

*To our Business Partners:*

- **THE KEYS TO ACQUIRING WEALTH.** Other than the very low odds of winning the lottery or getting in on the ground floor of the next Amazon, there are often ignored, but tried-and-true ways of acquiring wealth. They involve discipline and time (patience), two factors that, unfortunately, many investors do not have or are unwilling to apply. The discipline is to spend less than you earn – the less the better. If you can't do that, you don't have a chance to use the second crucial element – time – to your advantage. Perhaps the most misunderstood and underappreciated benefit of time/patience is the power of compounding.

Consider this choice. It's an extreme example, but perfectly illustrates the point. Which would you choose, being handed \$1 million dollars today, or one penny today that will double in value every day for 30 days? After 15 days of doubling a penny, you'd question your sanity, because you'd have a whopping \$327.68; after 20 days, \$10,485. But, by patiently "investing," the serious compounding occurs later in the period. Over the final 10 days, your penny will have grown to over \$10.7 million dollars! THIS is the power of compounding. Back on Earth, a more realistic example might be a 20-year-old depositing \$6,000 a year into a Roth IRA to yield an 8% annualized return over the next 45 years. By age 65, she could easily consider herself a millionaire with over \$2.3 million in the account.

To take advantage of compounding requires extreme discipline and the ability to stick to a plan through good and bad markets because, as noted above, compounding has the most dramatic effect on value in the later years. Many point to Warren Buffett's phenomenal investing record but overlook the fact that he's been doing it for 54 years at Berkshire Hathaway, and 76 years of his life.

While waiting for so long may not be as glamorous and exciting as finding the next Amazon initial public offering, it is the most reliable way for most of us to acquire wealth. The sooner you can start on the journey and have the fortitude to stick with the plan of underspending income and patient investing through thick and thin, the larger will be the reward at retirement and beyond.

- **VALUATION.** The price to intrinsic value of our group of widely held stocks stands at 88%. Likewise, the popular stock market indexes are priced nearly as high as they were during the tech mania nearly 20 years ago. So, both bottom-up and top-down, stocks are generally priced to yield below-average returns from today's price levels. With a little digging, we ought to do better by uncovering bargain stocks in the coming months. Good thing we're not buying the indexes.
- **RECENT RESULTS.** Stocks registered good gains in November, ranging from 3 to 4.5% led, as usual, by a handful of big company stocks. Since last year's post-Christmas lows, big-cap stocks have roared higher, up as much as 30% compared to 20-25% gains from smaller company stocks. Our group of portfolio stocks\* has risen in line with the small cap indexes but, because we don't hold most of the tech heavyweights, lags the NASDAQ and S&P 500. Still, we're quite pleased with the results.

WE WISH YOU A HAPPY, SAFE HOLIDAY SEASON AND A PROSPEROUS FIRST YEAR OF THE '20s DECADE!

*Steve Nichols, CFA*

*Bill Warnke, CFA*

\*The group of "portfolio stocks" -- our Equity Composite for the purpose of evaluating investment performance -- consists of 16 stocks that are held in our clients' accounts. Portfolios might hold some or all of these stocks, depending on investment guidelines unique to each client, the timing of purchases and sales, and start dates of accounts. The performance of this group of stocks is a good proxy for our equity performance but might vary widely among accounts. Of course, past performance is not necessarily indicative of future results.

We hereby offer to deliver to you without charge a copy of our current Form ADV Part 2, in accordance with the U.S. Securities and Exchange Commission's "Brochure Rule." Please contact us if you would like us to send you a copy.