



MARCH 2019 - PONDERINGS & MUSINGS: RISK

"Investing should be more like watching paint dry or watching grass grow.

If you want excitement, take \$800 and go to Las Vegas."

- Paul Samuelson

"Contrary to what is customarily taught in business schools,

volatility is *far* from synonymous with risk."

- Warren E. Buffett

"Risk means more things can happen than will happen."

- Elroy Dimson

Only 2 Weeks Away!

VWG's 7th Annual Charity Casino Night is Saturday, March 30, 2019

Woodmont Country Club, Rockville, Maryland 7:00pm – 11:00pm

The 7th Annual VWG Charity Casino night takes its turn in Maryland this year. We hope you can join us and plan to bring family and friends! It will be a fun evening filled with good company, excellent food, and fast action at the gaming tables. Everyone will be playing for their chosen charity. Last year over \$15,400 was raised, with \$10,000 of it being designated to VWG's focus charity, the Iraq and Afghanistan Veterans of America (IAVA).

[Click here to learn more about how it works.](#)

Please call or email Amanda Burkard (aburkard@hightoweradvisors.com) with your RSVP.

Welcome Ryan Verfurth

We are pleased to announce that Ryan Verfurth has joined our team. He will be leading business development efforts with our HighTower partner team, Fiduciary Plan Advisors (FPA). FPA concentrates on consulting to ERISA retirement plans, and currently oversees more than \$3 billion in plan assets.

Ryan is committed to a career in the financial services industry, and he already has over 8 years of experience. He has worked for asset managers Lord Abbett and BNY Mellon/Dreyfus, and for the fintech planning firm Everplans. He is currently studying to attain his CERTIFIED FINANCIAL PLANNER™ designation.



He lives in Hoboken, NJ with his wife Kate. Villanova undergrad sweethearts, they were married just a year ago. This past fall they took their honeymoon on safari in South Africa. Kate works as a quality management nurse on the liver transplant team at New York Presbyterian Hospital. In their spare time (which doesn't seem very much) they enjoy exploring the city, reading, travelling and spending family time. In case you haven't noticed the connection, Ryan is John Verfurth's son – number 2 of 5! We are very fortunate that Ryan has joined our team, and we're certain he will be a meaningful addition!

VWG's "Your Life" Series Webinar Replay

Our **10 Financial Tools We Love in February** webinar was conducted on February 27. As part of our ongoing series of events and content focused on enhancing our clients' overall financial and personal well-being, VWG's team of advisors presented 10 different financial strategies to consider in 2019. Some highlights included financial planning, maximizing tax-advantaged charitable gifting, 529 education savings plans, excess liability insurance, and health savings accounts.

Webinar attendees have relayed that they took away valuable new insights and tools to assist in their financial success. We encourage you to share the replay with family and friends. You can access a replay [here](#).

VWG Named as Forbes Best-In-State Wealth Advisor and a Barron's 2019 Top Financial Advisor

VWG Wealth Management has been named as the #3 ranked wealth advisor in Northern Virginia on the Forbes Best-In-State Wealth Advisor list. This spotlights over 3,000 top advisors across the country who were nominated by their firms – and then researched, interviewed and assigned a ranking within their respective states. We have also been listed as the #4 ranked financial advisor in Virginia as part of our inclusion in this year's Barron's Top 1200 Financial Advisors. This marks the tenth time VWG has been named to the respected Barron's list.

As we repeatedly state, we must thank our fabulous clients for enabling us to receive these awards. Accolades like this would be unattainable without the loyalty of the families we have the honor to serve. We are deeply grateful for the trust you place in us and your willingness to help support our measured growth.

Thank You!

Two Ways of Considering "Risk"

As VWG's Casino Night nears, the topic of "risk" is quite timely. We are fortunate that so many investing legends and successful entrepreneurs deploying capital have publicly expressed their views on "risk" for us to study. Here's a sampling from two notable investors.

Author William J. Bernstein has written eight books extolling the merits of asset allocation. In his book "Deep Risk," William J. Bernstein categorizes risk into two broad buckets:

- 'Shallow risk' is a loss of capital from which one recovers within several years.
- 'Deep risk' is a permanent loss of real capital.

Stated simply, "shallow risk, if handled properly, deprives one only of sleep for a while; deep risk deprives one of sustenance."

Fully understanding these two classifications of risk, and the time horizon of a given investment pool, should govern portfolio construction. "Capital managed for near-term liabilities should be guided by deep risk." Of course, 'real world' implementation is never quite as easy. Bernstein states, "The stickiest problem lies in no-man's land roughly between 10 and 30 years, where both have to be considered, as well as those rare situations where shallow risk evolves into deep risk."

'Deep risk' most often comes in one of three forms:

1. Catastrophic personal loss of capital – death, disability, a large legal judgement. Protective solutions include properly sized and written life, disability and liability insurance.
2. Loss of investment discipline – abandonment of long-term investment strategy, or alteration of stated risk (volatility) tolerance, particularly during market extremes. This leads to unacceptably low returns and a shortfall in funding long-term needs. Protective solutions include design and adherence to a properly diversified and allocated portfolio appropriate to one's specific personal goals, risk tolerance and knowledge of market history.
3. Permanent loss of capital – other than by exposure to an egregiously concentrated investment, this is usually only caused by:
 - a. Severe, prolonged hyperinflation - this inflicts damage to both stocks and bonds
 - b. Severe, prolonged deflation - very bad for stocks, good for bonds
 - c. Confiscation - usually by a government
 - d. Devastation - usually due to a geopolitical disaster

Jeff Bezos, founder, chairman and CEO of Amazon, is already considered an illustrious entrepreneur and deployer of capital, yet his story appears far from finished. In the same vein as Bernstein's "Deep Risk" but much broader, Bezos frames risk management as "regret minimization." He has stated that "life's greatest risks are having too many regrets."

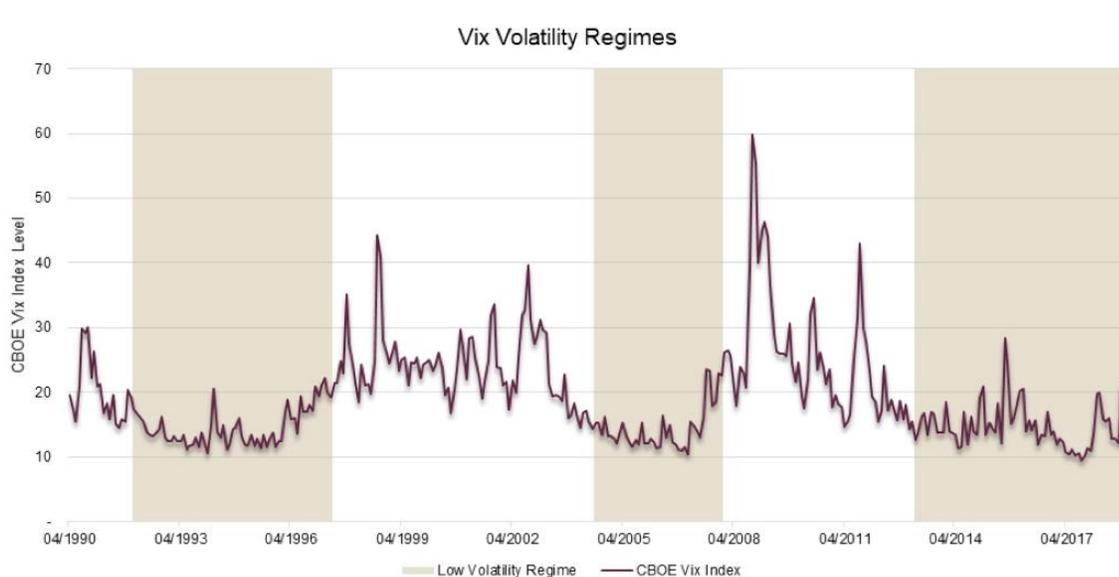
During a 2001 interview, Bezos explained, "project yourself to age 80 or age 90. Looking back on your life, you want to minimize the number of regrets you have." Placed into this framework, risk becomes deeply personal. Only a few risks may be considered universal to us all. One would be taking an action or making a decision that cannot be reversed ('deep risk' – permanent loss). Once these are isolated, research shows that most people tend to deeply regret the things they wanted to do in life but didn't (action not taken).

Volatility in Perspective

Volatility always challenges us to assess our investment strategy and portfolio construction. It also calls upon us to introspectively review our behavior. 2018's 4th quarter was no exception. How did we react to its wildly swinging markets, media conjecture, and the ugly prints on our statements?

Unfortunately, broader perspective shows that this recent bout of volatility only brought us back to an average level observed over the past 5 years. The following chart displays longer-term levels of the CBOE Volatility Index (VIX), also known as the "fear index." Other measures of volatility also confirm that 2018 was actually fairly average. The S&P 500 Index annual price range (calculated by dividing the S&P's annual trading range by its yearly low mark) was 24.7%. Since 1945 the average range has been 26.5%, and its median range 23.4%.

The big takeaway here is that some degree of *volatility and uncertainty is the norm, not the exception*. VWG Wealth Management's job is to construct and monitor properly allocated portfolios, tied to each client's specific financial plan, goals and objectives. We then accompany and guide our clients through episodes of "shallow risk," while working to protect them from long-term "deep risks."



Informational Purposes Only

Data as of 1/31/2019

Source: Bloomberg, HighTower Advisors

VWG Helpful Tip --- Wait Before You File

1099 Forms from custodians began flowing near the end of February. As we cautioned last month, we believe it almost certain that some of these will be revised and restated before April 15. As such, we cannot over-emphasize the following:

- **DO NOT file your taxes before the first week of April.**
- **If you have any uncertainty, strongly consider filing for an extension.**
- **Make sure to consult with your tax advisor.**

We look forward to seeing many of our D.C. metro-based clients at our 7th Annual Charity Casino Night. For those that can attend, remember that for this event we'll indemnify you from "shallow risk." 100% of your initial table stakes will go to the charity of choice, even if you go bust. For those who have other commitments and those living outside the area, we'll greatly miss you; all proceeds contributed to this philanthropic event will go to your favorite charity, or VWG's charity of choice - the Iraq and Afghanistan Veterans of America.

Regards,

VWG Wealth Management

Suzanne, Ashley, Lynette, Michelle, Rashmi, Kay, Christina, Justin, Sarah, Ryan, Amanda, Patricia, Elana, John, Rick and Jeff

[Who We Are](#)

** Index Data Sourced from FactSet Research and Strategas Research*

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1919 Gallows Road | Suite 330 | Vienna, VA 22182

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