

# THAYER & Co.

TOTAL WEALTH MANAGEMENT

## Family Spotlight

Lance's second-oldest daughter graduates from Highland Park High School and is headed to the University of Oklahoma



May is always filled with activities with a family of four girls! The Thayer family celebrated a high school graduation, a dance recital, birthdays and an elementary school graduation! Pictured above, Lance with his wife, Laine, HPHS graduate, Maddi, and his three other girls. Lance and Laine celebrated a family birthday at a "Southern Gentleman"-themed party. He loved his bright yellow "crawfish" bow tie! Lance's youngest, Caroline, loved grooving on stage in her dance recital! The Thayers are excited to relax this summer with no school! All that busyness brings much needed down time!



### SUMMER 2016



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## It's Summer! Keep your fridge cool with these tips:

When daily temperatures rise and humidity is high, your refrigerator has to work harder to keep its cool. Here's how you can keep your food safe without spiking your energy bill and wearing your fridge out:

1. Keep the grill and condenser coils clean and free of dust.
2. Give the fridge space by not pushing it up against the wall and leaving a few inches on either side.

3. Keep foods covered to avoid releasing additional humidity into the fridge compartment.
4. Check your gaskets using a piece of paper. Replace loose or leaky gaskets.
5. Don't store perishables in the door.

Tip courtesy of Consumer Reports

<http://www.consumerreports.org/cro/news/2012/06/when-it-s-hot-help-your-refrigerator-keep-its-cool/index.htm>

## One Chart, Three Conclusions

The Wall Street Journal published an excellent article on June 1, 2016, that summarizes the evolution of investment returns for pension funds over the last twenty years. The chart to the right shows just how dramatic the change has been since 1995.

There's a lot going on here, so let's break down the data. The basic premise of the article was to show where a pension fund needed to invest to generate what was once considered to be a reasonably strong return of 7.5 percent.

In 1995, a portfolio made up of all bonds would return the desired 7.5% with the expectation that returns could vary by around 6.0% (per the "standard deviation"), according to research by Callan Associates, Inc.

To make the same return in 2015, investors needed to invest in new asset classes since interest rates have pushed bond returns so low. Adding

these riskier investments subsequently increased the standard deviation up to 17.2 percent.

Said another way, if an investor kept its target return fixed over twenty years, that investor would be forced to endure almost three times the amount of volatility in 2015 versus 1995!

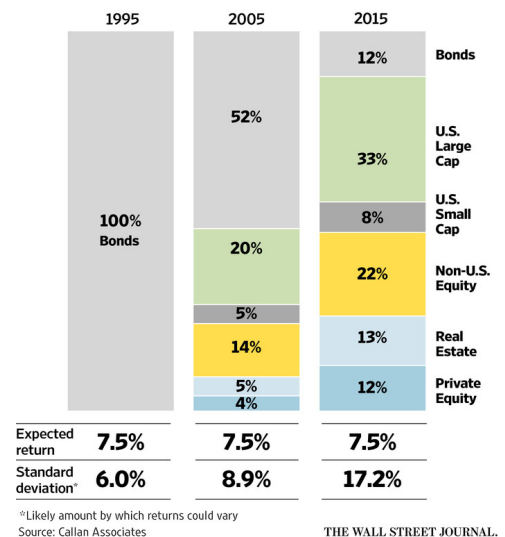
The major shift in what is needed to derive the same return brings us to three very important conclusions:

1. **Can't Hide from Volatility:** Since ultra-safe bonds no longer offer attractive returns, riskier asset classes must be used to achieve the same return. Hence, expect portfolios that seek anywhere near this level of return to remain volatile for the foreseeable future.
2. **It's Harder:** The bad news is that diversification across multiple asset classes requires a lot of planning, analysis, and rebalancing over time.

### Rolling the Dice

Investors grappling with lower interest rates have to take bigger risks if they want to equal returns of two decades ago.

Estimates of what investors needed to earn 7.5%



### 3. Welcome Higher Interest Rates:

Although rates are going to rise very slowly, the sooner yields on ultra-safe bonds rise, the better for those who need income.

**Continued on page 4**

## Plum Upside Down Cake



### Ingredients

- ½ cup (1 stick) plus 1 Tbsp. unsalted butter (Save the wrapper to butter the pan)
- 4 firm, ripe plums, each cut into 8 wedges (no plums? Try peaches, apricots or nectarines)
- ¼ cup plus 2/3 cup white sugar
- 1 cup all-purpose flour
- ¾ tsp. baking powder
- ¼ tsp. baking soda
- ¼ tsp. Kosher salt
- 1 large egg, room temperature
- 2/3 cup whole fat sour cream or whole milk yogurt
- 1 tsp. pure vanilla

1. Pre-heat your oven to 350° F. Grease an 8-inch cake pan with the butter wrapper or additional butter and line it with parchment paper.
2. In a skillet, melt 1 tablespoon of the butter over medium heat and add the sliced plums and 1/4 cup sugar. Toss the fruit in the butter and cook 3 to 4 minutes until the plums soften and the juices become syrupy.
3. Pour the fruit into the pan. Using a spoon or spatula, arrange the plums in overlapping circles on the bottom. Pour any remaining pan juice over the top.
4. Whisk together the flour, baking powder, baking soda, and salt in a small bowl.
5. Using a mixer, beat the remaining butter and sugar until whipped. Mix in the sour cream, egg, and vanilla until fully combined. Gradually add in the dry ingredients, beating the batter only until just incorporated.
6. Pour the cake batter over the plums without disturbing the bottom layer of fruit.
7. Bake the cake about 50 to 55 minutes until the center is done and a toothpick comes out clean (or with only a few crumbs).
8. Allow the cake to cool in the pan for one hour before carefully inverting onto a large plate. Peel the parchment paper off carefully.
9. Serve warm or at room temperature with vanilla ice cream or simple whipped cream.

## One Chart, Three Conclusions (Continued)

Simply put, markets evolve over time, and one of the most effective ways to lose money is to refuse to accept this tenet of investing.

### Implications for Investors:

As markets change, so should investor expectations. This period of low returns may frustrate some, but it's important to assess the consequences of expecting a fixed level of return.

Those who feel that they simply must continue to earn what was so readily available years ago are likely in for a wild ride and should think about their ability to tolerate the added volatility. In reality, many investors say they can stomach volatility until it arrives. Then, when faced with a major swing in value, the pain really begins to hurt.

The paper losses mount higher until panic takes over and forces the investor to sell, which does nothing more than convert temporary pain into permanent damage. This must be avoided at all costs, and the best way to protect against panic selling is by being honest with oneself. Everyone has a different tolerance for volatility, and leaving a comfort zone can often do more harm than good.

This market is a frustrating one, and something that we haven't encountered since the 1930s. But just as the easy returns experienced twenty

years ago did not last forever, we won't be stuck in this low return environment for eternity either.

The million-dollar question is how long this will last, and that's tough to answer. I expect to see returns rise over time, but they will most likely not return to the days of five percent in a bank certificate of deposit for a generation or two.

The bottom line is that if investors want to continue to achieve the same returns that were easy to find years ago, they must be prepared to (1) endure more volatility, and (2) expose them to an even greater risk of panic selling down the road.

**NOTE:** Read the *Wall Street Journal* article here (subscription required):

<http://www.wsj.com/articles/pension-funds-pile-on-the-risk-just-to-get-a-reasonable-return-1464713013>

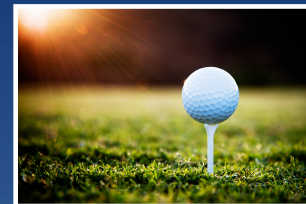


Sincerely,

Mike Sorrentino, CFA  
Chief Strategist, Aviance Capital Management  
mikeonmarkets.com

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## DID YOU KNOW?



### GOLF TIP

#### Don't Slouch!

Many golfers overlook the importance of great posture and get too comfortable over the ball. Slouching and arching the back makes it very hard to make consistent shots because you're not able to move athletically through the stroke. Ask a partner to watch your setup and make sure that you're keeping your back straight (but not rigidly straight) and flexing your knees slightly at address.



### HEALTHY LIFESTYLE

While peanut butter isn't a low-calorie food, it's packed with protein, heart-healthy fats and minerals critical to bone density and blood pressure. If you're looking for natural sources of potassium, magnesium, protein, and monounsaturated fats, try natural peanut butter without any added sugar, salt, or oil. Here are some easy ways to add peanut butter to your diet:

- Peanut butter with carrots and celery
- Savory Thai satay meat skewers
- Peanut butter smoothies
- Peanut butter oatmeal

**Thank you for your introductions!**

Sue >> Patt  
David >> Holly  
Prem >> Tina  
Doretha >> Claudia

Want to know how to introduce someone to us? It's simple... really! When you hear from a friend or loved one who is about to retire, unhappy with their current advisor, or complains about interest rates and stock market, remember, you can invite them as a guest to one of our introduction events. They can meet our team and learn more about us in a relaxed atmosphere. We're always planning new ways to get our clients connected, call our office to find out more!

**DON'T FORGET!**

Tune into

**"Money Lessons with Lance"**

Every Monday at 1pm and Saturdays at 4:30pm on KAAM 770

**CONTACT INFO**

8117 Preston Road, Suite 300W  
Dallas, TX 75225

214.706.9115 (phone)  
214.706.9116 (fax)

[www.thayerwealth.com](http://www.thayerwealth.com)

"I think that the good and the great are only separated by the willingness to sacrifice."

*Kareem Abdul-Jabbar*

**THAYER & Co.**

TOTAL WEALTH MANAGEMENT

8117 Preston Road, Suite 300W  
Dallas, TX 75225

[Recipient]

Address Line 1  
Address Line 2  
Address Line 3  
Address Line 4