



## Misperceptions About Market Corrections: Are You Prepared?

If you enjoy fine literature, we recommend all of Warren Buffett's annual Berkshire Hathaway shareholder letters, dating back to 1965. While financial reports are rarely the stuff from which dreams are made, Buffett's way with words never ceases to impress. His 2016 letter was no exception, including this powerful insight about market downturns:

*"During such scary periods, you should never forget two things: First, widespread fear is your friend as an investor, because it serves up bargain purchases. Second, personal fear is your enemy."*

This actually is a good time to talk about scary markets, since we haven't experienced a severe one in a while.

Scanning financial news, you'll find the usual range of attempted interpretations: "We are worried about . . ." "Economic indicators suggest that . . ." "Geopolitical events are likely to . . ." and so on.

What else is new? While it's highly unlikely the stock market will remain this calm forever, nobody can predict when it might turn, or why or how dramatically it may spike back up when it does.

As always, we counsel against shifting your portfolio in reaction to near-term forecasts.

Instead, let's use the relative calm as a perfect time to do a reality check on what scary markets really represent, and how to manage them when they occur.

### How well-prepared are you today, in anticipation of tomorrow's market downturns?

This brings us back to Buffett's words of wisdom. Contrary to common perception, scary markets can actually be your friend. Some of your best returns are delivered in their immediate aftermath and, as Buffett suggests, there may be some "bargain" buying opportunities. **BUT, you have to be there to benefit**, which is why personal fear becomes your enemy if you panic and flee during the downturns.

So, how can we prepare? Instead of fussing over when the next market downturn may or may not occur, here are some great questions to consider:

**Market Returns** — Are you taking on enough stock market risk in your portfolio to capture a measure of expected returns when they occur (often unpredictably and without warning)?

**Market Risks** — Are you fortifying your exposure to market risks with enough lower-risk holdings, so you won't fall prey to your fears the next time markets tumble?

**Personal Goals** — Have you assessed whether your current portfolio mix is optimized to achieve your personal goals?

**Personal Risk Tolerance** — Have you been through past bear markets? If you discovered you're not the risk-taker you thought you were (or, conversely, you sailed through with relative ease), does your current portfolio mix of safer/riskier holdings accurately reflect what you learned?

**Actual Analytics** — Have you carefully considered what a 30% market downturn would mean to you in real dollars and cents? Yes, it could happen. If it did, and you feel you'd be unlikely to hold firm with your current holdings, additional preparation may be warranted.

In short, you can prepare for the next down market by having a well-planned portfolio in place today — one you can stick with through thick and thin. Neither too "hot" nor too "cold," your portfolio should be just right for you. It should reflect your financial goals. It should be structured to capture an appropriate measure of expected returns during good times, *and* allow you to effectively manage your personal fears throughout.

We are by no means suggesting that the market is about to take a dive. We don't know what the immediate future holds any more than anyone else does. Then again, there's never a better time than today to ensure you remain well-prepared for tomorrow. Let us know if we can help.

*David Bromelkamp*  
President and CEO



## NEW EMPLOYEE SPOTLIGHT:

## Carrie Kaestner



**Role at Allodium:** Financial Planning Associate

**Joined firm on:** June 26, 2017

**Hometown:** Lake Geneva, WI

**Favorite movie:** The Black Stallion, Pay It Forward and 50 First Dates

**Favorite book:** The Man Who Listens to Horses (story about horse trainer Monty Roberts)

**Favorite TV show:** Friends

**Favorite foods:** Pizza and sandwiches

**Favorite news source:** Talk radio AM 1130 and 830, Local News – Channels 5 and 9, World News – ABC World News Now

**Favorite place in Twin Cities:** Washington Square Bar & Restaurant and Rudy's Roof Top

**Favorite gadget/technology:** MapQuest

**Favorite activity:** Horseback riding

**Favorite music:** Pop music

**Person I admire most:** Cezar Milan

**What I'm most thankful for:** My family

## Headlines

- We had a great time with clients at the Annual Summer Client Appreciation Event, which included dinner and bowling at Pinstripes in Edina August 8th.
- Anne Ward was a panelist with other advisors speaking about the ESG Track and Impact Investing at the Minnesota CFA Annual Conference August 22nd.
- Anne Ward was a panelist at the Sustainable Investing Solutions Symposium held July 13 at the Walker Art Center in Minneapolis.
- Allodium was listed as one of the top 15 Minnesota Registered Investment Advisor (RIA) firms in RIA Survey and Ranking 2017, published by *Financial Advisor* magazine in the July 2017 issue.
- Allodium was pleased to welcome two new clients in the second quarter of 2017.
- Our office will be closed on November 23rd and 24th for a company holiday.
- Save the date for the 2018 Allodium Investment Forum to be held January 23rd – details coming soon.

**Note:** To find out more about Allodium's breaking news, please visit our website: [www.aicria.com](http://www.aicria.com).

## UPCOMING EVENT:

2017 Wealth Management Workshop – October 10th  
Easiest Catch: Don't Be Another Fish in the Dark Net

**Allodium is thrilled to welcome Mark Lanterman as the keynote speaker for our October 2017 Wealth Management Workshop.**

Mark will be discussing recent high-profile cybercrime events, including website breaches impacting retailers, banks, and government agencies. He will discuss particularly dangerous types of threats that might affect individuals involving the Dark Web, the Internet of Things, phishing, and Wi-Fi attacks.

Mark Lanterman is the Chief Technology Officer of Computer Forensic Services. He is also faculty at the University of Minnesota, Mitchell Hamline Law School, and the National Judicial College in Reno, Nevada. Mark provides regular commentary on cyber security issues for national print and broadcast media, including NBC, ABC, Bloomberg, and the *Wall Street Journal*.

For more information about this event, please contact Ilona Avraamides at (612) 230-3711 or [iavraamides@aicria.com](mailto:iavraamides@aicria.com).

## WE APPRECIATE YOUR INTRODUCTIONS

To optimize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers. If you know someone who may be looking for this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or [dbromelkamp@aicria.com](mailto:dbromelkamp@aicria.com) to arrange a friendly, no-obligation introduction.

*Steward* is published quarterly by Allodium Investment Consultants. Please contact Ilona Avraamides at 612-230-3711 or [iavraamides@aicria.com](mailto:iavraamides@aicria.com) if you have any comments about this publication or wish to be added to or removed from our mailing list.



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