

• Firm Update by Jim Steffen, CFP®, President



Life changes fast. It also changes when you least expect it. We've all had those moments. First everything is perfect, then there's a phone call, a diagnosis, or an accident that you'll never forget. For me it was November 10th, Minnesota's first big snowfall of the year. I was ready. Leaves raked, firewood stacked, garage cleaned, snow blower on the tractor and ready to go (or so I thought). While trying to diagnose the problem, two of my fingers got caught in the tractor belt. And life changed, fast. After a frantic drive to the ER and surgery the following day, I've been adapting to having two fingers shorter than they used to be. As traumatic as it was, I'm thankful that it wasn't worse.

We've all been dealt setbacks, some more serious than others. Many of our clients and friends have felt the pain this past year. Rob is recovering from an unexplained illness and an eight day coma. Don is beginning treatment for brain cancer. Jim is struggling with a knee replacement that doesn't want to heal. Tom had quadruple bypass surgery. John had a stem cell transplant. Marshall had rotator cuff surgery. Rich fell on his shoulder and needed surgery. Patty battled and beat cancer! We also lost a few clients recently. Jennifer, Bob and Louis all passed away unexpectedly. They will be dearly missed.

If you're a country music fan you know Tim McGraw's song, "Live Like You Were Dying." The song has had special meaning to me ever since it was played at Wally's funeral. A client who lost his life to cancer, and who I had the privilege to take fishing just days before he died. I'm inspired by our clients that live with this mentality. Those that live life to the fullest and seem to live each day as if it were their last. Here are just a few examples of our amazing clients:

Bill and Julie retired and embarked on a 12 month RV trip. Doug biked across Iowa (at 70). Tom and Diane sold their MN house and moved to Florida. Carolyn continues to hike, bike, paddle and jump out of airplanes (at 73). Duane bought a (big) boat and lives on it in St. Petersburg. Tim hiked the Alps and has plans to hike Machu Picchu next. Robbin, Karen, Deb, Roxanne and Julie realized that life is too short, and said good bye to corporate America. They couldn't be happier. Dave and Laurie completed work on their cabin....accessible only by boat. Bill went back to school to become a winemaker. Mike completed a 99 mile mountain bike race. Larry bought a three wheel motorcycle. And Virginia got engaged at the young age of 81! And the list goes on....

If you haven't checked anything off your bucket list lately, I challenge you to do so in 2015. Start with one thing. One thing you want to experience fully. If there is a dream or a goal we can help you plan for, please let us know. As was said in the great movie *Shawshank Redemption*, "get busy living or get busy dying." May this year be your best ever!

Upcoming Events...

State of the Markets

Tuesday, January 27th at 7:30am

Fountains of Ramsey

Contact Krisandra at 763.213.1000 to reserve your spot



• Commentary by Ted Erhart, CFP®, Financial Consultant



As I write this, we are about to turn the calendar on a new year. As is the case every December, the pundits lay out their predictions for the next 12 months. Generally, my advice is to ignore all the fortune telling because more often than not it is way off the mark, even by the so-called "experts."

In 2014, I read an excellent book that I would highly recommend, *The Signal and the Noise*, by Nate Silver. The subtitle of the book is "Why so many predictions fail – but some don't." One of the most interesting studies highlighted in the book was done by a professor named Philip Tetlock.

Mr. Tetlock became interested in studying expert predictions after the sudden collapse of the Soviet Union which seemed to come out of nowhere. Why had no one seen this coming he wondered? Mr. Tetlock went on to collect over 15 years of "expert" opinions on all kinds of topics such as politics and economics. He published a book in 2005 with his findings.

Tetlock's findings are eye opening. His studies found that approximately 15% of events that "experts" claimed had **no chance** of happening, actually did. At the same time he found approximately 25% of events that "experts" said were **absolutely sure things**, failed to occur.

The year 2014 had its share of failed expert forecasts. Last year at this time, the consensus view was that interest rates were bound to rise in 2014. What actually happened? They declined!

Another "failure" of prediction (that we consumers have pleasantly accepted) has been the collapse in oil prices. Do you recall anyone forecasting that oil prices would decline by approximately 50% within 6 months? I think not. In fact, 12 months ago, the consensus view was more in-line with **rising** oil prices.

Lastly, consider the fact that we are nearly 6 years into the current bull market. The last one ended in October 2007 when the Dow Jones Industrial Average closed at 14,164 (then an all-time high). That peak also marked the beginning of a horrendous bear market. I challenge you to look back to the 4th quarter of 2007 and find anyone who predicted the market would decline by over 50% in the coming 14-16 months. Does the current market high represent the beginning of another bear market? The truth is no one knows.

These examples should serve as powerful reminders that the future is, and always has been, very uncertain. The world is dynamic with far too many interacting variables to easily anticipate what tomorrow, let alone the next 12 months, will bring. That being said, it's still interesting to think about all the dynamics and attempt to make reasonable conclusions, even if the conclusion is "I don't know."

As the stock market reaches new all-time highs and the television pundits give their over-confident predictions for 2015, just remember Phil Tetlock's study of expert predictions.



Jim & Lisa Steffen

The Steffen's were blessed with peace, joy and good health in 2014...despite losing a few fingers (as mentioned on the front page)! Is it possible that we have a fifteen-year-old high school freshman who can now get a driving permit? Lauren continues to work hard and does very well both academically and athletically. Her passion is soccer, however, additionally she is on the JV basketball team at Legacy and the

Track & Field season will be here before we know it. Tommy is in 6th grade and continues to thrive. He wants to try it all. He loves baseball, basketball, golf, fishing, hunting and Xbox. He has recently added percussion in the school band, an archery league and a part in the spring play to his list of extracurricular activities. We finished off our summer with a family road trip to Colorado. We loved Estes Park and Steamboat! The mountains provided endless fun for the entire family. The highlights were learning to downhill mountain bike (not Lisa!), fly fishing for trout and the Alpine Slide (yes Lisa!). Both kids received their gun safety licenses this year and enjoyed their first official South Dakota pheasant opener, each knocking down a few birds! Lisa turned 50 this fall and we celebrated in beautiful Mendocino, California. We loved hiking in the Redwood Forests and kayaking in the Pacific. It was an absolutely beautiful destination and an extremely relaxing birthday. We are looking forward to an exciting 2015 and thankful for each one of you being a part of our Trott Brook Family.



Nikki Cellette

Happy new year to all! We celebrated ringing in 2015 with fantastic friends and neighbors. What a true blessing to have such wonderful friends and family in our lives. Our family has been very busy keeping up with Zach's crazy hockey schedule. So far it has been a successful year for him and his Elk River Bantam team. During a recent weekend, they had an amazing

hometown tournament winning the 1st place trophy, the second of the season! Seeing Zach's love and dedication for hockey makes all the late night practices a little less painful. He also now has four months of driving experience with his permit and my nerves are beginning to ease. He completed his first long trip driving the family home from Breezy Point after a long weekend of snow tubing and swimming. It was more of a challenge for George not to be in control for such a long period of time! Brooklyn is busy improving her ice skating and swimming skills. She is certain next year she will also be wearing an Elks hockey jersey. Who knows what the future may hold for that little one! Her 2nd grade year is going by so quickly. We were touched at her conferences to see her teacher in tears as she told us how Brooklyn truly has a heart of gold, caring for each and every child in her class! May everyone have a wonderful and healthy 2015!!!



Ted Erhart

The second half of 2014 was busy to say the least. At the beginning of summer, Kelly and I each took a week off to do some things around the house. I spent a good part of my time doing some maintenance and repair work on our cars which I actually enjoy if I have the time. My goal is to squeeze 300,000 miles out of Kelly's Saturn without needing any major repair. With her

traveling back and forth to St. Cloud, it won't be long. She's already surpassed 220,000! Throughout the summer and into fall, Kelly did a ton of riding. It seems like she participated in a horse show nearly every weekend. Together we spent a week in Deer River with my side of the family at a nice resort and caught a ton of walleyes. I also made my annual voyage to Rainey Lake to spend some time with my dad and his two brothers over a long weekend. The cabin has come a long way Uncle Tim! Just before Labor Day I went under the knife and had my tonsils removed. It was quite an experience. The procedure went well but I was down for over two weeks and my productivity was impacted for a solid month. I'm glad to have put that in the rear-view mirror. After healing-up I spent most of the fall preparing for the deer hunting season. Nearly every weekend I was either building new deer stands, planting trees or working on a junky old RV that somehow landed in my back yard (thanks dad). I was fortunate to fill my tag on opening morning with a mature doe and am looking forward to doing some cooking over the winter. Kelly and I also are looking forward to getting out of the cold for a week with an upcoming trip to Florida.



Krisandra French

I can't believe we are already into 2015. Each year seems to go by faster than the last. With only two children left at home, we will soon be empty nesters and my husband John will get his retirement gift; FLORIDA!!! He's counting down the days until we can head south for the winter. Each year as the cold sets in, the warmer climate looks better and better! How nice would

it be to wake up each morning to the beautiful beaches with a cup of coffee in hand and not have to worry about bundling up to go get the mail?! One day I will experience that life, but for now we will continue to support our boys in their sporting events and spoil our grandson to pieces. Joshua is a senior this year at Anoka. He finished out the football season and will be starting track and field soon. Zachary is very active in Anoka Bantam Hockey again this year and doing very well. He took up golf last year and joined a youth league. He got first place in his age group in the season tournament. He was very excited. So now I have two golfers in the family! John has taught Zach well and they love to play together at Rum River Hills. I, on the other hand, enjoy golfing nine holes and then it's time to be done. But any time spent with my husband on the golf course, even if I am just riding a long, is nice. I wish you all good health and blessings in 2015!