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THE HARBOR ADVISOR

Just Shut It Off Challenge

The power of a smart phone is ubiquitous, your smart phone has more computing power than all of NASA when it first put men on the moon in 1969. We use them for navigating, photography, video production, reservations, to pay for all sorts of stuff from coffee to our parking charges. They create reminders, assist with medical needs, diagnose car repairs, check our remote battery, track our location and it's a flashlight and an alarm. It is no wonder we keep them with us and refer to them often. We have never been so connected. Therein lies the good and bad news.

When did the tool become the obsession? On average we spend over 3 hours per day on our phones¹ and send 34 text messages per person per day.² And this does not include the time we spend on our computers. Experts tell us we take in 500% more information on a daily basis than we did in 1990. People stare at cell phones in restaurants, chat away at the doctor's office, carry on conversations while speaking with a pharmacist, while driving and crossing the street into traffic. We are a nation of the distracted. More and more we hear about the danger of the constant barrage of information.

Many are worried about the invasion of our privacy that comes with the constant connection, however is that the biggest issue?

'When we talk about privacy, we tend to think about people spying on us online and harvesting our data. But just as dangerous — perhaps more so — is the way that the omnipresent, in-your-pocket internet can coax us into destroying our own inner wilderness.'³

I propose that it is time to take some of our attention back, because we can. Check your cell phone when entering a restaurant or at home before having a meal or conversation with your loved ones. Don't look at it or your tablet or computer between 7:00 PM and 9:00 AM. Then graduate to schedule whole days without devices, vacations where there is no Wi-Fi. Instead consider meditation every day, even if only for a few minutes. Take a walk and challenge yourself not to look at your phone, not once. After a week of this take stock, how do you feel? I have tried this and I don't miss the phone, tablet, or computer.

I prefer that it not own me nor define my waking moments. Are you up to the challenge?



July 10, 2019

¹comScore 2017 Cross Platform Future in Focus Report, [Future in Focus](#)

²Statistics Brain Research institute

³Kennedy, Pagan, The Land Where the Internet Ends, NYT, June 2019, [Where the Internet Ends](#)

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This Month in History

This month is the 50th anniversary of the first moon landing.



Second Quarter 2019 Market Recap

Markets posted gains again for the second quarter continuing the first quarter's rebound. This quarter was not without volatility as stocks reacted to threats of higher tariffs for China and Mexico. By the end of the quarter, economists were more positive about the possibility of a resolution to the trade wars, yet uncertainty remains until deals are firmly in place. The Fed cooled its plans to increase rates further and in fact in June, indicated it would consider a rate cut to sustain economic expansion should the economy show signs of a significant slowdown. Markets continued to charge

ahead even though some economists are concerned that the global economy is slowing: manufacturing remained in expansion territory although it slowed during the quarter and the demand for housing softened.

Major indexes were positive for the quarter. The S&P 500 was up 3.79%, the Russell 2000 was +1.74%, the MSCI EAFE was +2.50%. The Bloomberg Barclays Aggregate Bond index was also up 3.02%.

“If you do not hear reason, she will rap you on the knuckles.” Benjamin Franklin

Fund Focus: First Eagle Overseas Fund (SGOIX)

Foreign exposure is essential for a diversified portfolio and First Eagle Overseas Fund provides just that. Managers of this fund maintain a conservative, absolute return focused approach, providing an annualized 7.53% return in the past decade. Foreign exposure is maintained in this fund's holdings with locations in Europe, Japan, and Latin America. The holdings of SGOIX are mainly large cap equity investments, but they participate in small and mid-cap as well. SGOIX differentiates itself further as it invests mainly in mature markets but also many that are emerging and developing. These markets are financially strong and stable with 111 holdings in its top sectors such as industrials, precious metals, consumer staples, and more. The fund even has a small hand in gold to keep purchasing power and hedge against inflation and a decline in currency prices. Morningstar has given SGOIX a 4-star rating in the Foreign Large Blend category and it has been rated less volatile than the MSCI EAFE Index. This fund has a spot in our portfolio model as it consistently shows stable returns, while securing non-U.S. diversification.

Bull Markets Start to Finish

In March of this year the U.S. bull market celebrated its tenth birthday. For a lot of people, this has led to questioning the longevity of a bull market and whether old age can bring it to an end. The short answer is no, old age doesn't end a bull market. As for a long answer, a bit more explanation will be needed.

First, what even is a bull market? A commonly agreed upon definition is a market in which prices rise for an extended period of time. Bull markets tend to start during periods of a strong, or strengthening economy. A strong economy generally has high employment, higher levels of disposable income, and strong business profits. While the causes for a bull market are straightforward and clear to recognize, the end of a bull market can be caused by a variety of things and is not always easy to predict. Previous bull markets have come to an end during periods of high inflation, global political instability, debt crises, overvaluation of assets and associated bubble pops, and tighter monetary policy. The previous record duration of a bull market began in October of 1990 and ended in March of 2000 when the dot com asset bubble burst. Currently, we are in the longest bull market on record with a starting date of March 9, 2009 making this bull market about 124 months old. This makes it roughly 9 months longer than the previous record long bull market, however, it does not beat the previous record of appreciation.

Something typical during the end of a bull market that hasn't been seen during the current bull market is investors dramatically overvaluing stock. Investors get caught up with the euphoria at the end of a bull market because they've reached a point where they believe that the value of the asset will only increase in the future. This belief and proximate over valuing leads to an asset bubble and eventual burst (like what occurred with the dot com burst and the housing crash). Today, investors are still relatively cautious about the market, leading to a market correction (a decline of at least 10% in the stock market) in October 2018¹, which helped bring valuations back toward more reasonable historic averages. With unemployment low at 3.7% in June 2019², disposable income reaching an all-time high in May 2019³, and business profits still well above what they were in 2017⁴, there are many positive conditions which may support a continuation of this bull market. Only time will tell what will cause the next bear market, but we do know that simple old age doesn't cause a bull market to end.

¹ 2019. *List of stock market crashes and bear markets*. July 8, [Stock Market Crashes and Bear Markets](#)

² 2019. *U.S. Bureau of Labor Statistics Economic News Releases*. July 5, [Bureau of Labor News Release](#)

³ & ⁴ 2019. *United States Disposable Personal Income*. July 5, [Disposable Personal Income](#)

Best Way to Pay

The ever rising cost of health insurance has become a real problem for many Americans resulting in more research being conducted into the healthcare system to help people handle the rising costs. Many people are unaware of the differences in costs of services based on the way you pay, namely billing your insurance or paying out of pocket. Many times paying out of pocket can dramatically change the actual fee charged for the services. Reduced prices for paying cash are more common for diagnostic procedures, such as CAT scans, X-rays, and ultrasounds, but cash payers can often also get a better deal for certain lab work, prescription drugs, out-patient surgeries, and therapeutic services, such as physical therapy.

The money you pay out of pocket typically won't count towards your deductible so if you need medical care that requires you to meet your whole deductible anyway, paying cash will not be a benefit. Cash payment generally makes sense only if you are seeking care subject to a deductible which you haven't met yet and don't believe you will reach in the calendar year. Of course, you never know when you'll need expensive medical care, so make sure you put enough money aside annually to meet your deductible regardless.

If you want to consider cash payment vs. insurance billing you first want to check your insurance company's website, or call your insurer, to get an estimate of the cost of your test or procedure. Then, to see whether you can do better by paying cash, look at resources like Healthcare Bluebook and ClearHealthCosts to see both insurance-negotiated prices and cash rates. A surprising number of healthcare providers are being transparent and publishing their cash prices online so you can evaluate costs side by side.

If you do decide to pay cash, use tax advantaged dollars from an FSA or HSA whenever possible. Money in FSAs and HSAs, which can be spent on a wide range of healthcare services, is put away pre-tax, so it lowers your taxable income. Be aware that FSAs and HSAs have their own rules that will need to be considered.

Costs for healthcare are ever rising and sometimes it pays to do a little extra research before automatically relying on your insurance to foot the bill.



Why You Might Want a Smart Home

Have you ever left the house and then wondered if you forgot to lock the door or turn off the lights and appliances in your home? If yes, there is an exciting new wave of technology taking over the market to help. The devices and systems of the "smart home" can control your home security, temperature, entertainment systems, and much more. While this technology may seem obscure, many families have found the ease of use and flexibility offered gives them peace of mind.

Some of the most useful devices fall within home security and surveillance. Products like August Home and Petcube let you watch areas of your home for your pets, kids, and safety. These systems allow you to lock your doors and windows while you are away from home. They also send notifications and video streams of whomever attempts to open and close your entrances.

Along with safety, if you ever go on a long vacation and forget to turn off the heat, you can do so. Many smart homes enable the homeowner to alter their thermostat with the click of a button from anywhere they reside. This ease of use can be best accompanied by a similar entertainment feature such as Google or iHome. If you are in the basement and want to turn on music for guests upstairs, you can. Many televisions and sound systems are now completely automated by apps on your phone to make for the best family get-together. No matter where you are or what you are doing, there is technology to make life a little easier, so be on the lookout.

How to Create a Home Inventory

In the event of a fire, burglary or other disaster, would you be able to remember all your belongings from memory? Some of us can't recall what we had for breakfast yesterday (not naming names!).

Having a home inventory listing everything you own along with each item's value will make documenting and filing an insurance claim much easier. It is also a great tool for determining how much insurance coverage you need.

You will want to ensure that your home inventory is stored safely away from fire or other disaster. A digital document stored in the cloud is a great option. This could be an excel spreadsheet or word document with photos or videos attached. There are also many apps available or, if you prefer, an old-fashioned paper list. Just be sure it is stored safely off-site.

You own a lot of stuff so be thorough! It may be helpful to tackle this project one room at a time. There are numerous checklists, tips and free online tools for creating your inventory. Don't forget to include items from your storage and utility areas, including the basement, laundry room and tool shed. For big-ticket items such as jewelry, collectibles and high-end electronics you should consider including more detail like serial number, receipt and additional photos. The more valuable the item, the more you should document it. Once you have established a complete inventory of your property, it should be easy to update periodically.

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Images: David Lat

Harbor Happenings

Welcome Emily and Kate!

Kate Annis has joined Harbor's team as a Wealth Management Intern. She is currently pursuing a Bachelor's degree in Finance from the [Leeds School of Business](#) at the University of Colorado at Boulder with an expected graduation date of December 2020.

Emily Troeltzsch has joined Harbor's team as a Wealth Management Intern. She is pursuing a Bachelor's degree in Finance and Business Economics at the University of San Diego with an expected graduation date of May 2021.

Kate and Emily will be assisting with market research and analysis, portfolio management tasks, investment/financial planning related projects, business strategy, economic impact and operations analysis projects, client requests, communication, and various other tasks.

Reset Your Schwab Password

A new link on the login page of the Schwab Alliance website allows you to reset your passwords or retrieve your login IDs without the need to contact the Schwab Alliance service team. You can click the "Forgot your password?" link, where you will be directed to a new page. You will then be asked to enter: the last four digits of your Social Security number, your date of birth, your ZIP code, and the mobile number you have on record with Schwab.

Privacy Policy and New ADV Available

A full copy of Harbor's updated ADV (the form used by investment advisors to register with the SEC) is now available on our website. Please notify us if you would like a hard copy sent to you by mail.

Harbor on Facebook

Visit us on Facebook! See the latest happenings at Harbor and get tips and financial information! <https://www.facebook.com/harborfin/>

2019 Office Closures

Our office is closed on the following New York Stock Exchange holidays in 2019: September 2, Labor Day; November 28, Thanksgiving Day; November 29, half day; December 24 half day, Christmas Eve; December 25, Christmas.

Securities Offered Through Schwab Institutional. Member FINRA and SIPC

The majority of our growth over the past 30 years has come from referrals from clients and other professionals. We thank those of you who have referred your friends and colleagues. If you know of anyone who might be interested in our services, please ask them to give us a call at 303-939-8788.