Volume 3, Issue 1

HIGHLAND COLUMNS

www.HighlandInvestmentAdvisors.com – info@highlandinvestmentadvisors.com – 866.583.4023 toll free

7 Frequently Asked Questions, Answered

By: Adam and Ken


What does "fee only" mean?
"Fee only" means that Highland Investment Advisors ("HIA") does not accept referral fees or commissions from selling any investment product. Being fee only, our compensation is derived solely from asset based fees or hourly fees for specific financial planning engagements. We believe commissions and referral fees create conflicts of interest, because those forms of renumeration incentivize recommendations for particular products.

Why is choosing a fee only advisor important?
A fee only structure encourages unbiased advice and puts our clients' interests first. Since we charge a percentage of assets managed, it is just as important to us as to you that your investments grow.

What is Highland's advantage over other firms?
Foremost, we have a legal fiduciary duty to put our clients' interests first. Legal requirement or not, we think it makes good sense to conduct business this way. Our unique value proposition is that we are a privately owned, independent Registered Investment Advisory (RIA) firm. You are working with the owners of the company. We

Inside This Issue:

work to understand your specific financial situation and provide straightforward advice consistent with your long-term goals. We are not commission-based employees pushing the latest investment product.

Could I invest on my own just as effectively?
First, ask yourself these questions. Do you enjoy investing. Do you have the necessary knowledge. Do you have the time? Do you also have the emotional fortitude to remain objective and disciplined with your own money? Something else to consider is that individual investors cannot access some investments on their own, such as Dimensional Fund Advisors. We believe the difference between invest<u>ment</u> returns and invest<u>or</u> returns is behavior. That is, investors on their own often fall into traps like attempting to time the market, chasing returns, and reacting to the daily "news". This is why it is important to have an unbiased partner in the process. But, we believe our value to you as your advisor goes beyond investment performance. We can assist with retirement planning, estate planning, insurance analysis,

<u>*7 FAQs Continued*</u>

budgeting and cash flow, large purchase decisions, education funding, business planning and more.

Who regulates Highland?

The State of Wisconsin Department of Financial Institutions regulates us. Wisconsin securities laws impose substantially the same requirements as Federal Security Exchange Commission rules and laws. We serve clients throughout Wisconsin and the United States. Information regarding investment advisor regulations is on the SEC's website at: http://www.sec.gov/divisions/investment/iaregulation/memoia.htm

What are your qualifications to provide us with this service?

Adam has a Bachelors degree in Finance and holds the Chartered Financial Analyst (CFA) designation. Ken has an MBA in Finance and holds the Certified Financial Planner® (CFP)

designation. Both have passed numerous securities exams over their careers. Adam has worked for some of the area's top financial firms over the last 13 years before becoming a partner at HIA in 2009. Working with a diverse clientele, from new investors just building their portfolios to multi-generational families with $100 million portfolios has given Adam a broad range of experiences related to investment management and financial planning. Ken spent the first 15 years of his career in law enforcement before joining Strong (now Wells Fargo) in 1996. Ken has 16 years experience as a financial advisor. In 2004 he joined an independent financial planning firm, and then founded HIA in 2006.

Who is a typical client of Highland?

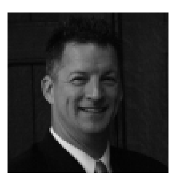
A typical client of our firm is someone approaching or in retirement. We like to work with people who are engaged in the investment process and are committed to preserving and growing their financial resources. Since we are business owners ourselves, we enjoy working with other small business owners. Clients come from all walks of life—retired teachers, computer programmers, executives, sales people, lawyers—but share a common desire to save and invest.

Have a question that wasn't answered here? Please contact us.

Ken Karr, CFP and Adam Drake, CFA are partners at Highland Investment Advisors, LLC, a registered investment advisor (RIA) providing investment management and financial planning since 2006. Based in Milwaukee, WI, the firm serves clients in eight states and manages investments for individuals, retirement plans, not-for-profits, and independent investment advisors. They can be reached at 414-755-2309 or info@highlandinvestmentadvisors.com

Truth or Consequences

By: Kenneth E. Karr, CFP



While wandering around an antique store several years ago, I found the books *Wall Street Stock Selector*, and *Truth Of The Stock Tape*, by William Gann, published in 1923 and 1930 respectively. Although nearly forgotten today, William Gann achieved fame in the first decades of last century for purportedly earning millions of dollars through his skillful stock trading and his application of technical analysis (and astrology) to predict stock market behavior.

Truth or Consequences Continued

Although he didn't label it as such, Gann may have also been one of the first people to recognize what is now called "behavioral finance". He wrote, "no matter how strong a man's willpower may be, he is influenced, consciously or unconsciously, by what he hears or sees, and his actions or executions are interfered with accordingly".[1]

Gann's books make the claim that anyone could replicate his success by simply following his rules and learning the ways of the market. While most of the advice in his books is totally contrary to Highland's investment philosophy, some of the advice he offered is timeless. For example, "Speculators and investors who simply guess, follow tips, rumors, newspaper talk and so-called "inside information" have no chance of ever making a success".[2]

"Speculators and investors who simply guess, follow tips, rumors, newspaper talk and so-called "inside information" have no chance of ever making a success"

To update this statement for contemporary times just add: 24 hour talking heads on TV/cable, blogs, emails, and tweets to Gann's list of things to ignore. Even as I write this line, my email is alerting me to more incoming spam, vying for my attention.

None of us can avoid the explosion of media and communication sources over the last three decades--it almost dwarfs the Big Bang. In this short time span, we have witnessed the creation or expansion of the internet, cable TV, satellite TV, cell phones, smart phones, iPads, WiFi, VoIP, blogs, social media, and more. As if we needed proof of the ubiquity of communication saturation, Chevrolet is now airing a truck commercial that shows a group of friends on vacation driving in some remote stretch of America. When their cell phone finally loses its signal, they know they've found the perfect spot to set up camp and get away from it all.

Without question, the deluge of information we receive through these myriad channels affects us and our perception of the world. Unfortunately, research in behavioral finance reveals that practically no one is capable of effectively filtering this flow of information objectively. The inability to sort through the noise and remove our human emotions from the equation leads to incorrect interpretations of current events and data, which then leads to poor decision making.

Over the years, Adam and I have witnessed clients face emotionally challenging times caused by market volatility, just as is happening now. In a few instances, despite our efforts, clients succumbed to their primal fears and made decisions to dramatically shift their asset allocation because they believed the markets had further to fall. Without fail, these few clients all sold out either at the market bottom or within one or two days preceding it.

This is why, despite Adam's and my own inborn desire to respond to the news of the day, we both strictly adhere to a passive, methodical approach to managing your assets. We have no crystal ball that foretells the future—no one does. We place our faith in the tenets of diversification, risk management, and cost containment. We encourage our clients to do the same. We'll let everyone else follow William Gann's astrology-guided advice.

1. Gann, William D., *Truth of the Stock Tape*, New York: Financial Guardian Publishing, 1923.
2. ibid

Of Budget Deficits and Behavioral Finance

By: Ken and Adam


As a matter of decorum, we try to refrain from making politics a topic of conversation with clients. But every now and then, politically charged topics demand our acknowledgement. One such topic is the matter of the US Government budget deficit and the long term negative implications it holds for the current and succeeding generations.

This topic is not new to us. Nearly four years ago, Ken attended a conference sponsored by the Milwaukee Chamber of Commerce entitled, "The Fiscal Wake-Up Tour". The keynote speaker was David Walker, former Comptroller General of the United States and now President of the non-partisan Comeback America Initiative (http://tcaii.org/). The other conference speakers spanned the ideological spectrum—from liberal to conservative. Despite their political differences, all agreed something needed to be done to address the deficit and debt.

Since that presentation in July 2008, there has been little progress on solving the US budget deficit. If anything, the "Great Recession" and continuing political stalemate in Washington DC have both contributed to exacerbating our country's ongoing structural deficit problem.

Given the significance of this topic, we feel it is appropriate to revisit the issue so we can all be better informed. We do not take a position on the correct course of action our political leadership should take, but we do believe meaningful action is needed. As such, we encourage you view these two videos and craft your own ideas for solving the problem. The first of these is about one minute long and is somewhat tongue-in-cheek, but it makes a valid point - National Debt Video. The second video aired on CBS 60 Minutes about five years ago and runs 11 minutes. Despite its age, the content in this video is still very relevant - CBS Video

Moving to another topic, in Ken's article, "Truth or Consequences", he references the nascent field of behavioral finance, which explores how investor behavior is affected by individual and/or group psychology. The PBS show, NOVA, aired an excellent piece last year called "Mind Over Money". It examined this phenomenon and the role it may have played in the market crash of 2008/2009. We found the NOVA episode fascinating and think you will enjoy it. The video is 53 minutes long, but worthwhile - NOVA Video.

If you have any suggestions for topics of future columns, please drop us a line.

Welcome Gary Jourdan

Say hello to Highland Investment Advisors' intern, Gary Jourdan. Gary works on technology related projects such as web development and marketing projects. Gary is currently a senior at UW Milwaukee pursuing a Bachelor of Business Administration in Finance with Certificate in Real Estate and a minor in Computer Science. Prior to attending UW Milwaukee Gary obtained an Associate of Applied Sciences degree in Industrial Engineering, a field which he worked in for 4 four years. While attending UW Milwaukee Gary has gained experience in the finance and real estate industries through two prior internships. In his off time Gary enjoys spending time with family and getting outdoors for various activities such as hiking, camping, scuba diving, riding motorcycles, and four wheeling.

Highland Investment Advisors, LLC
3112 W. Highland Blvd.
Milwaukee, WI 53208

Phone:
414.755.2309

Fax:
414.755.2313

E-Mail:
info@highlandinvestmentadvisors.com

"Promoting your prosperity,
protecting your peace of mind"

Visit us at:

www.HighlandInvestmentAdvisors.com

Disclaimer

The opinions expressed here are the views of the writer and do not necessarily reflect the views and opinions of Highland Investment Advisors, LLC. While every effort is made to ensure the accuracy of the information contained herein, Highland Investment Advisors, LLC assumes no liability or responsibility for the completeness, accuracy or usefulness of any of the information. Guest authors above are neither employees nor independent contractors of Highland Investment Advisors, LLC. No referral agreement exists between Highland Investment Advisors, LLC and the firms above. The information is published for informational purposes only and does not constitute an offer, solicitation, or recommendation of an investment or advisory service. Our privacy policy can be found on our website at Highlandinvestmentadvisors.com.