



“Mr. Toad’s Wild Ride” – The Adventure Continues



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There are some quarters, and perhaps even years, where it sure feels like we are on Mr. Toad’s Wild Ride. The daily gyrations of the capital markets can literally be like your favorite or least favorite amusement park ride. Let’s take a quick journey through one of the original classics at Disneyland.



“Passengers begin their journey by crashing into a library, then through a fireplace, and then a set of doors, knocking aside a dinner table. Next, guests travel through the countryside, making a right turn, heading for the docks and get the impression that their car will plunge into the river, but quickly make a sharp turn in a different direction and enter a warehouse full of barrels and crates containing explosives. Guests then crash through a brick wall and out into the streets of London, narrowly avoiding a collision with a delivery truck. Later, passengers enter a courtroom, a prison cell, and then onto railroad tracks. The vehicles bounce along the tracks in the dark before colliding head-on with an oncoming train.”

Doesn’t the first quarter of 2014 with the capital market daily volatility emotionally feel a little bit like the ride? Not, the darker side, but the zig and zag, surprise here, surprise there, twisting, turning through one room to the next, finally reaching the end safely.

One day the market is up. The next day the market is down. Through March 31, 2014, the market (as measured by the S&P 500 Index) has been open for trading 61 days. Looking at the daily volatility, the market has traded positive 31 days and negative 30 days and is positive 1.3% through the first quarter. (Wall Street Journal) Even the bond market has experienced volatility so far this year as investors seek to watch and listen to our new Federal Reserve Chair, Janet Yellen. In our arena we call this “Fed Guessing” as investors all over the world seek to determine if interest rates will remain low or begin to creep higher. As measured by the Lehman Brothers Aggregate Bond Index, the bond market has dropped in pricing 41 out of 61 trading days, while prices rose 20 days. (www.bigcharts.com) Even with the volatility in the bond market this quarter the index has climbed 1.84% through March 31, 2014. (Wall Street Journal) This is precisely why we refer to this most recent quarter as “Mr. Toad’s Wild Ride.”

Market volatility is the nature of investing in all asset classes. There is no such thing as a free lunch or an

investment that will do nothing but rise in value. One might argue the exception to the rule being money market instruments or Certificates of Deposits. However, interest rates are variable; having gone from mid-teens in the early 80’s to basically zero in the most recent 2 years. (Morningstar) Yes, you may not lose your principal (provided it is backed by FDIC), however, one is exposed to the risk of inflation. Statistically inflation has been nonexistent in recent years. However it ran more than 15% in the early 80’s. (Ibbotson)

We all remember the recent real estate crisis a few years back, again demonstrating that there is no sure thing. If we could find it, we are certain you would not be reading this, as more than likely you would be on your favorite sandy beach enjoying the sound of crashing waves.

Having a game plan in place is prudent and necessary, allowing you to focus on more important life issues as well as enjoying your current lifestyle. Enjoyment of all that you are surrounded by is far more important than the day-to-day movement of the markets.

In addition to planning, utilizing a diversified portfolio is also a good way to avoid the day to day confusion. At Kemp Financial Management, we believe both components should be a part of your planning for your current and future financial needs. Remember, a review of the historical returns of the capital markets over longer periods of time (3-year, 5-year, or 10-year plus), volatility of those markets tend to even themselves out over time.

Over the past quarter meeting with existing and new clients, when discussing and reviewing goals, we continue to hear desires like: “independence,” “financial security,” “not wanting to be a burden to my family,” “generate cash flow to maintain our standard of living for the remainder of our lifetimes,” and “a desire to leave a legacy for my family along with contributing to charitable causes.” Although these goals are intangible, determining the amount of money to accumulate or amount needed to generate cash flow to facilitate these goals is not. However, it is imperative to determine these goals, which in turn keeps you focused on how and why you are investing for your financial future. We invite you to revisit your goals during each update meeting.

Even through all the twists and turns, the riders on “Mr. Toad’s Wild Ride” return to safety, exiting through the turnstiles and returning to the “Happiest Place on Earth.” Just like the riders on their guided, well planned path, we strive to help you design your individualized path to assist you to keep on track towards reaching your personal and financial goals.

Please let us know during your update meetings with your advisors at Kemp Financial if any of your personal or financial situations have changed. We look forward to meeting with many of you in the second quarter of 2014.