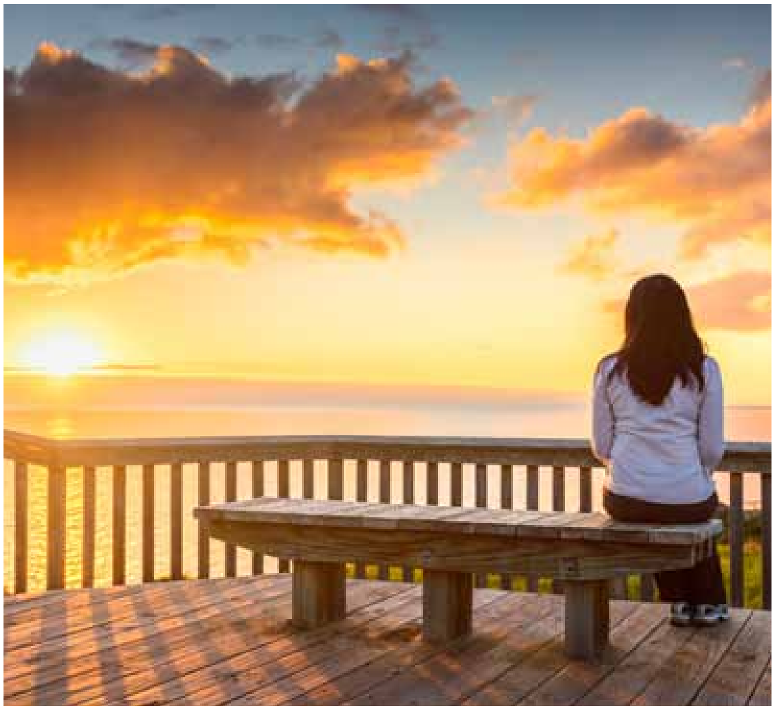
Scott White ADVISORS
An Independent Registered Investment Advisor
FALL 2018
The Navigator
MANAGING WEALTH. SERVING GENERATIONS.

Delaying gratification increases income

by A. Scott White, CFP®, ChFC®, CLU®
President, Scott White Advisors



What determines future income? The answer may surprise you. A recent study found that the ability to delay instant gratification could be one of the most important factors.

Researchers at Temple University ranked the most important determinants of future affluence and were surprised to learn that putting off instant gratification was a more important predictor of income than other factors known to affect earning power such as age and ethnicity.[1] The study of over 2,500 participants used a concept called delay discounting, or how people weigh the benefit of short-term and long-term reward. Taking an online test, participants were asked to choose between taking $500 immediately or waiting longer for $1,000 at one day, one week, one month, six months and one year intervals.

The study's lead author, Dr. William Hampton, said, "If you want your child to grow up to earn a good salary, consider instilling in them the importance of passing on smaller, immediate rewards in favor of larger ones that they have to wait for. This is probably easier said than done, as very few people naturally enjoy waiting, but our results suggest that those who develop the ability to delay gratification are likely investing in their own earning potential."

[1] *https://www.sciencedaily.com/releases/2018/09/180903101741.htm*

Introducing Dawn Zasa

We're happy to welcome Dawn Zasa, Senior Planning Assistant, to the Scott White Advisors team. Dawn is responsible for organizing client financial data and for updating financial plans and investment policy statements. She is a cum laude graduate of Florida Gulf Coast University with a bachelor's degree in finance. Dawn is currently pursuing her CERTIFIED FINANCIAL PLANNER™ practitioner designation. She is also participating in a three-year program with The Florida Trust and Wealth Management School. As a lifelong resident of Florida, Dawn grew up in Spring Hill and moved to Fort Myers in 2013. She is engaged to be married in February 2019.

Dawn said she's happy to be part of Scott White Advisors. "Every client situation is unique. I am constantly learning new ways to better serve our clients with tailored solutions to meet their needs," she said. "I enjoy the satisfaction of knowing that my support work for Scott helps clients to achieve their goals and objectives. I also enjoy and appreciate the incredible staff I get to work with!"

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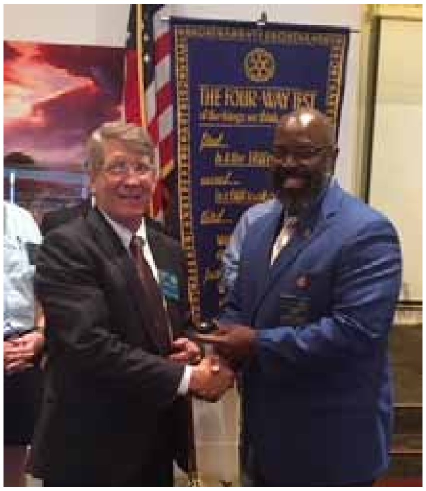
Current Events

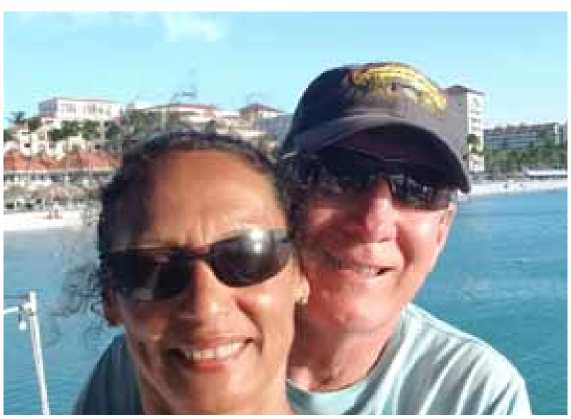


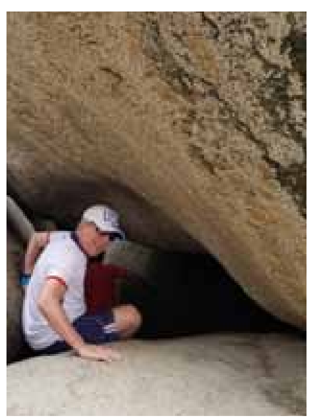
Scott was presented with the Paul Harris + 7 award by Fort Myers Rotary Club President Archie B. Hayward, Jr., shown here with Scott. The award recognizes Scott's 8 years of support to the Rotary Foundation.

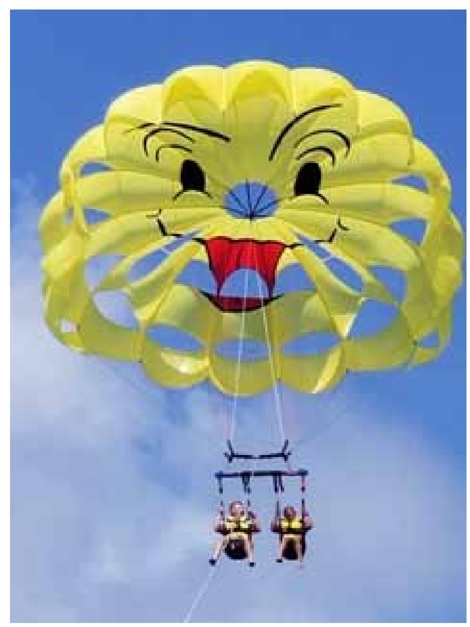
Cliff Smith and Jennylynn Mitchell of the United Way of Lee, Hendry, Glades and Okeechobee Counties presented plaques in appreciation to members of Scott White Advisors and Uhler and Vertich Financial Planners: Scott White, Gary Geston, Linda Harness, Corey Vertich, Dawn Zasa, Pamela Lyons, Becky Pardue and Tom Uhler.

Scott and Adriana visit Aruba

When Scott and his wife, Adriana, vacationed in Aruba recently, they enjoyed the island, the people, and the food. They also enjoyed parasailing! "I was facing my fear of heights," Adriana said.





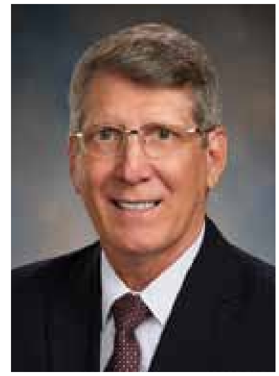


Scott is a "gift maker"

Scott was featured in the Southwest Florida Community Foundation's newsletter article, "Gift Makers." The foundation uses the term "gift maker" for those who make gifts happen or create other charitable opportunities for our community. Read more on Scott's blog at http://scottwhiteadvisors.com/how-to-be-a-gift-maker/

What we learned from the financial crisis: 10 years later

by A. Scott White, CFP®, ChFC®, CLU®
President, Scott White Advisors



As I write this article in September of 2018, it seems appropriate to reflect on the 10-year anniversary of the start of the Great Financial Crisis of 2008. As you may recall, the stock market was down approximately 20% from its highs of October 2007 on the eve of Lehman Brothers declaring bankruptcy on September 15, 2008—sparking the near collapse of the U.S. financial system.[1]

What followed was unprecedented. The stock market declined an additional 40% by March 2009[1], resulting in U.S. households' stock market wealth declining $7.4 trillion.[2] Home values dropped $3.4 trillion and an additional 500,000 more mortgage foreclosures began than were anticipated.[2] Also, 5.5 million more American jobs were lost than were predicted in a September 2008 report by the Congressional Budget Office.[2] It was a very painful time for both me and my clients. So, what did we learn?

In hindsight, the crisis merely reaffirmed what Scott White Advisors has always preached: don't panic, don't try to time the market, and a healthy dose of stocks makes sense for most long-term investors. While these simple lessons may seem obvious at first glance, I can assure you in times of stock market crises such as 2008-09, each lesson often comes into question. And I can understand why. Simply put, we humans are emotional creatures. Studies have shown people make their most important decisions in life based on emotion and then try to justify those decisions using logic.[3] After all, it's a disheartening emotional experience for an individual to review their monthly investment statements and see their lifelong savings shrink month after month and continue year after year. It's only human nature to do something to relieve the pain.

Don't panic. Historically, the stock market has crashed (a 20% drop or more) every few years. So why do people panic when it happens? Perhaps some of the blame might be the fault of the financial industry itself. Rather than spending time to learn about a family's needs over the next few years and designing an investment portfolio to meet those needs (both expected needs and unexpected needs), many so-called financial professionals build investment portfolios based on a client's answers on a "risk-tolerance" questionnaire. Clients often assume that the questionnaire will provide the financial advisor the ability to use his or her knowledge to build an investment portfolio so that the client will experience a level of pain that's tolerable during times of stock market crises. In my opinion, risk/return questionnaires often result in clients experiencing a higher level of pain than they were expecting when markets crash— resulting in panic and often leading to clients abandoning a suitable investment strategy to relieve this pain. This often results in clients not being able to meet their goals over the long term.

We don't use risk/return questionnaires at Scott White Advisors. Instead, we build investment portfolios only after completing a comprehensive financial plan designed to achieve the family's goals and objectives. The plan includes a written investment strategy that has a high probability of enabling the family to meet both its short-term and long-term goals and objectives. We acknowledge there will be times when clients might experience pain when portfolio values decline, but we also recognize that changing a portfolio in crisis can often result in the family not being able to meet their identified goals. It might be painful, but we encourage our clients not to panic, because their portfolio was built knowing stock markets occasionally crash—and they also rise again.

The S&P 500 index dropped 40% after September 12, 2008 over the next six months, but three years later it was down only -0.8%.[1] By the five- year mark, things seemed on firmer footing: The S&P 500 had been making new record high for months, Silicon Valley was humming, and banks were on sturdy footing.[1]

Don't try to time the stock market. Some believe it is possible to buy stock market investments when stock markets are trading low and then sell their stock market investments before stock markets crash, believing they'll know in advance of any coming crisis. But it would require a magic crystal ball for anyone to predict what's going to happen in the future with certainty. Because even if a model could be

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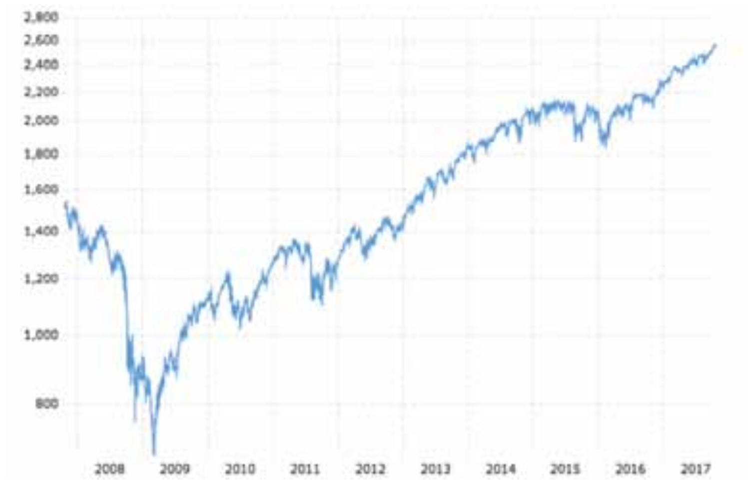
What we learned from the financial crisis (continued)

developed to predict why a stock market might go up or down, it would only take one natural disaster, an unexpected geo-political event, or terrorist attack to cause that thesis to be invalid.

There's one thing I know about the future: The unexpected frequently happens. There is a long list of professions that failed to see the financial crisis brewing. "It's not just that they missed it, (the Financial Crisis of 2008) they positively denied that it would happen," says Wharton finance professor Franklin Allen, arguing that many economists used mathematical models that failed to account for the critical roles that banks, and other financial institutions, play in the economy.[4] That's why, at Scott White Advisors, we don't build investment portfolios based on events that may or may not happen. We build investment portfolios with the understanding that stock market crashes *do* happen. Whether stock markets are down or up, we want to have a high level of confidence our clients can meet their goals and objectives.

A healthy dose of stocks still makes sense for most long-term investors. If the goods and services you'll need to purchase to maintain your living standard of living and to achieve your family's goals and objectives will cost more in the future, then you'll still need your money to grow over time. After all, money is only worth what you can buy with it, so in the future if you can't buy as much stuff as you can today with the same amount of money, then you lost money, even if you didn't realize it at the time. Stocks offer the long-term investor a good chance of staying ahead of inflation. Consider this: The S&P 500 closed at 1251 on the Friday before the Lehman bankruptcy. In the 10 years since then, the S&P 500 is up 130 percent, an annual average gain of 8.7 percent and yearly total return (including dividends) of 11 percent.[1]



Source: Macrotrens.net
The current price of the S&P 500 as of September 11, 2018 is 2,887.89.

At Scott White Advisors, when the next stock market crisis occurs, we will not panic or try to time the stock market by selling out of it. We understand panic and trying to time the market often result in clients not being able to meet their goals. Instead, we'll remind ourselves of the valuable role stocks play in protecting our standard of living from the devasting effects of inflation over the long term. We understand that sometimes long-term gains are worth short-term pains.

A Scott White

[1] *"It was a Gutch-Wrenching Trade, but Investors who Bought the Day before Lehman Failed are up 130%", Michael Santoli, CNBC, September 10, 2018.*

[2] *"Briefing Paper#18, Cost the Financial Crisis", Phillip Swagel, PEW Economic Policy Group. April 28, 2010.*

[3] *"The Role of Emotion in Economic Behavior", Scott Rich and George Loewstein, Handbook of Emotions, Third Edition, 2008.*

[4] *"Why Economist Failed to Predict the Financial Crisis", Wharton School, University of Pennsylvania, http://knowledge.wharton.upenn.edu May 13, 2009.*

There is no assurance that past trends will continue into the future. The effects of any updates released after the period shown above are not reflected in this data. Past performance is no guarantee of future results. Indices are unmanaged and cannot accommodate direct investments. An individual who purchases an investment product which attempts to mimic the performance of an index will incur expenses such as management fees and transaction costs which reduce returns. Keep in mind that there is no assurance that any strategy will ultimately be successful or profitable nor protect against a loss.

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