

• Firm Update by Jim Steffen, CFP®, President



My mom grew up in Walhalla, North Dakota, a small town on the Canadian border. Even though my parents left ND after college and settled in Minneapolis, the “Walhalla Mountaineer” has always been mailed to their Minnesota home. As a kid, I remember reading the funny stories that make great headlines in small town newspapers. The Mountaineer had one section that I always enjoyed reading. It highlighted important things that

happened 5, 10, 25, 50 and even 75 years ago. It was interesting to read what happened “so long ago.” Recently my dad let me know that I was mentioned in the Mountaineer...why would that be I wondered? Well, I made the “50 years ago” section. *Born to Mr. and Mrs. Steffen of Minneapolis, a boy, September 20. The new arrival weighed 9 lbs., 4 ounces, and has been named James Warren. Mrs. Steffen is the former Peggy Munns of this City.* Wow, this can make a guy feel old! And apparently there was very little news in the fall of 1968!

Birthdays, especially one that marks the midpoint of your life (I’m hoping for 100), along with New Years, is a time to reflect on the past as well as look to the future. Most New Year’s resolutions will have already been broken by the time you read this. Losing weight and getting in shape are always high on the resolution list. However, a recent survey by Charles Schwab asked two questions: Would you rather have your retirement account balance grow by 15% this year or lose 15 pounds? 73% chose the higher balance. The second question found that 68% consider making good investment choices a higher priority than staying in shape (59%). Of course, there shouldn’t be a contest between your financial and physical health, you can and should pay attention to both.

As a financial advisor, I often see clients struggling with finding the proper balance. An intense focus on investment returns and stacking up dollars “for retirement” (financial) while at the same time neglecting or deferring their health, their family or their passions (physical). Of course, we see it the other way too. Very little in the way of planning or saving while at the same time enjoying all of life’s pleasures (and the debt that often goes with it). At Trott Brook, we believe there is a balance between living for today and planning for tomorrow. Last year we lost several of our favorite clients. Lives cut short, some suddenly and others who bravely battled illness for years. Either way, they all had dreams and hopes and plans for their future. We feel sad that many of those plans will never be realized, but feel joy and peace that they found their “balance” and accomplished so much along the way.

People want to live rich, they don’t want to die rich. At its core, our job is to help you live the life you want. The best life possible...whatever that definition is for you. Every day we all make decisions to live the life we want, and the choices we make throughout our life will dictate the outcome. Thank you for your continued trust and support. It is our privilege to help you create a plan to build a rich life.

UPCOMING EVENTS...

State of the Markets

Tuesday, February 12th at 7:30am

Fountains of Ramsey

Contact Nikki at 763.213.1000 to reserve your spot

• Commentary by Ted Erhart, CFP®, Chief Investment Officer



We ended 2018 with a surge of volatility in financial markets. US stocks posted the first full year of losses since the financial crisis a decade ago. After Christmas I sent a memo to clients addressing the current market environment and how our investment philosophy creates a framework for decision making even when prices are gyrating wildly. I would highly encourage you to read it, especially if you’re feeling some nervousness (please see our website). Although I’m limited on space here, I’ll try to highlight a few of the key points because I think they are extremely important.

First, it is essential for investors to remember that cycles are, and always have been, a part of financial markets. But the good news is, for stocks at least, the long-term trend has been positive (quite significantly).

A bear market is commonly defined as a 20% or greater decline in stock prices broadly. Yardeni Research, a leading authority on bull and bear market data, pegs the total number of bear markets since WWII at eleven (based on the S&P500). If we include the recent sell-off, on average, bear markets have occurred about every six years since 1946. In other words, significant price declines are not uncommon at all.

Despite all the market routs throughout history, the Dow Jones Industrial Average has managed to increase from a level of about 192 beginning in 1946, to the most recent year-end close of 23,327. That represents an over 100-fold change, not including dividends. When you look at some of these long-term market statistics, it’s hard to imagine how anyone could lose money on the back of a trend like that. Yet many have, and many more will in the future simply because people get scared and sell at the most inopportune times.

Not even the best companies or investors are able to avoid the big fluctuations which happen occasionally. Perhaps sensing we were due for a downturn, Warren Buffett noted in his annual letter to shareholders last year that he paid \$7.50 for his first shares of Berkshire Hathaway in 1965. Those same shares peaked at over \$300,000 each in 2018. But the more important point Buffett made was that notwithstanding the massive appreciation, it wasn’t always a smooth ride. In-fact, he highlighted four separate occasions over a fifty-year period when Berkshire’s stock price fell, top to bottom, anywhere from 40-60%.

As market turbulence carries us into 2019, I encourage you to recognize that big price swings have been anything but rare throughout the history of financial markets. Despite this, stock prices in-particular have trended up significantly over time. Something fun you can do to drive this point home is look up where the Dow Jones Industrial Average stood when you were born, took your first job, etc. It’s always quite surprising. Wishing you a great 2019.

IMPORTANT UPDATE!

Our office is moving effective January 28th!

We will be relocating 2.5 miles east of our current location.
3601 Thurston Avenue, Suite 102, Anoka, MN 55303



Jim & Lisa Steffen

We survived and Lauren has thrived! Dropping Lauren off at Liberty University in August was an emotional moment to say the least. Many tears were shed! We are thrilled that she is loving it in Lynchburg, Virginia. She has made great friends and adjusted well to college life. We were able to make it down for Parent's Weekend in October. It was great to meet Lauren's friends, go to a football and hockey game, and spend quality time with our girl! She made it home for Thanksgiving followed by a full month over Christmas so it has felt like old times lately. Tommy is a busy sophomore. He has discovered what freedom feels like with his driver's license and a girlfriend! He decided to go out for soccer in the fall (he hasn't played since he was 5) and won rookie of the year. The basketball season is now in full swing and he is getting some quality minutes on the varsity team. Our annual hunting trip for the South Dakota pheasant opener was a success, despite not having Lauren along. In between Tommy's sport seasons Lisa went down to Arizona for her annual girl's trip. Jim also enjoyed some time in the desert with his old friends from the neighborhood. They played some golf, rode four-wheelers in the mountains, and shared lots of laughs. All four of us went to Naples, Florida, on New Year's Day to spend time with Lisa's mom and dad. The weather was perfect for the beach, pool and golf course. The boys had a great fishing trip in the backwaters of the Gulf and coincidentally the Liberty basketball team was in town to play Florida Gulf Coast so we all took in the game and cheered them to victory! We have decided to relocate our office and Lisa has been busy designing and decorating our new space. We have enjoyed our current space in Ramsey but look forward to our new digs a few miles to the east in Anoka. You'll find us there starting January 28th. We look forward to what 2019 will bring for our family and yours!



Ted Erhart

On the home front, summer and fall were relatively uneventful. With an energetic 2-year old daughter, energetic 3-year old dog, and four horses in the back-yard, it's tough to get away these days. Aside from spending a lot of time with the family, I probably spent the biggest chunk of my spare time in recent months learning about and implementing land management techniques. My family has some recreational property in Pine County. In recent years we've been working to restore wetlands and create habitat for wildlife. This year I got particularly interested in planting food plots. It's been a learning experience. There is significant farming heritage on both sides of the family which has really come in handy from a knowledge and experience standpoint. My daughter Avery is growing fast and starting to participate more in the activities of life. My wife Kelly had Avery take-part in several horse-show events this past season (with assistance of-course). Kelly was able to enjoy more horse activities than she has in recent years which was a welcome development for her. In late fall, I was able to sneak in a short trip to South Dakota with the dog. It was cold but we had a lot of fun chasing pheasants.



Nikki Cellette

Happy New Year! We have continued to stay busy with Brooklyn's crazy hockey schedule. This year she is on the Elk River U12 team. For the first tournament we headed to Moorhead and brought home the first-place trophy! I love watching her grow as a player and team member as the life lessons of determination, teamwork and so much more are learned! It is absolutely worth every minute and penny! She has done wonderful in her first year of middle school and loves the independence compared to elementary school. Between the several hours of homework each night and hockey there is not much relaxation time. Zach has been living away from home for six months now. Luckily for George and me he still enjoys spending most weekends at home. That said, by the end of the weekend we all usually agree it's time he heads back to Wadena! He's enjoying college and the freedom it brings. George continues to be very busy at JJ Taylor Distribution. The two of us are very much looking forward to an adult-only winter vacation in Cabo, Mexico! The anticipation and daily countdown have begun!



Robin Harrison

I can't believe it is time to write our winter newsletter already! This past year was both a blur and a blessing for the Harrison Household! Since moving into our "new" home, we've been working on projects every chance we get. We're pushing hard to get the house where we want it. Yet, it's going to be awhile because we're doing the work in our spare time. We've had some help from a few contractors but have been doing a lot of the work ourselves. We happen to be pretty handy and enjoy putting a little 'sweat equity' into it. I love the process of making things function better and adding visual appeal. All the hard work is worth it to us and we're loving having a golf course as our new backyard! Our older son's Garrett and John both graduated from College on Dec. 21st with degrees in business and youth/family studies. We are so proud of them and are looking forward to what the Lord has in store as they move on with their careers. Trent, as always, is keeping us busy with sports. He is already looking forward to the golf season.

A more balanced approach