



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401(k) Plans

Volume 8, Issue 2



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FINANCIAL PEACE OF MIND

In 2016, the average equity mutual fund investor under-performed the S&P 500 by a margin of 4.70% - i.e., 7.26% actual performance versus an 11.96% market. The 20 year annualized result shows 7.68% in the S&P 500 versus actual performance of just 4.79% for a 2.89% gap. Interestingly, the best three months of 2016 (March, July and November) coincided with either neutral or negative cash flows "into the market".

Why is this? Recently DALBAR released its 2017 Quantitative Analysis of Investor Behavior. The key takeaway is that results are more dependent on investor behavior than on fund performance, and therefore, investors need to improve decision-making under pressure. We have discussed various common and unhealthy behaviors and biases such as chasing returns, confirmation bias, investing inertia, among others in our blog. One that we often see is Self-Attribution Bias.

Self-Attribution Bias is the term behavioral psychologists apply to investors who habitually attribute their success to their own abilities. What that also means, is that they will blame their failures on just about anything else – the economy, macro-events, politicians, or their choice of ties. Self-attribution bias can prevent investors from realizing and learning from their mistakes. Not acknowledging and learning from their mistakes, they are bound to repeat them.

In contrast, investors can take some valuable lessons from the experiences of the best investors of our time. One example is Warren Buffet, who is very proactive in keeping himself high above the self-attribution cloud. Instead of self-aggrandizement, he exercises an extreme level of control, discipline, and patience in adhering to a strict investment philosophy and strategy. Any investment decision is recorded and applied to a strict criterion that squeezes any emotion and "luck" out of the equation, so he can later determine if success (or failure) was based on his reasoning. More importantly, it enables him to avoid repeating mistakes.

Whether investing for retirement or any other objective, the biggest mistake many make is not having an investment strategy in place to provide an objective framework for their decisions. Without an investment strategy based in sound principles and practices, investors may impatiently succumb to emotions and act in ways counter to their long-term goals. Self-Attribution Bias can be dangerous in this context.

Focusing on your future...

INVESTING PERSPECTIVE

When looking towards retirement many people think about not having to work anymore. Unfortunately, even though a person retires they still have bills to pay. The need for careful planning exists to ensure the golden years are golden. A 401(k) or IRA is a good place to start when planning for retirement. Social security is a good next consideration. Minimizing taxes is a must!

As the saying goes, "failing to plan is planning to fail". Much of the same can be said if you do not plan your finances, it does not matter if you are a high earner, you still need a financial plan to keep you from harms way and to ensure that your life will be financially secure. DWD can help plan your retirement with financial advice that minimizes your taxes and maximizes your investments. Give us a call.

Handy References	2017	2018
<u>Maximum 401(k) Deferral Contribution</u>		
Age under 50	\$18,000	\$18,500
Age 50 or older	\$24,000	\$24,500
<u>Maximum Deferral to a SIMPLE Plan</u>		
Age under 50	\$12,500	\$12,500
Age 50 or older	\$15,500	\$15,500
<u>Maximum Contribution to an IRA</u>		
Age under 50	\$5,500	\$5,500
Age 50 or older	\$6,500	\$6,500
Maximum Earnings Subject to Social Security Tax	\$127,200	\$128,700
Social Security Earnings Limit for Retirees Under Full Retirement Age	\$16,920	\$17,040
Annual Gift Tax Exclusion	\$14,000	\$15,000

ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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