

### Staff Adventure: Jeff Goes to Disney World!

This year in May my wife, Angela, and I celebrated our 10<sup>th</sup> wedding anniversary just 5 days before our daughters turned 5 years old. To mark this time in our lives, Angela decided that we should take a trip to Disney World. Originally her plan was a Disney Cruise. But eventually she decided the twins were too young for the Cruise and her fallback became Disney World.

Our friends Jed and Tiffany (who live in Denver now) were celebrating their 11<sup>th</sup> wedding anniversary at the same time. We convinced them they should celebrate in Disney World with us. And they agreed.



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### Planner Article: Is the Market Correct?

Market drops are common. Some are bigger than others. Some are classified as corrections. Others become bear markets. Some evolve into full-fledged crisis. Whatever you call these drops, the facts are always different. The question, however, remains the same - “what, if anything, can I do about it?”

Answer: Discuss ahead of time and rely on a well-diversified portfolio. Own more bonds if you want to minimize the drops. Expect market declines. Buy low. Rebalance. Minimize taxes when possible. If liquidating periodically, sell bonds until the rest of your portfolio recovers. Avoid major liquidations (turning drops into real losses). Focus on decades not days. Think shares (owned) not values (current prices). And, of course, talk about what drives markets up or down to take the emotion out of it.

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## Staff Adventure: Jeff Goes to Disney World!

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Our trip started with a delayed plane out of Fresno. It's not easy to sit and wait in the airport with two 5 year olds that are super excited to go to Disney World. That's a tough thing to explain. Eventually we made it there after a layover in Denver. Prior to planning this trip we had no idea just how big the Disney World area is. When you count all the resorts and parks it is 50 times bigger than the Disneyland area.

We opted to stay at the Caribbean Beach Resort. They have actual beaches and a pirate-themed pool. It turns out that Alex and Addy would have been just as happy to play in the pool all day. Once they had their fill of the park for the day (usually by lunchtime), they would continually ask to go back to the hotel so they could swim.



Disney World has four parks total: Magic Kingdom, Epcot, Animal Kingdom, and Hollywood Studios. We had a full six days to spend at the parks and that still wasn't enough time to see everything. I would have liked to have spent more time at Epcot. There is a giant lake in the middle and each section around the lake is themed to various countries.

We bought the girls Anna and Elsa (from Frozen) dresses for their princess makeover on our 2<sup>nd</sup> day. That became the only thing they wanted to wear for the remainder of the trip.

We could have packed a lot lighter for them! They were very excited to be dressed as princesses while they got to meet all the different Disney princesses.

The first day we were full of energy and ready to go. By the end of the week though, we were all quite tired.

It was definitely a memorable trip and a great way to celebrate. Perhaps we'll go back in another 10 years.

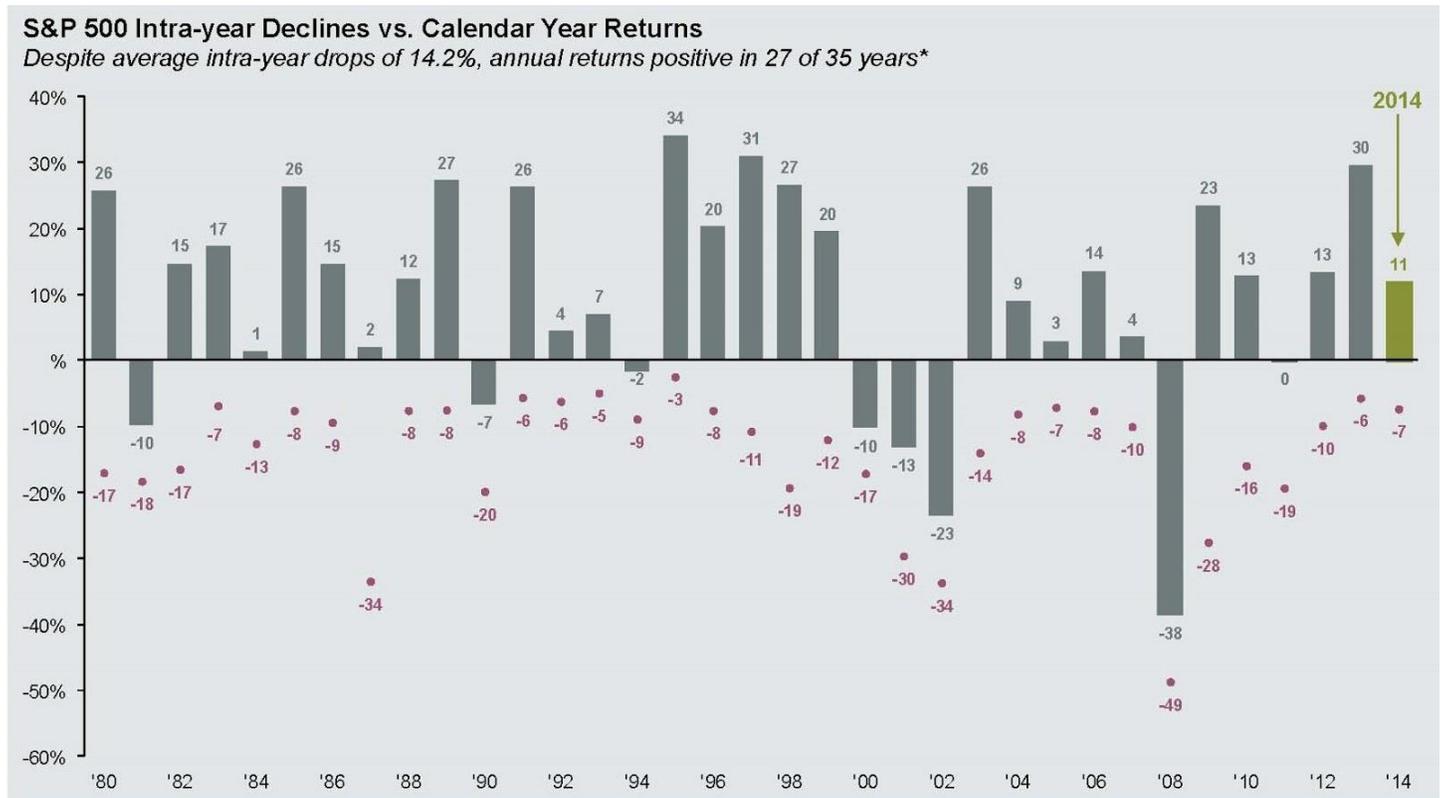


-Jeff Karst, CFP®

## Planner Article: Is the Market Correct?

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What is the market? Let's call it the current price of all stocks. That current price is the collective prediction (buyers and sellers agree to prices each day) about the future. Buyers and sellers typically agree to lower prices (market drop) at least once a year.



Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. \*Returns shown are calendar year returns from 1980 to 2014.

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Data are as of 12/31/14.

Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

What drives these drops? Forget the details this time around; it's always a drop in expected future profits. Stock prices, after all, represent ownership of those profits. Each market drop predicts an economic slowdown (or a reduction in corporate profits for an individual stock) of some sort.

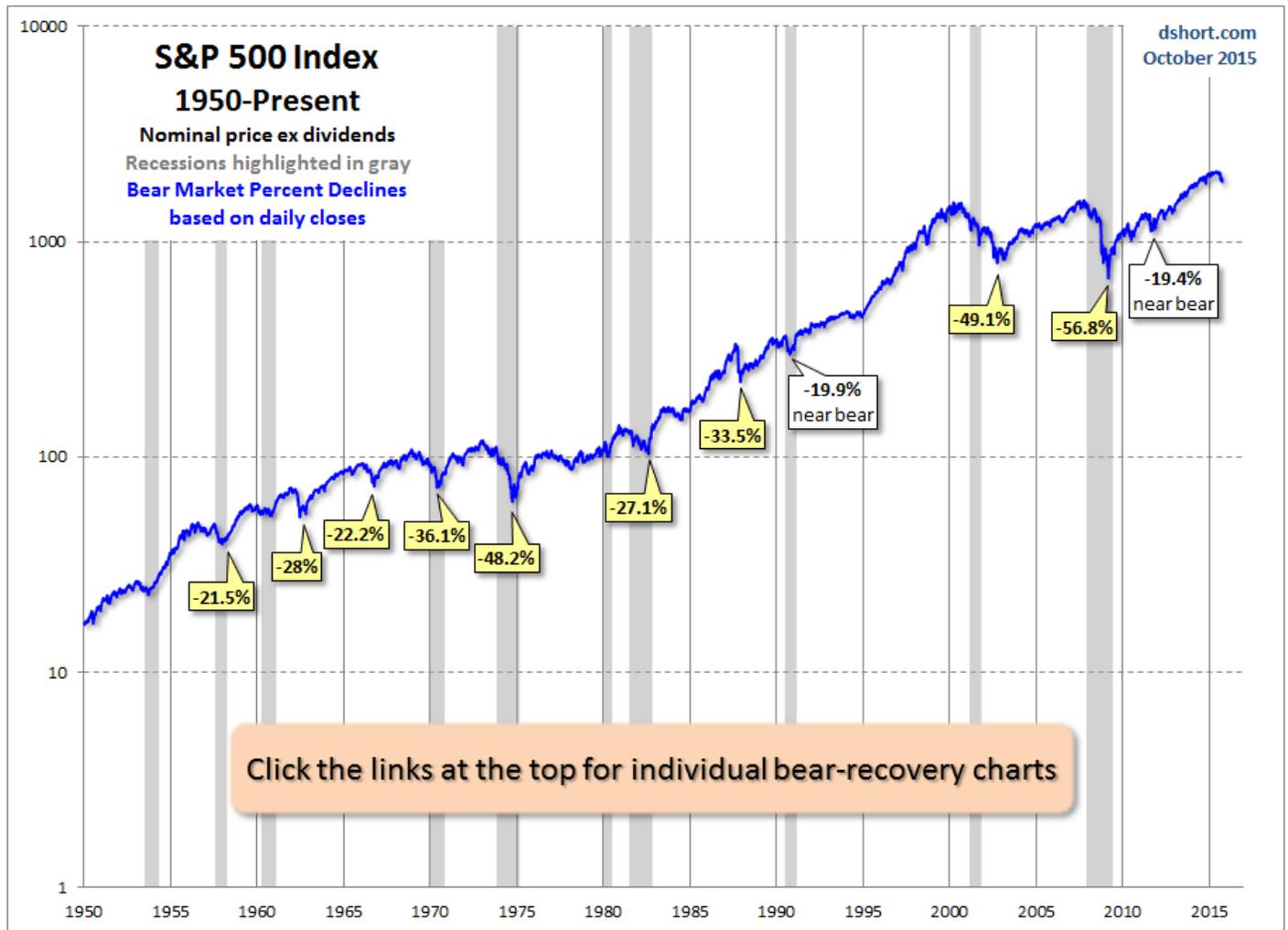
Is the market correct? If buyers and sellers are correct and the economy does slow down, it's too late. Buyers and sellers already agreed to prices that represent an economic slowdown. Selling at today's prices does nothing.

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## Planner Article: Is the Market Correct?

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If buyers and sellers are wrong and the economic slowdown doesn't occur, markets can rise dramatically (making this a buying opportunity). If buyers and sellers are wrong and the economic slowdown becomes a bigger recession, markets will drop further - until they don't (another buying opportunity).



Source: <http://www.advisorperspectives.com/dshort/charts/markets/bear-recoveries.html?bears-since-1950.gif>

When will we know? As soon as markets (the collective prediction of buyers and sellers) make the next prediction (prices drop further or rise dramatically). In times of low volatility, this cycle takes a long time. In times of high volatility, however, the entire cycle seems to repeat itself daily.

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## Planner Article: Is the Market Correct?

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Oversimplified? Sure. But, it helps to remember why and how often these drops occur and that the payoff (for tolerating unexpected drops) is a better long-term return on investment. That is what investors demand for their trouble. Markets will be higher ten, fifteen, twenty, thirty years from now. In the meantime, if you are withdrawing from your portfolio, it's time for your bonds to do their job.

Market drops are a necessary evil. A means to an end. Always have been and always will be!

-Dustin J. Smith, CFP®

### Pathways Holiday Hours

The Pathways Advisory Group, Inc. office will be closed for the following holidays:

Thursday, November 26 <sup>th</sup> , 2015	Monday, January 18 <sup>th</sup> , 2016
Friday, November 27 <sup>th</sup> , 2015	Monday, February 15 <sup>th</sup> , 2016
Thursday, December 24 <sup>th</sup> , 2015	Friday, March 25 <sup>th</sup> , 2016
Friday, December 25 <sup>th</sup> , 2015	Monday, May 30 <sup>th</sup> , 2016
Friday, January 1 <sup>st</sup> , 2016	Monday, July 4 <sup>th</sup> , 2016
Monday, September 5 <sup>th</sup> , 2016	

In case of emergency, please contact Schwab directly at 1 (800) 435-4000.

Happy Holidays!