

• Firm Update by Jim Steffen, CFP®, President



I'm an optimist. Generally a "glass half full" kind of guy. Although, reflecting on the major events of 2015, it is easy to be a little negative. Many studies have shown that we care more about the threat of bad things than the prospect of good things. If you see a hundred stories you're going to focus on the negative ones, and of course the media takes advantage of this. Bad news sells. If it bleeds, it leads. Every day frightening stories and images from around the world dominate cable news, social media and the old fashioned newspaper. We are painfully aware of the world's problems. The top stories last year: ISIS, Paris, San Bernadino, the refugee crisis, Presidential politics, oil, floods, interest rates. And the list goes on.

The U.S. Stock market closed flat to slightly negative in 2015. It's important to remember what a small miracle that is, given the many challenges that the markets faced last year. U.S. bonds and international stocks fared a little worse, down 3-4%. As a result, diversified portfolios had difficulty posting positive returns. Of course, neither you nor I can control the headlines or the markets.

Economic forecasts and market timing are two things we don't attempt to do at Trott Brook Financial. We believe that you can't materially improve your investment outcome by trying to anticipate the economy. There is very little evidence that the markets are linked to the economy in any direct way. The economist John Kenneth Galbraith famously said, "the only function of economic forecasting is to make astrology look respectable!" We've also never known anyone who was consistently able to gain a timing advantage over the market, in the sense of exiting the market before a serious decline and re-entering before a major advance. Peter Lynch, the acclaimed fund manager, once said, "far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

We'd rather interact with you as a planner rather than a prognosticator. When helping you align your portfolio with your goals for a possible 30-year retirement, we'd rather consult history than headlines. We'll continue to add value by creating a plan that gives our clients the basis on which to act and not react.

As we kick off the New Year, let's try to focus on the good news and not the bad. Let's pay attention to all that is right with the world, not wrong. If we look at the world through the lens of optimism, that view can counterbalance the constant barrage of grim headlines. Bill and Melinda Gates offer us a great reminder in their recent annual letter. Take a few minutes once and awhile to learn about the lives of people who are worse off than you. Then act on your compassion, whether it's raising awareness, volunteering your time or giving away a little money. Imagine the headlines if more people acted on that advice. I wish you all the best in 2016 and look forward to connecting with you soon!

### Upcoming Events...

#### State of the Markets

Tuesday, February 2nd at 7:30am

Fountains of Ramsey

Contact Krisandra at 763.213.1000 to reserve your spot

• Commentary by Ted Erhart, CFP®, Financial Consultant

With the New Year comes a new set of forecasts for the coming 12 months. I always roll my eyes and chuckle because no one is ever right with any consistency. Wall Street is full of people who are able to get things right "once in a row," but that's about as good as it gets.



I especially laugh about stock market predictions. Almost inevitably, every time you look at a group of forecasts of the S&P500 for a calendar year, the average lands in the upper single digits. The Star Tribune recently published the forecasts of nine local professionals who hold various positions in the financial industry. Their forecasts for where the S&P500 will end up at the end of 2016 are as follows:

2016 Forecast	Return
1,907	-6.7%
2,150	5.2%
2,150	5.2%
2,160	5.7%
2,225	8.9%
2,235	9.3%
2,300	12.5%
2,350	15.0%
2,450	19.9%

**Average 8.3%**

In my experience, every year, the forecasts look the same. The forecasters just seem to shift positions within a range, but the average never seems to change. Additionally, I'll note, depending on what time period you look at, the actual average annual return of the S&P500 tends to fall in the upper single digits. Therefore, is there really any value in these forecasts? My opinion is unequivocally no.

All that being said, I would generally urge investors to tame their expectations for US stocks over the coming several years. Although 2015 was weak to negative, US stocks have generally been on a tear since 2009 that is unsustainable. Prices cannot walk away from fundamentals indefinitely.

But here's the thing, you don't need to worry about it. Markets overshoot. That is the historical norm. However, as we talk about all the time, trying to guess the tops and bottoms is a fool's game.

As we go into 2016, my single biggest piece of advice is to establish a strategy and stick with it. The biggest mistake we see people make is obsessing over short-term returns and getting impatient. It's critical to remember that no strategy works all the time. Case in point, after surging over 27% in 2014, Warren Buffett's Berkshire Hathaway saw its stock price decline over 12% in 2015. Remember, capturing the long-term average return of a strategy includes BOTH the good years and the bad.

Wishing you a happy and most importantly, healthy, 2016!

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*Jim & Lisa Steffen*

Happy New Year from the Steffen's! The last half of 2015 sure did fly by. We enjoyed the beautiful summer and fall weather as much as possible. Jim and Tommy had a successful fishing season on the Rum. They even branched out and spent a weekend on the St. Croix and the Kettle River. Lauren's Legacy soccer team started practicing in early August. She enjoyed her sophomore season and earned another varsity letter. Our annual trip west for the South Dakota Pheasant Opener was another success. We camped on the banks of the Missouri River in Chamberlain and Dakota flushed plenty of roosters for the kids to shoot. The basketball season has been in full swing since October. Tommy and Lauren have either a game or practice about six days a week. It keeps the calendar full! We held our annual firm planning meeting in Arizona in November and stayed through Thanksgiving to spend the Holiday with our Arizona relatives. There was plenty of sunshine for hiking, biking and floating in the pool. After Tommy's debut performance in Beauty and the Beast last year, he tried out for the school's spring production of the Sound of Music. He made the cut and will be playing one of the Nazi recruits. We're not sure how he'll have time for play practice....but we'll find a way! We had a quiet Christmas in Anoka with family and enjoyed some well-deserved down time over the Holiday break. We hope your 2016 brings good health and happiness!



*Nikki Cellette  
Operations  
Manager*

Happy New Year! Time is slipping by way too quickly and here we are already in 2016! Brooklyn is well underway into her first year of U8 Elk River hockey. She loves every aspect of the game and counts down the days until she gets to hit the ice again. I think we have created a monster and I now have another nine years of sitting in a cold ice arena! I keep telling George that our little girl will keep us young or maybe make us grey at a young age! Zach is busy as always with his own hockey schedule and also takes time out to Student Coach the Bantam team. He also became a driver in August on his 16th birthday. Each time he pulls out of the driveway I say a little prayer that he and others on the road will be safe. It sure is tough for a momma to let her babies grow up! In November, team Trott Brook traveled to Arizona for our annual goal setting meeting. I am beyond fortunate to have team members that work hard and play hard so well together. Jim led two of our team building activities which included hiking Pinnacle Peak and Cave Creek Regional Park. Shockingly I survived the daunting challenge of the strenuous points of the climb only knowing I had a reward at the end of the day. My little slice of heaven was a fantastic pool with a floaty waiting my return! This was my first trip to Arizona and I am looking forward to going back! May everyone have a wonderful 2016!!!



*Ted Erhart*

Overshadowing everything in my life in recent months was the unexpected death of my 28 year-old brother, Nick, just before Christmas. The fact that I'll never see him again is still setting in. My brother was an extremely gregarious, fun-loving guy (and he dressed a lot better than me too!). He loved to joke around, go to movies and work out. Unfortunately he became another casualty of the opioid epidemic that has swept the United States over the last decade. I think his story is especially important to share because we learned during his struggles with addiction over the years that it all began when he had his wisdom teeth pulled as a teenager. As is standard in this day and age, he was prescribed an opioid based pain medication (Vicodin, OxyContin, Morphine, etc.). That one experience led to a lifetime of addiction and ultimately his death. I hope by sharing his story that it brings awareness to this important issue that we as a society have to confront. I also hope that parents of teenagers take the time to talk with their kids about the extreme dangers associated with these drugs. On a more positive note, my wife Kelly spent a ton of time showing her horses over the summer and into the fall. She showed at the State Fair for the first time which she enjoyed. I spent the fall building a few deer stands, playing around with my trail cameras and working on a number of projects at home. By far the biggest highlight of late was the addition to our family in mid-December, our first puppy! She's a great addition to our family. I just wish my brother would have had the chance to meet her.



*Krisandra French  
Administrative  
Assistant*

Another year has come and gone! Each year seems to go by faster as our children get older. Our Christmas was filled with great joy as we watched our grandson Jaxton get more excited with each additional gift he opened. Zachary is our only child yet to leave the nest. He is in tenth grade and continues to keep busy as most sixteen year olds do. He got his driver's license in September, and consequently, we never see him anymore. Between school, work, and friends, I'm not sure he even knows who we are anymore. He chose not to participate in a hockey league this year and now just plays for fun, which was a hard adjustment for us (me). Zachary continues to work on his golf game and thus we wait for spring to arrive to get out on the course and be able to play with him. My husband, John, and I went on a cruise the second week of January and celebrated our fourteenth wedding anniversary. It was a much needed vacation and we enjoyed it very much. We went to the eastern Caribbean and visited St. Thomas, St. Maarten, and San Juan. St. Maarten is one of our favorite spots to visit, as we have been there three other times before. It's so relaxing and the people – watching is by far our favorite. Now back to the cold Minnesota winter, but we have been fortunate and have had a pretty mild winter so far. I just hope we don't get the snow in May! I pray 2016 brings you many blessings and good health.