Aspen Wealth Strategies

February 2020

The Aspen Leaf

Letter from Andy

Happy New Year!!!!

As you know, I like to open my letters to you with a song reference.

**“2000 zero zero party over oops out of time
so tonight we’re going to party likes it’s 1999”.**

Those are lyrics from the late and great Prince and the Revolution. That song seems appropriate for so many reasons - I will get back to that in a bit.

I wanted to share with you a little bit of what’s going on with Aspen Wealth Strategies. I could not be more proud of the team that serves you daily. Their commitment to you and your success is honestly like nothing I have ever experienced. They have all been busy furthering their education and practical knowledge and I am excited to share some of that with you. The industry recognition continues to roll in and believe me… it’s not me that’s being recognized; it is Joel, Amber, Stephanie, Amanda, Cade, Ryan, and Autumn. I could not do what I do without them.

They are the heart and soul of what I believe makes AWS special. Here is just a small recap of what we have been up to this year.

- **We were recognized again by Forbes as being one of the top practices in the country**
- **Cade passed the first of three sections of the CFA exam; Joel and Cade will be sitting for the second section later this summer**
- **Amber and her husband Jeff welcomed baby Colin and my pal Ryker couldn’t be more excited to be a big brother**
- **Steph bought a new home in Arvada and was a Key Note Speaker at the e-Money National Conference; She spoke in front of 2000 peer financial planners and I was there in the front row**
- **Ryan and his wife Stephanie bought a home in Lakewood and Ryan got new teeth**
- **Amanda continues her education and will soon sit for her Series 65 exam**
- **Autumn continues to grow in her role and enjoys seeing each and every one of you when you come to the office**
- **Joel, after many, many years of begging and pleading with Elizabeth to get a dog - they not only adopted one dog, but two! I’m sure at some point, you’ll see Rocky and Jersey around the office**

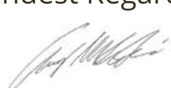
This is just a small smattering of what’s been going on. I feel like I’m a proud parent righting a Christmas letter bragging about their kids.

It has always been my dream that Aspen Wealth Strategies would be employee-owned. Many other advisors and professionals said I was crazy. Why would I ever want to give up any ownership and what a nightmare that would be. Well over the last serval years, I have worn down the professionals I rely on and I assume they realized I would never give up on my dream. I am pleased to announce that Joel, Amber, and Ryan all became shareholders of Aspen Wealth Strategies. I look forward to adding additional shareholders in the future.

Wow! What a year in the markets. I can’t remember a market that was this surprising on the upside. There have been so many obstacles, distractions, and reasons to be pessimistic over the last ten years. We have persavered and, in many cases, prospered. I am also very proud of all of you. The trust you have placed in me and my firm is something I will never take for granted. I can remember in 2010 when the predictions for the market returns in 2020 started to be published. I think most investors never believed the Dow Jones would cross over 20,000. Well, as we know, not only did it cross over 20,000 it just kept going.

I don’t want to steal Joel’s thunder, however, I need to tie my song reference back into this letter. Like Prince said “party over oops out of time” we continue to monitor the economy and while this has been the longest running economic expansion in history, it’s not likely to keep going for another decade. While the party’s not over yet… we will work diligently this year to defend and diversify.

Kindest Regards,



Andy

NEW YEAR'S (Financial) RESOLUTIONS

by Stephanie C. McElheny, CFP®, EA, ChSNC™
President of Wealth Planning, AWS | Wealth Planner, RJFS

Each start to the new year is a perfect opportunity for a financial check-up, allowing you to review what you've accomplished and look for opportunities to improve your finances moving forward. In that vein, we've compiled a short list of considerations to help you get 2020 started off on the right foot.

Review your emergency reserve | We typically recommend keeping at least 3 - 6 months of expenses in liquid assets to handle unforeseen circumstances, such as a medical emergency, disability, or job loss. Not only can this account protect your ability to pay your bills, it also helps avoid needing to sell funds in your portfolio at a potentially less-than-ideal time.

Update (or create) your budget | Consistently utilizing a budget can help establish spending patterns, reveal inefficiencies, track progress towards goals, and uncover excess cash flow (for increased savings or additional payments on liabilities). Usually, budgets shouldn't exceed a years' time and should be calculated on a monthly basis. When putting together your budget, make sure to keep it simple; if there's too much detail, you risk making it too difficult to implement and monitor.

Reduce high-interest debt | After updating your budget, you might uncover excess cash flow and, as we mentioned above, this is a great opportunity to save more or pay down debt. If you have multiple liabilities, it usually makes sense to pay down high-interest-rate debt first (i.e. credit cards).

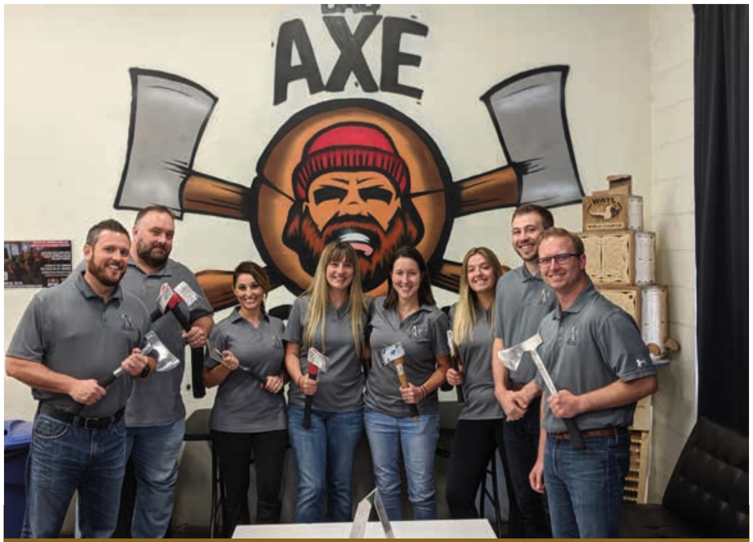
Leverage savings opportunities | If you've uncovered excess cash flow and don't have any high-interest debt that needs paid off, this is a perfect opportunity to save more. If you have a retirement plan that has a company match, try to save the maximum amount necessary (if you haven't already) to fully leverage your employer's contributions. After that, we'd recommend saving to a Health Savings Account ("HSA") if you have one as well as trying to "max out" your retirement plan: for 2020, you can save $19,500 to a 401(k)/403(b)/457 and $6,000 to an IRA (note: these figures do not include catch-up contributions for individuals age 50 and older).

Review your tax withholding | If you overpay your taxes, you're essentially giving the government an interest-free loan; if you underpay your taxes, you may wind up owing a penalty. For these reasons, it's always a good idea to estimate your 2020 taxes ahead of time so that you can withhold the proper amount and potentially keep more of each paycheck. Depending on your situation this can be tricky so if you need help, enlist your tax pro or financial advisor.

Check in on your credit score | Establishing good credit is important for debt management purposes since it's integral to obtaining loans and securing favorable interest rates. We suggest frequently monitoring your score (at least once a quarter) and alerting the proper bureau if you uncover any incorrect or fraudulent activity.

Revisit your estate plan and beneficiaries | It's prudent to have your estate documents (i.e. Wills, Trusts) reviewed every few years to ensure they're up-to-date, not only from a legislative and tax perspective, but also from a family perspective. If you don't already have these documents, we suggest you speak with an attorney about executing Wills, Durable Powers of Attorney, and Advance Healthcare Directives. Additionally, you should have the beneficiary designations on your insurance policies and retirement plans reviewed to make sure they align with your estate planning needs and objectives.

Review your insurance coverage | Similar to the above, it's always a good idea to review your insurance policies. Insurance needs change over time, so it's wise to confirm the policies are still meeting your needs and that they're structured as effectively and cost-efficiently as possible.



TEAM BUILDING at BAD AXE

The Aspen Team had fun throwing axes and testing their accuracy with fun team games.
Oct.1, 2019

ANNUAL
Open House & Holiday Pie
EVENT | NOVEMEMER 25

We had a wonderful day at the Open House, spending time with our clients, their families and giving away delicious pies for the Thanksgiving Holiday!

"Patience is bitter, but its fruit is sweet"

- Jean-Jacques Rousseau,
Genevan Philosopher

by Joel Faircloth | AIF®, MBA
President of Wealth Management
Wealth Manager, AWS
January 10th, 2020

As investors we are often asked to be patient. Be patient if the markets decline – there will be a rebound. Be patient when a fund manager underperforms, when a stock slides unexpectedly. We hear it from CEOs trying to hold onto their jobs, from CFOs who made bad business deals – let's face it – we hear it a lot.

Photo by Jessica Johnston on Unsplash

Sometimes it makes sense to be patient as Rousseau mentioned more than 200 years ago. I often think back to when Facebook went public and quickly lost half of its market value only to rebound and reward long-term investors. However, a recent article in the Wall Street Journal reminded me that sometimes patience can be very detrimental and sometimes you need to change up your thought process.

Most of you probably remember the economic powerhouse that Japan had become in the 1980s. Americans were worried that they were buying everything and would soon have an economy larger than ours. People now say that about China, so what happened to Japan?

In the first half of the 80s, the Japanese currency (Yen) appreciated by roughly 50% - a significant move for a currency. To try to weaken their currency, the Bank of Japan (their version of the Federal Reserve) and the Japanese government embarked on a coordinated effort to weaken the currency to make their exports more attractive (higher currency values hurt exports, lower ones help). Between interest rate and tax cuts, the Japanese injected a massive amount of stimulus into an already strong economy and created one of the largest asset bubbles since the Dutch tulip bubble in the 1600s.

By December 1989, the Nikkei Index (similar to the S&P 500 in the US) had reached 38,957.

On Friday, January 10th 2020, it closed at 23,850.

Yikes.

So what happened? Well, during all of that stimulus there was a lot of bad debt that never went away, there was deflation (asset prices coming down from the bubble), and a massive demographic shift to an aging population versus a growing one. My point is: in 1989 everyone thought Japan was an economic powerhouse and they have been in decline since – patience for the market to "come back" has not been rewarded.

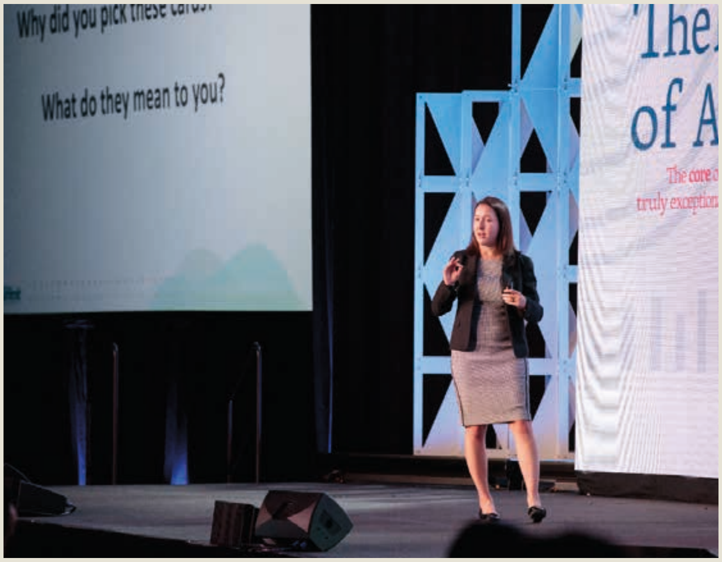
Companies can fall into this same patience trap. Most of you remember spending time at a Blockbuster video store, buying Kodak film, owning an Oldsmobile, or eating at a Bennigan's. I am sure most of the leaders there, as the companies were in massive decline, preached patience.

Sometimes patience does pay off. During the Steve Ballmer years at Microsoft (this is not a recommendation to buy the company) the stock languished. For a 10-year period the stock was essentially flat. Apple has had similar periods of time. Eventually, patience paid off for both of those stocks but at what cost? Flat returns for a decade. Most investors are not that patient, nor should they be. Part of our investment philosophy at Aspen is to be driven by the data, both at the macro level and individual firm level. If a stock is trading at a 300 price to earnings ratio (think tech bubble) we probably are not going to recommend buying it and we would probably recommend selling it regardless of how well it performed last year.

Similarly, if we see the leading economic indicators "roll" or go negative we may take a more cautious approach to building a portfolio and forego some of the investments that did well before that.

Times to be patient in my opinion are stock market corrections in a growing economy, temporary blips in earnings releases (Nike seems to have them pretty consistently, again not a recommendation to buy this company), or domestic political change.

The key is determining when to be patient and harvest the fruit, and when to realize you are a Japanese investor in 1989. And that's part of why you have your team at Aspen.



This past October, our very own Stephanie McElheny was a keynote speaker at the annual eMoney Financial Planning Conference

(eMoney is our financial planning software)

The company asked Stephanie to speak about the **"Heart of Advice"** and how advisors and planners can do a better job connecting with their clients on an emotional level, which in turn results in better financial planning outcomes.

DON'T BARK UP THE WRONG TREE, JUST IGNORE THE BEAR(S)

If you have access to Youtube, take a minute to search "Playful Bear Follows Dog in the Snow" – it's an 11 second video that is an extraordinarily good metaphor for investing and really lays out two very important lessons:

1) DON'T BE SCARED BY THE BEAR

The media derives their revenue from advertisers and advertisers want eyes on their products. And we know that bad news and splashy news grab more attention and eyeballs than the alternative. So of course, that is the type of news that the media is going to focus on. But that's why you have us – to help reduce the noise and translate what's left. We base our portfolio decisions on economic data; not what's making headlines. And as of now, that data does not dictate the need to go fully defensive.

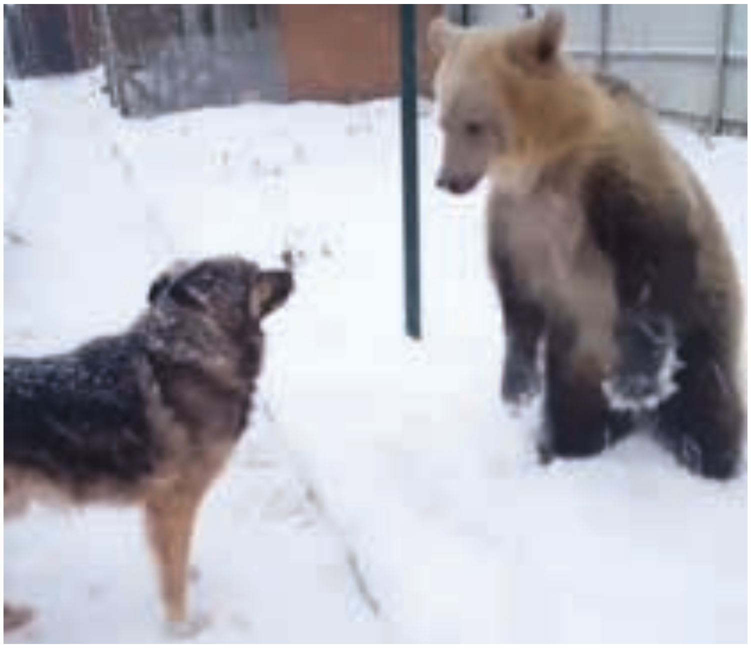
2) PAY ATTENTION TO THE PATH AHEAD

(and remember the path you've already tread)

As you've heard us say many times at this point, we have a game plan and we have been executing on it proactively and deliberately.

Case in point: over the last 12-18 months, we've done the following;

- We reduced the risk of your international exposure due to uncertainty in Europe and international trade issues
- Shored up the bond portfolio by moving to higher quality fix income (we want our bonds performing like bonds!)
- Balanced out the weighting between large growth (i.e. Apple) vs large value (i.e. Johnson & Johnson)
- Moved up the capitalization ladder, reducing small cap stock exposure and putting more into large cap stocks



BE LIKE THIS DOG AND PAY NO MIND TO THE BEAR

We've already done a lot to make the portfolio more defensive but as we've been saying, we still think there's room to run here and we don't want to miss out on opportunities. That being said, if we continue to see signs of economic deterioration, we still have slack in the rope that we can use. Namely, we will continue to transition the portfolio further into quality large cap caps, specifically the value space which tends to perform better in recessions. And as needed, we will adjust our allocation heavier towards bonds.

And keep your eyes on the path ahead… not just for your portfolio but for your financial plan. We peeled back our return assumptions over a year ago and continuously stress test your portfolio through all manner of market conditions (even ones like 2008!) Yes, the portfolio may be impacted and yes, your probability of success will temporarily dip but over the long-term, your plan will still be fine. That is why we take a long-term view of things (the path) and don't focus on the short-term distractions (the bear).

So, be the dog and ignore the wild gesticulations of the bear. If you look closely; that bear (aka the media) just wants the attention and no threat is imminent.

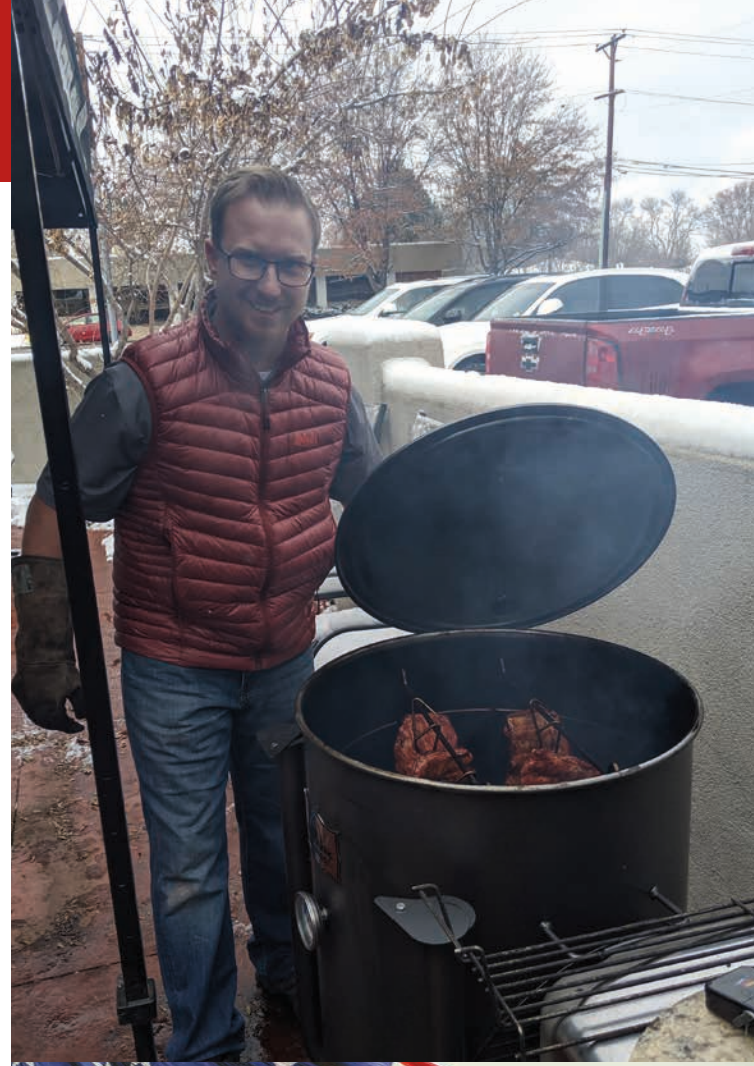
Veteran's Day Barbecue

November 11th, 2019

Our First Annual Veteran's Day event was a great success!

And the turnout was even more impressive considering the awful weather we experienced that morning. Ryan Bowman (our proclaimed **"Best Pitmaster West of the Mississippi"**) would like to thank everyone for their support in honoring our veterans on this special day.

We are already looking forward to next year and Ryan promises that he'll have the ribs ready on time (but it was really the weather's fault…)



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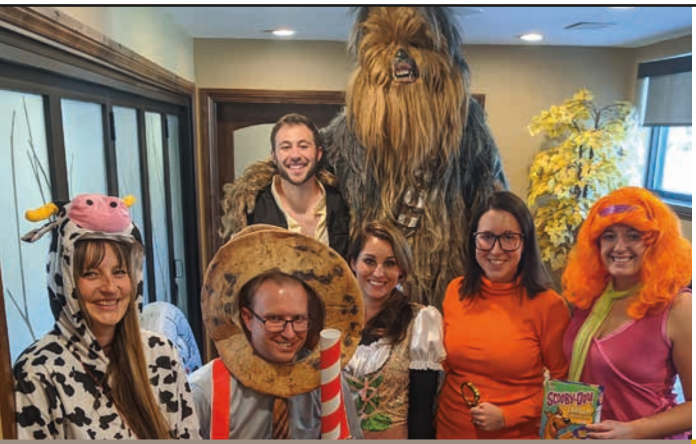

1ST ANNUAL
Halloween Costume Contest

Oct. 31,2019

The Aspen Team had fun dressing up for the 1st annual Halloween Costume Contest.

The winners were Stephanie, Amanda,and Milo as "Thelma, Daphne and Scooby-Doo!"

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