

Busy Times

Financial Network's national conference is always a huge flurry of activity, with something to learn from everyone present. It is truly hard to determine which items to share with you in this issue of Wit and Wisdom. With so much going on in a presidential election year and in the global economy, let's stay with just a few things.

My Favorite Thing

Okay, I'm a complete fan of the 1980 US Olympic Hockey Team and what they meant to our nation at that time in our history. The goalie from that team, Jim Craig, shared some great stories from his experience on that team and the values he feels were critical to their success. There are 10 that I could share with you, but here are the two that spoke to me the most:

- Push a little harder each day to improve and don't be afraid to fail
- Stay young in outlook and spirit, you have the rest of your life in front of you

Managing "Known Unknowns"

This curious term is one I'm borrowing from some of PIMCO's (a large bond manager) literature. This all relates to the "fiscal cliff" that comes when many provisions in the federal tax code automatically increase taxes, certain spending cuts occur automatically and the federal debt ceiling may have to be raised yet again. We "know" this is coming, but it is "unknown" what our government will do about it.....likely at the last moment.

Most people expect an extension of existing tax measures; however suggestions to consider paying taxes on gains and income in 2012 were often mentioned. The idea here is that if tax rates go higher in 2013, then it is better to pay taxes at the possibly lower rate in effect for your 2012 tax return.

One concept that was presented at the conference involved certain products that create tax deferral, allowing a tax payer to time the year in which they choose to recognize income. Having control on the timing of income in the years ahead may have its benefits. I mention this not as a suggestion or recommendation to my readers, but rather as a point of interest around managing "known unknowns".

Spin Doctor

Paul Begala, a CNN News political commentator, and an advisor to former President Clinton did a nice job of laying out his views of the coming election. He is an accomplished speaker and a very witty fellow. His observations about politicians past and present were very humorous and at times quite pointed.

Prepared remarks are one thing, responses to questions another. I for one was impressed with his ability to give good responses without truly answering the question. There must be a special school in Washington DC for this. In fairness to Paul, all speakers need to leave their audience with a positive experience and the majority of the members of the audience that day do not share his philosophies. He also has to be very careful about what he says in order to keep his sources of information open to him. It was a good presentation, entertaining and yet revealing too.

Alternative Investments

With interest rates at or near historic lows and stocks seemingly stuck in a trading range, a lot of advisors and their clients are seeking returns in certain alternative investments. There was more talk about these and more sessions devoted to this topic than in years past. My use of these investments, for clients for whom they are appropriate, has certainly increased since the very difficult economy and market we experience in late 2008 and early 2009.

One session led by the product manager for these strategies and the head of due diligence for our Home Office was particularly beneficial. It underscored the importance of doing individual research on the products that make it through our firm's due diligence process and making sure that they are only used in the right way, with the right clients. They also recommended monitoring each program carefully each year. I am thankful for the professionals we have in due diligence at our firm, they are well regarded by us and their peers in the industry.

It's the Economy.....

Last but, not least, is the current mixed bag of economic "stuff".

- Housing market may have reached a bottom
- Jobs market, maybe not so good
- Leading indicators, maybe not so bad
- Debt and deficits (I'll let you decide)

We are probably not in for boom or bust in the immediate future was the only consensus that seemed to come out of these discussions. In the next issue we'll spend some time discussing the last bullet point, the impact of high government debt on economies and some recent academic research in this area.

Bottom Line

That's my conference report. The bottom line I took away is that cautious and broadly diversified investors will likely win the day, but they will need to be very patient for the investment returns they are seeking. This is said full well knowing that patience is not always a hallmark of our modern era.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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