



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401(k) Plans

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FINANCIAL PEACE OF MIND

A recent study conducted by the Employee Benefit Research Institute found workers of all ages are continuing to lose confidence in their ability to afford a comfortable retirement. But instead of adjusting their investment strategies to confront the challenges, many are simply avoiding the stock market altogether and that can be the biggest mistake anyone can make in retirement planning.

Everyone can learn some valuable lessons from Warren Buffett, arguably the most successful investor of all time. Buffett takes comfort in facts, while average investors let their emotions guide their decisions. Buffett will be the first to tell you that emotions and investing don't mix.

Fact #1: Bear markets do happen – but then, so do bull markets.

Fact #2: The average duration of a bear market is 11 months as compared to 32 months for a bull market.

Fact #3: The average bear market decline is 27 percent; the average bull market gain is 119 percent.

Fact #4: Since WWII there have been as many bear markets as there have been bull markets, yet the stock market has still managed to advance more than 100-fold.

The takeaway is that real risk is not in the next bear market decline; the real risk is not participating in the next bull market increase.

Not everyone has the fortitude or patience that Buffett has to stay fully invested in the stock market, yet constant exposure to equities is vital if you are to accumulate adequate resources for a secure retirement. Most investors can't pick individual stocks like Buffett either, nor should they try. Buffett has a fully diversified portfolio of stocks invested across many industries, global regions and asset classes. You can achieve the same diversification with a portfolio allocated broadly to reduce risk and volatility. Then, if you can exercise the same level of discipline and patience as Buffett, you can simply let the stock market do all the work.

Focusing on your future...

INVESTING PERSPECTIVE

Time is an invaluable opportunity when working to optimize wealth. Less resources are needed when given more time to grow. And given adequate time to grow, earnings rates are not as important. However, time is a wasting resource if not optimally utilized.

Then there is the issue of taxes, which can certainly erode both resources and earnings. The good news is that taxes can be minimized given proper planning. Taking advantage of tax qualified savings opportunities is a must! So below we've provided a handy reference for you to use in considering whether you are optimizing your savings opportunities.

| Handy References for 2016 | |
|--|------------|
| Maximum Contribution to a 401(K) | |
| Age under 50 | \$ 18,000 |
| Age 50 or older | \$ 24,000 |
| Maximum Contribution to a SIMPLE Plan | |
| Age under 50 | \$ 12,500 |
| Age 50 or older | \$ 15,500 |
| Maximum Contribution to an IRA | |
| Age under 50 | \$ 5,500 |
| Age 50 or older | \$ 6,500 |
| Maximum Earnings Subject to Social Security Tax | \$ 118,500 |
| Social Security Earnings Limit for Retirees Under Full Retirement Age | \$ 15,720 |
| Annual Gift Tax Exclusion | \$ 14,000 |

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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