASSET CLASS REALIZED GAINS/LOSSES PROJECTED INCOME BUYS & SELLS

Underneath the logo and in the middle of the page, you will see four tiles: **Account Value, Market Value, Performance, and Annual Income**. The first three tiles have a cursor that slides along the bottom and delivers data in a variety of date fields. Below the tiles you will find a graph that describes the asset allocation for the account you have selected. Clients that hold multiple accounts through P&A can view them one at a time or as a household using the **Find Data For** drop down just below our logo on the upper left hand side. You have to update your screen by clicking on the **Change** button every time you view a different account.

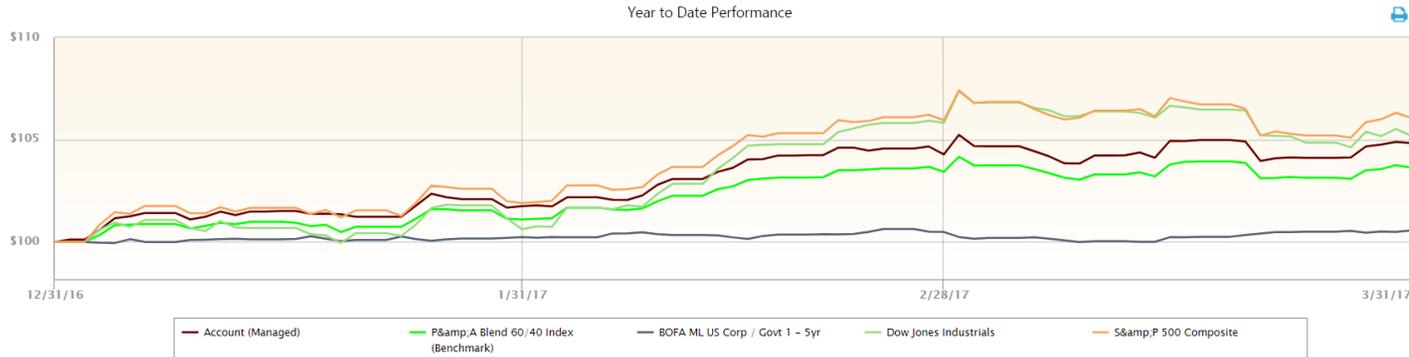
The home page has two menu bars: the logo line menu (you guessed it, right of the P&A logo) and the bottom line menu. The two offer a certain amount of redundancy, allowing the user convenience and a variety of ways to navigate. Direct your attention to the logo line menu: **Accounts, Reports, Documents and Service Team**. All of these menus access reports which we think contribute to a **happiness quotient**. Click on **Accounts** and then click on the dropdown of the same name. Click the graph logo on the right hand side of **Account Name** to choose an account for review, remember to click on the **Change** button.

Once your account of choice is loaded, click on Reports then choose **Holdings** from the center drop down. If you can't find it, use some of that redundancy and return to the home page by clicking the 4-tile logo to the right of the P&A logo. From the home page click on the second item in the bottom line menu **Current Holdings**. You will be delivered to the **Holdings** report which looks like this:

Open Date	Symbol	Description ▲	Quantity	Price	Cost Basis	Market Value	Current Yield	Yield at Cost	Annual Income	Unrealized Gain/Loss	Percent Gain/Loss	Weight
▼ EQUITIES												
▼ Technology												
12/17/2008	<a href="#">ACN</a>	Accenture PLC	350.00	119.88	16,624.05	41,958.00	2.02%	5.10%	847.00	25,333.95	152.39%	1.10%
03/15/2006	<a href="#">AAPL</a>	Apple Inc	350.00	143.66	3,395.72	50,281.00	1.59%	23.50%	798.00	46,885.28	1380.72%	1.32%
03/16/2016	<a href="#">CSCO</a>	Cisco Systems Inc	1,250.00	33.80	34,786.45	42,250.00	3.43%	4.17%	1,450.00	7,463.55	21.46%	1.11%

This report holds a plethora of information and owns a few items that are big **happiness quotient** contributors. Let's look at the first item on our list....Accenture. The sixth column from the right (seventh from the left) is **Current Yield** = 2.02%. The math used in this calculation reflects current prices.... **Annual Income** (847.00) / **Market Value** (41,958.00). This calculation would be of greater interest to a "potential buyer" of this stock, not the current owner. This portfolio has owned Accenture since 12/17/08 at a **Cost Basis** of 16,624.05, which equates to a **Yield at Cost** of 5.10% (**Annual Income / Cost Basis**). This number is pretty significant to the owner and difficult to find using most software providers. The difference between **Current Yield** and **Yield at Cost** is a pretty good barometer of dividend growth. Since one of our many objectives is to buy stocks that grow their dividends over time, this comparison can be a **Big, Big** contributor to a client's **happiness quotient**.

Back to the home page by clicking on the 4-tile logo to the right of the P&A logo. Find the **Reports** tab on the logo line menu and click on it. Now move to the left hand drop down menu and click on the **Account Performance** tab. Here you will find a graph as well as a table.

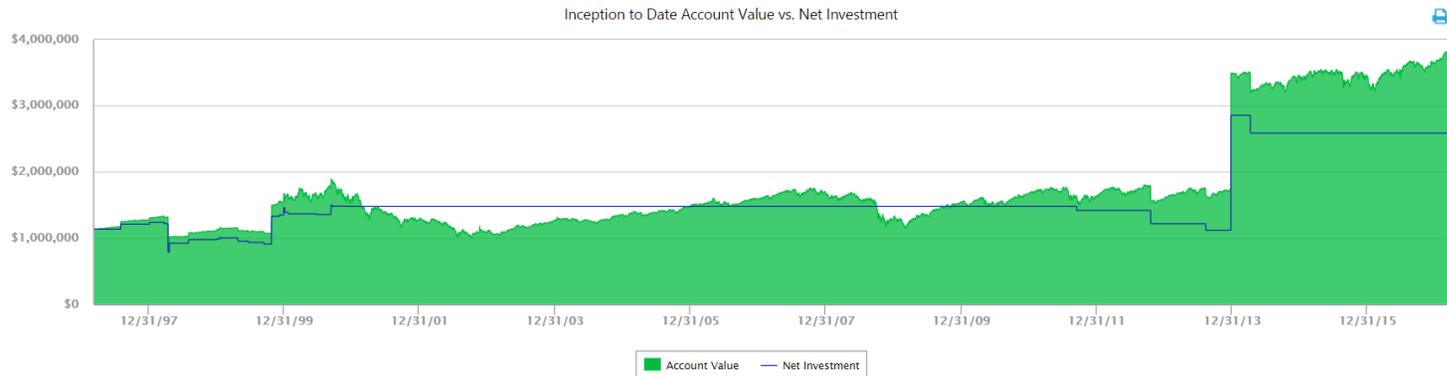


Asset Class	Last Market Close Value	Year to Date Net Return	Trailing 1 Year Net Return	Trailing 3 Years Net Return	Trailing 5 Years Net Return
Equities	2,579,575	6.81%	14.64%	7.90%	11.13%
Fixed Income	1,208,684	1.50%	0.60%	3.04%	2.24%
Cash & Cash Equiv.	17,248	0.03%	0.10%	0.02%	(0.52%)
<b>Total</b>	<b>3,805,508</b>	<b>4.83%</b>	<b>8.77%</b>	<b>5.52%</b>	<b>7.03%</b>
<b>Benchmark</b>		<b>3.63%</b>	<b>11.16%</b>	<b>5.78%</b>	<b>7.64%</b>
BOFA ML US Corp / Govt 1 - 5yr		0.56%	0.56%	1.43%	1.38%
Dow Jones Industrials		5.19%	19.91%	10.45%	12.17%
S&P 500 Composite		6.07%	17.17%	10.12%	13.31%

The time period is Year to Date and the graph is cursor sensitive, it delivers performance information as you roll it across the index and account lines. The example given uses a 60/40 (balanced) account, requiring an appropriate 60/40 balanced index as a benchmark. The Dow, S&P and BofA Corporate Bond Index are provided for nice to know information. The **Performance by Asset Class** report represents these values in graphical as well as tabular form. This page contributes to the **happiness quotient** when performance is good and bad....it's always a relative thing. I have always been comfortable with percentages and the concept of relative performance. It has been my experience that this skill set is not always held by the average client. As a matter of fact, a high percentage of our clients reject these comparisons and are only interested in the total market value of their holdings. More often than not, this same group of clients is consistently interested in "How much of this is my money and what is it worth today?" That brings us to a unique report and a significant generator of the **happiness quotient**.

Find **Reports** on the logo line menu and give it a click. In the right hand column look for **Capital Flows**....click on that. The information you will be delivered answers the "How much did I put in and what's it worth today?" question in graphical as well as tabular form. I find the graph easiest to use, but to each their own. Once again, the graph is cursor sensitive. The software will describe your successes and failures as the cursor moves across time and up and down in value. In our example, the green area describes **Account Value** while the blue line represents **Net Investment**.

## CAPITAL FLOWS for Balanced 60/40 Tax-free \$3.5 million (0005)



As you can see, net investment fluctuates as contributions and withdrawals are made to an account. In this example the client's initial contribution was on 3/13/97 in the amount of \$1,134,682. Over time net investment grew to \$2,586,074 while the account value appreciated to \$3,779,292. No doubt this expansion and contraction contributes to a custodian's lack of interest in keeping track of this number. We find the Tamarac Capital Flows Report to be singular in the industry and unique in its ability to be offered at the client portal level.....beaucoup in its **happiness quotient**.

### Last But Not Least.....

Have you been hacked? I have not, but we have had a handful of clients that have experienced identity theft in a variety of different forms. None of these violations have been on our watch or on our platform and we intend to keep it that way. To that end, our portal offers a method of exchanging secure and encrypted documents. Find the **Documents** tab on the logo menu line and give it a click (that's the only place you will find it.) Select **Vault** from the drop down menu. Depending upon the vintage of your account, you should see a number of PDF files listed. All of the files we have placed in your **Vault** are encrypted and protected from hackers by RightSize. This feature allows for send and receive functionality and works something like this:

The client wants to wire funds to a third party, away from Schwab. Upon request we can deliver Schwab's wire transfer form to the client portal. The client can then retrieve the file, generate a printout, sign it and then scan it back into the portal. The process is very simple and employs the same type of drop down menus we have been discussing in this letter. Once uploaded to the **Vault** we can retrieve your authorization and act on your request. We are always looking for the most convenient resolution without sacrificing security. There is no question that hacking and money laundering are significant issues.

When Dan and I started in this business we were able to accept telephone authorizations for money movements. Those days are over and we would expect procedures to continue to become more restrictive over time. We promise you an unyielding effort to stay current in this arena. At the current time we find Schwab's approach to accepting e-Signatures a bit parochial.....so far it's their way or the highway and their way is pretty clunky. Until this tool becomes a little more user friendly we will probably be asking you to shuffle required signatures back and forth using the **Vault**.

## Conclusions....

The P&A portal is driven by Tamarac software and protected by both Schwab and P&A firewalls. Tamarac, RightSize and Schwab require our PCs as well as our mobile devices to protect access through dual factor authentication. When you add all this up it generates a tremendous amount of integrity, security, and as a result a significant **happiness quotient**. We have been discriminating in the apps we are willing to employ and passed on offerings deemed not ready for prime time. Many of our clients use a Donor Advised Fund from Fidelity which offers a mobile app but to the best of our knowledge has not generated much interest from clients. Yodlee is a bank account aggregator app which we thought was interesting. We took it for a test drive but failed to generate much interest from clients. Shortly after we decided to pass on it, Tamarac bought the company, so it could become a candidate again in the future. Money Guide Pro is our “go to” financial planning tool. These guys have provided us with client access and we have passed that along to interested users.

In general, our “Mature” client group will have nothing to do with e-Delivered financial information. Baby Boomers, on the other hand, are reasonably open to this evolution and willing to give it a try. Gens X and Y/Millennials actually expect e-Statements and e-Confirms. So the future is very clear, not only will e-Delivery win the popularity contest, the preferred method of accessing it will be a mobile device. It is our intent to continue to provide hard copy to those clients that prefer it, but going forward expect the youngsters to systematically push their parents from the nest. Please give the P&A Portal a try. Once again, if you would like some help setting things up contact [kristin@pittand.com](mailto:kristin@pittand.com). [She’s a whiz and you will find her very helpful.](#)

## The World According to Pitt and Dan...

My wife and I went to the Billy Joel concert last week...the tickets cost \$175 apiece and it was a great concert. Many friends grumbled about the price tag at dinner before the show. During the concert Billy Joel reminisced about the '74 concert and reminded the audience that he played for \$4.00 per seat. “You guys got picked off tonight” he laughed from the stage.

Did we? Long term readers of these letters have been introduced to the “Rule of 72” several times, a short hand method of calculating the number of years required to double your money at a given rate of interest. Divide 72 by the interest rate and the result is the years required for a double. The interest rate assumption is critical... consumer staples (toothpaste, soap, blue jeans, etc.) generally grow at the rate of inflation plus a small premium. Consumer discretionary items (Nike shoes, Disneyland tickets, vacations, etc.) seem to appreciate at stock market rates. Concert tickets fit into the discretionary category.

Since 1974 the S&P 500 has grown at a rate of 11.83%. Surprised? Don’t be, that’s a span of 44 years and the 115 year average is 10.12%. So let’s handicap the market with the lessor rate and see what the Rule of 72 tells us. Given these assumptions,  $72/10.12 = 7.11$ , we’ll get a double every .....7.11 years. We know Billy played for \$4.00 per in 1974, and we’ll assume that was in January. The doubles would look like this:

01/01/74	\$ 4.00	04/15/95	\$ 32.00
02/15/81	\$ 8.00	06/01/02	\$ 64.00
04/01/88	\$ 16.00	07/15/09	\$128.00
		10/01/16	\$256.00

Looks to me like the joke might be on Billy Joel. If he would have invested his piece of the 1974 concert in the S&P he probably would have had a little more walking around money today. Granted, he might have spent that money on his fling with Elle Macpherson, marriage to Christie Brinkley or perhaps taken a few more laps around the world. Oh well, rock stars will be rock stars. Those who think the stock market is “just too high” probably didn’t pony up for the Billy Joel tickets either....looks to me like they were a bargain (easily one of my top 5 concerts.) Once again, the power of compounding is a force to be reckoned with and the stock market is one of the most efficient compounding machines man has ever invented.

We continue to Really Like equities but find ourselves reducing the number of stock positions we hold in favor of owning large, mid and small cap ETFs. Our allocations haven’t changed but we feel our portfolios are becoming a little less vulnerable to correction. Do us a favor....have some fun (a repeat request from last quarter.) If you are planning a trip, take it or at least fund it. If a lake home is on your bucket list, start shopping. How about a nice RV? Maybe a cruise is in the offing or perhaps a new car? Move some assets from the investment category to the use category. We are at all-time highs so philanthropy has never been cheaper....contributing to a donor-advised fund might just scratch the itch. Who knows, maybe this is our mojo, whenever we recommend spending money the market seems to trade higher.

As Always,

A handwritten signature in black ink, appearing to read 'JPitt', with a large, sweeping flourish that extends to the left and underlines the name.

James S. Pittenger, Jr,  
Chairman/CEO  
CFP®

A handwritten signature in black ink, appearing to read 'Dan', with a large, sweeping flourish that extends to the left and underlines the name.

Dan Anderson  
President  
CFP®