The Sensenig Capital Advisor Letter

March **2015**

Providing clients with peace of mind, through smart financial decisions.

Optimizing Your Company's Wellness

✦ **TOPIC** ✦
Wealth Enhancement

There is a growing awareness regarding how health affects our lives, bodies, families and now even our business and companies. Health insurance costs, absenteeism and productivity are now known to be directly linked to the health of each employee as well as the overall health and health encouragement of our corporate culture. Instilling Wellness Programs into our companies and corporate culture is dramatically affecting company bottom lines, productivity and overall morale.

As a Certified Health and Wellness Coach I deal with many factors involving an individual's health. I take a holistic approach with my clients and I want to know where they are being fed and nourished, as well as where they are being depleted, both nutritionally and in their mental/emotional life. Nutrition plays a role in all of this. However, after having coached hundreds of people to optimum health, there are a few basic principles and practices that work no matter who you are that apply to everyone. These are what I call, **"The 5 Essentials of Health".** They are essential because no one can go without them and still be at peak for long.

If we want to be optimally healthy, all of these factors must be addressed consistently. The essentials listed below are in no particular order because they are all of the highest importance.

THE 5 ESSENTIALS *of* HEALTH
Nutrition
H_2O
Rest
Movement
Outlook

Do not get overwhelmed if one or more of these are missing in your current lifestyle or your company culture. Take one at a time; master it and then move on to another one. Within a shorter amount of time than you think, they will all be effectively addressed.

Nutrition

Eat real whole foods as close to their natural form as possible. These include high quality proteins, fats and carbohydrates from animal and plant sources. (An apple is a whole food. A cupcake is a bundle of chemicals put together to trick your brain and body) Simply swapping out vending machines, afternoon snacks and heavily processed lunches to more quality options will increase afternoon productivity by leaps and bounds.

H_2O

Our body is made up mostly of water. It would be wise to give it what it predominantly is. Therefore, quality filtered water on a daily basis is essential for optimum health. Encouraging employees to drink more water and develop better water drinking habits will improve sugar cravings, afternoon crashes and better energy than relying on soda, coffee and stimulants.

Rest

We have to prioritize sleep and rest. If the body doesn't get proper amounts of sleep or is overworked from stress, it won't have the energy to achieve and maintain balance. It will also begin to crave sugary and caffeinated foods to compensate for its lack of proper energy. A proper diet with poor sleep is counter-productive. Workload becomes very critical here. Properly utilizing company resources, breaks and more appropriately boundary workloads will make employees more effective in the projects that they are working on as opposed to having their energy diluted from repetitive multi-tasking.

Movement

Your body is always moving! Even when it is sleeping cells are rushing around creating all kinds of chemical reactions that are necessary for healthy function. We must move our body because it is designed that way. Each person's exercise is different. Whether that is a 30 minute walk each day or high intensity weight training, find what you enjoy and do it consistently. In corporate cultures, installing gyms or workout incentive compensations are becoming very common and keeping employees prioritizing their individual health.

Outlook

Nothing positive has ever come from a negative mindset. If you are conditioned to always see and experience what is missing and what you don't have, nothing you ever gain or achieve will change that. By resetting your mind to enjoy the process and journey of growth and change you literally alter the chemicals in your body from a stress state to an excited state. This will produce two entirely different outcomes. Building into your company a culture of positive leadership will be felt from top to bottom in your business.

Incorporating **The 5 Essentials of Health** into your personal and business lifestyle will make a tremendous difference in your overall health, happiness and productivity. A blueprint of wellness will be felt by every member of your team. The path to improved productivity, culture and outlook will all be addressed through encouraging and prioritizing individual wellness. S

Michael DeSanti
Authentic Self Healing

Michael DeSanti has transformed his own health and now has a successful career helping others do the same. A 2010 graduate of the Health Coach Training Program, Michael left his grueling, unsatisfying career as a corporate event planner and launched a thriving health coaching practice, Authentic Self Healing, in Verona, New Jersey.

Michael partners with Villani Chiropractic Center and sees an average of 20 clients a week, coaching them to improve their energy levels, lose weight, and become the best versions of themselves.

Advisor Due Diligence Part 1: How Do You Know?

TOPIC
Relationship Management

Our prior article "Finding The Right Financial Advisor" generated enough interest that we decided to build upon our thoughts and create a series of articles in order to help guide investors toward finding an advisor that's right for them. So here we go…

Let's address this often challenging subject: **In selecting or retaining a financial advisor, how do you know if you're making a wise choice?**

It's a challenging subject for us, anyway, and one that we take very seriously as we develop and expand on our firm's own best practices. We believe it is even more challenging for investors. First, the stakes are high. The quality of the selection, or lack thereof, can literally make or break your family's fortune. Second, the choices are bewildering in number and complexity. With the glut of confusing jargon and conflicting views clamoring for your consideration, it's hard to know who to trust.

A Wise Source for Intelligent Investors

A good place to seek guidance is with author, commentator and Wall Street Journal finance columnist Jason Zweig. Like us, he is a strong proponent of investing guided by rational evidence over reactionary emotions –which seems advisable no matter who may be helping you take care of the rest. We and many other evidence-based advisors respect Zweig for telling it like it is, with his mission (and ours) to serve as a "Safe haven for intelligent investors."

What does Zweig have to say about the challenge of selecting an advisor relationship that is right for you? In "Full Disclosure: Is Your Advisor Hiding Something," he observed: "So how can you make sure you know everything you need to know about a financial adviser before you hire him? You can't. While most advisers are undoubtedly honest, the few who aren't can always find clever ways to hide another skeleton in an already bulging closet."

And there's the crux of the challenge. ***We*** know that we are fully committed in principle and practice to serving your highest financial interests, even ahead of our own … but how in the world do we prove it? And how do you, the investor, believe it?

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Zweig's objective column offers some helpful tips on the due diligence that you can and should do when considering a new advisor relationship or reviewing an existing one. He advises you to:

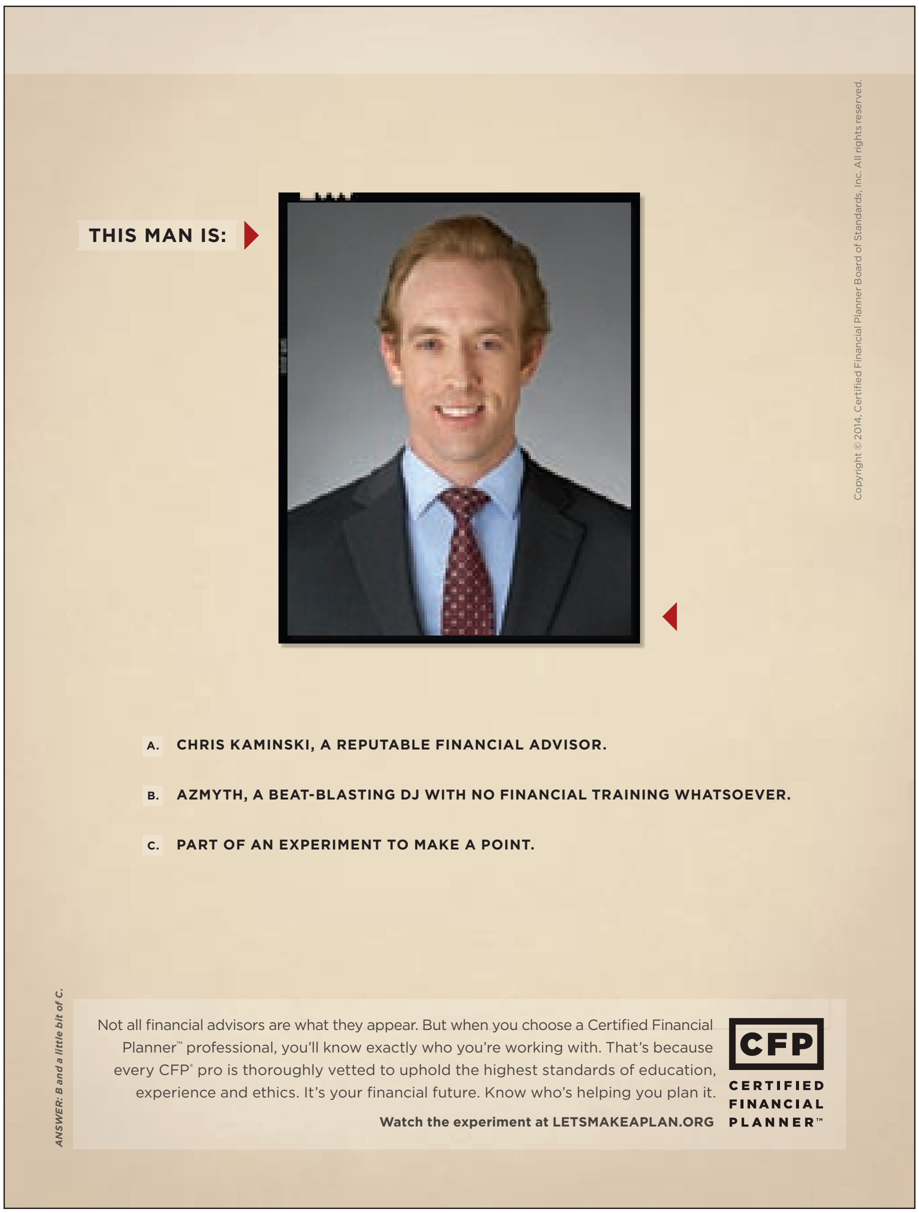
Google It – Use your favorite search engine to periodically check up on what the virtual world has to say about your advisor or would-be advisor. Search on both the individual and firm names. Make sure you've got the right person or firm in your hits, especially if the name is a relatively common one, and remember that some resources will be of higher quality than others.

Check the Reports (Form ADV) – Advisors in the U.S. are required to disclose a number of important details worth knowing about themselves. Whether registered with their state or the Securities Exchange Commission (SEC), Registered Investment Advisor firms must file a Form ADV that is typically available on the SEC's Investment Adviser Public Disclosure website. ADV "Part 2 Brochures" are meant to serve as the closer-to-plain-English version of the adviser's full report, so you may want to start there. Most current and former brokers and advisors should also be listed in FINRA's BrokerCheck system, where additional details and disclosures may be found.

Just Ask – Last but certainly not least, any reputable advisor should relish your candid inquiries, no matter how detailed, direct or seemingly delicate they may be. If the response underwhelms – if it's incomplete, confusing, defensive or otherwise lacking – this may indicate an ill-fitting relationship, even if everything else checks out fine. Remember, it's not only what an advisor knows, but how comfortable you will be working with the individual and his or her team over the long haul. If responses to your important questions feel stilted or incomplete – with either or both of you, if you are a couple – it's unlikely you'll end up living happily ever after in the relationship.

Doing Your Due Diligence

In conducting your due diligence, the next logical question is: What should you be looking for? What are the qualities that anyone seeking to advise you about your wealth should be able to show and tell? What are the warning flags that warrant either closer inspection or immediate rejection? We take a closer look at these questions and more in the next article in this series "First There is Fiduciary". Read the next article at www.sensenigcapital.com/blog.



2014: Patience Pays Off

Forecasters often cite a figure of 8%–10% as a likely outcome for stock market performance in the year ahead, and 2014 was no exception. As sensible as this may sound, it is worth pointing out that over the past 89 years, the S&P 500 Index and its predecessors have never delivered a total return between 8% and 10% in any single calendar year—in every case it has been higher or lower, often by a substantial amount. For example, starting in 1926, there have been 28 years with a gain or a loss in excess of 25%. Investors would do well to expect the unexpected every year.

Achieving the market rate of return in 2014 required a level of patience and equanimity that eluded many investors—individuals and professionals alike. After five years of positive equity returns, many investors were easily persuaded that stocks were dangerously overvalued and overdue for a "correction" —customarily defined as a decline of 10% or more from the previous peak.

A *Wall Street Journal* columnist warned in January, "The US stock market is more overvalued than it was at the majority of the past century's peaks, according to six well-known valuation ratios."[1] *Money* magazine chimed in, observing that "stock prices by at least one measure are among the frothiest in history."[2] As we observed in a previous article ("CAPE Fear: Valuation Ratios and Market Timing," September 2014), using valuation ratios to enhance returns by fiddling with the degree of equity exposure is often an exercise in frustration, and the results from 2014 offer yet another example.

Stock prices fell sharply in January, with the S&P 500 Index sliding 3.56% and the Dow Jones Industrial Average dropping 5.30%. Followers of the so-called January Indicator were quick to point out that a rocky first month often signals poor performance for the remainder of the year. The market's weak performance in January appeared to justify the concern that stock prices were out of whack with business conditions. On February 5, a *Wall Street Journal* reporter observed, "Increasingly, however, it looks like stock markets are off to a terrible start mainly because hopes for economic growth and the profits that go with it got too high."[3] As it turned out, stock prices had already touched their low for the year two days earlier, and the S&P 500 Index was destined to rise over 19% from February 3 through December 31.

In recent years, a number of market commentators have argued that low interest rates allegedly engineered by the Federal Reserve and the European Central Bank

> Achieving the market rate of return in 2014 ***required a level of patience that eluded many investors…***

have artificially boosted share prices to unsustainable levels. These experts say stocks are likely to fall decisively when interest rates begin to rise again. We will defer comment on the contentious issue of asset-price manipulation for another day, but we can file away 2014 as another example of the challenges facing those who claim to have the expertise to predict market behavior. To an overwhelming degree, professional investors were confident that interest rates would rise in 2014, but the yield on 10-year US Treasury notes instead fell sharply from 3.03% at year-end 2013 to 2.19%.[4] For an alternative view regarding central banks and interest rates, we refer readers to Professor Eugene Fama's 2013 paper "Does the Fed Control Interest Rates?"[5]

If we could measure collective investor anxiety, it would likely have reached its peak for the year in mid-October. On October 15, the Dow Jones Industrial Average plunged as much as 460 points during the day before rallying to close with a loss of 173 points. At that point, the Dow was down 2.6% for the year while the S&P 500 clung to a slim gain of 0.76%. The selloff was front-page news the following day in the *New York Times,* which observed, "The party is over. Waves of nervous selling buffeted the stock market in the United States on Wednesday, after a steep sell-off in Europe. … Since their peak a month ago, American stocks have lost over $2 trillion in value, losses that may ripple through the wider economy. … The faltering global recovery after the 2008 financial crisis may now be in jeopardy, particularly in Europe."[6] What caused such a fierce selling squall? Market commentators cited selling by momentum-oriented hedge funds, fears of a weakening global economy, and gloom associated with another reported US case of the Ebola virus. Many investors braced themselves for a continuing slide in stock prices that never occurred. Year-to-date stock returns were back in the plus column the following day and kept rising through December.

While many Wall Street experts fretted all year over monetary policy and valuation ratios, companies on Main Street plodded along, generally selling more goods and services, earning larger profits, and sending bigger dividend checks to shareholders. Twenty-eight of the 30 firms in the Dow Jones Industrial Average paid a higher dividend at year-end 2014 compared to the previous year, with an average increase of 11.65%.

Stock returns in non-US markets were generally positive in 2014 but with a wide range of results. Among 45 developed and emerging markets tracked by MSCI, total return expressed in local currency ranged from 38.66% in Israel to -31.59% in Greece. Thirty-five non-US markets had positive returns, including 17 with higher returns than the US. With so many pessimistic discussions of the European economy in recent months, many investors might be surprised to learn that stocks in Belgium, Denmark, Finland, Ireland, and Sweden outperformed US stocks when expressed in local currency. Appreciation of the US dollar relative to every major currency significantly penalized net results for US investors. Even the Swiss franc, long associated with fiscal rectitude, slumped relative to the US dollar. Total return for the MSCI World ex USA Index (gross dividends) was 6.80% in local currency but -3.88% in US dollar terms.

The recent strength of the US dollar stands in stark contrast to the gloomy predictions we heard from some quarters just a few years ago. For example, in the book *Aftershock,* published in 2011, the authors argued that the financial crisis of 2008–2009 was "relatively small compared to the coming dollar crisis" and predicted that this "unsustainable currency bubble"[7] was destined to burst with disastrous consequences.

The year 2014 was a challenging one in many respects, but perhaps the biggest challenge was to resist the urge to dip and dart in response to the cascade of news events and opinions that suggested action of some sort was imperative for financial success. S

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1. Mark Hulbert, "This Bull Market is Starting to Look Long in the Tooth," Wall Street Journal, January 18, 2014.
2. Paul J. Lim, "Time to Go Lighter," Money, January/February 2014.
3. Jon Hilsenrath, "Turnabout on Global Outlook Darkens Investor Mood," Wall Street Journal, February 5, 2014.
4. Yahoo! Finance.
5. Eugene Fama, "Does the Fed Control Interest Rates?" The Review of Asset Pricing Studies 3, No. 2 (August 2013): 180-199.
6. Peter Eavis and Landon Thomas Jr., "Steep Sell-Off Spreads Fear to Wall Street," New York Times, October 15, 2014.
7. David Wiedemer, Robert A. Wiedemer, and Cindy Spitzer, Aftershock (New Jersey: John Wiley & Sons, 2011).

the Sensenig Capital Advisory Team

Carl B. Sensenig
President

Carl Sensenig earned his Bachelor of Science degree in Business Management from York College of Pennsylvania and his Certificate of Professional Studies in Finance from Ursinus College.

Carl served as Vice President and Portfolio Manager for nearly twenty years at Arthur E. Spellissy & Associates (Wayne, PA) before founding Sensenig Capital Advisors in April, 2007. From 1972 to 1987, he held sales and marketing management positions with two public companies. A veteran, he also served four years in the United States Air Force.

In addition to being active in church leadership, Carl currently serves on the boards of several non-profit organizations in the local community, including Advanced Living Communities, The Center for Loss and Bereavement, and The Schwenkfelder Library and Heritage Center. S

Jeremy C. Brenn, MBA, CFP®
Vice President

As Vice President, Jeremy Brenn is responsible for many of the firm's client relationships, as well as managing the strategic direction and wealth management process for Sensenig Capital. Jeremy earned his Bachelor of Arts degree from York College of Pennsylvania, as well as his MBA in Finance from Hood College, Frederick, MD.

Jeremy is a member of the Financial Planning Assoc. and the National Assoc. of Personal Financial Advisors. He also holds the distinguished CFP® professional designation. He has been quoted in the Philadelphia Inquirer and other personal finance related sources. In addition, Jeremy currently serves on the Board of Directors at Meadowood Senior Living, Board of Trustees of Central Schwenkfelder Church, and Finance Committee of Lower Providence Twp. He lives in Montgomery County with his wife and three sons. S

TOPIC GUIDE

Genuine wealth managers use a consultative approach to construct solutions that encompass all types of financial needs. At its core, our wealth management approach is comprised of the subject matter areas listed below. We organize our newsletter around these topics and highlight each one for your benefit. Each article is tagged with the specific topic so you can relate the information to your own unique situation.

Investment Consulting
Maximizing the probability of investment success

Wealth Enhancement
Tax mitigation and cash flow planning

Wealth Transfer
Transferring wealth effectively to heirs

Wealth Protection
Transferring & mitigating risk through insurance

Charitable Giving
Maximizing the charitable impact

Relationship Management
Building deep, fulfilling relationships with our clients

HAVE YOU EVER

HAD A RISK ANALYSIS

ON YOUR PORTFOLIO?

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