

# FOUNTAIN FINANCIAL ASSOCIATES

VOL. 12, ISSUE 1 BUILDING LONG TERM RELATIONSHIPS THROUGH KEEPING PROMISES SUMMER 2011

## Inside:

### The Sky Is Falling!

Well, only if the television pundits are to be believed. Chris Riley offers a rational voice to offset some of the recent panic.

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### The Game of Concentration

It's often said that variety is the spice of life. Inside, Buck Beam tells us why a little diversification is good for your portfolio.

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Photos from the Charlie Cook dinner and from our annual Valentine's Day event.

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### Are you receiving periodic email updates from us?

If so, great! We welcome your feedback. If not, please call us at 910-256-8882, or email Dana at [dstolte@financialnetwork.com](mailto:dstolte@financialnetwork.com) to update your email address.



## Success Builds Confidence

My daughter is 16 years old and is planning to take the SAT test as part of her academic progress next fall. She has been working on testing concepts that should allow the potential for higher scores and hopefully more attractive college options. As I injected my viewpoints in order to support her efforts, I realized she feared the test and was intimidated by its magnitude. She did not possess the confidence that I wanted her to demonstrate.

This story connects to our experience in the financial markets. We potentially destroy our confidence by assuming that market volatility is negative. We tend to lose sight of our goals because the crisis of the day (Middle East turmoil, negative economic news) creates short-term emotional thinking that lacks desirable confidence. Not only is this bad for our money, security, and independence, but it's also unhealthy in terms of stress and anxiety. In effect, we create a self-fulfilling prophecy that erodes the fundamental characteristics of success.

My belief is that market volatility, usually associated with catastrophic events, is not a bad thing, but rather a positive dynamic as it relates to the achievement of our financial goals. This rather bold thesis excludes human tragedy such as the tsunami in Japan. Suffering and loss of life do not have any redeeming qualities. But I would like to state my point again; wild market movements may help you achieve your goals. There, I said it, and it is true.

The reason I am writing about this now is because I anticipate and welcome volatility (especially on the upside). Volatility is natural and productive to the evolu-



### KEEPING PROMISES by Vinton Fountain

*Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence.*

**Helen Keller**

tion of the global economy. Innovation and adversity, in their purest forms, are uncertain and scary at times. I believe we are witnessing one of the most dramatic economic transitions in human history, whereby more than 2 billion people worldwide will experience an increase in their standard of living more rapidly than ever before. The industrial revolution was an example of how innovation can ignite a new cycle of prosperity.

As this economic trend evolves, the world's best companies, management teams, and world-class products will help us achieve a lifelong stream of income that fights inflation and taxes. These events will allow us to build wealth, reach our goals for financial security, maintain our independence (choice) and our dignity.

Helen Keller said, "Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence." I want to congratulate

our clients for what they have accomplished over the last few years. It would have been easy to surrender, but mostly everyone focused on what they could control, and trusted the fundamentals to work again. That approach has worked well, and we are being rewarded by the resurgence of our asset values. While our firm has been privileged to help, this result could not happen without your strength, courage, and yes, confidence. Thank you for doing your part.

Vinton Fountain, *President*  
Fountain Financial Associates

# Lessons to Learn from Network “News”

Pretend for a moment, that you are seeing my picture on CNBC as one of today’s market experts. Next to me in the *Hollywood Squares* are the perfectly coiffed CNBC commentator and two other debating partners.

**CNBCCOMMENTATOR:** “Thank you, all-seeing, all-knowing experts for joining us today. Let’s begin with our debt crisis. Considering the level of debt we have in the US, there seems to be no way our country can survive past ... (*fumbling for data*) oh, here it is: August 12th of next year ... RIGHT?”

**EXPERT 1:** Absolutely correct. No hope whatsoever. The floodgates are open, and there’s no way to stop the water. It’s too late now.

**EXPERT 2:** We will have to freeze all spending and enact a huge tax increase to have any chance of turning things around. It will cripple our economy and send us into the double dip we predicted was unavoidable.

**CHRIS:** The current budget shortfall and national debt will continue to be a challenge to our future prosperity, but it is not impossible to get under control. While our government struggles to have the courage to address debt, businesses have paid down debt, improved their balance sheets, and been cautious with their capital, which is healthy for our global economy.

**CNBC COMMENTATOR:** Gee, thanks, Chris ... I think. Well, moving on to our second topic today, now that China essentially owns us, won’t we become its subsidiary nation by Labor Day 2013?

**EXPERT 2:** China can pull the plug at any time, sell all the US government debt they own, and we will be in a world of hurt! The dollar



## SOLVING *for* SUCCESS by Chris Riley, CFP®

will sink so fast, it’ll make your head swim.

**CHRIS:** China continues to own a large amount of our debt, and continues to export a lot of goods and services to the US. If they decided to sell *en masse*, it would depress the value of the remaining debt they own, and what secure investment would they be purchasing with the proceeds from these sales? As far as the dollar is concerned, we may continue to see some weakness as long as we pursue inflationary policies, but that helps US companies sell more products overseas, and I’m not sure what the dollar is going to sink against so rapidly. I think many foreign countries are worried the cheaper dollar is really going to hurt them.

**CNBC COMMENTATOR** (*looking concerned*): Chris, are you OK? Now, on to political unrest and natural disasters around the world, Egypt, Libya, Japan ... when do you think these major events will create the economic shutdown that sends the market spiraling?

**EXPERT 1:** You gotta do what I’ve done. I’ve sold my profitable blue-chip stocks and bought a diversified portfolio of rice paddies and soy

in Southeast Asia. I’ve also got some gold, silver and cash buried in my back yard.

**CHRIS:** Technology is allowing current and future generations to grow up in a global society, where people can learn as much about personal freedom and capitalism as they do about the oppressive regimes they live under today. Their parents knew of little else and were forced to accept that as part of life. We will continue to see a volatile world stage as citizens seek to gain freedom of expression and thought, but ultimately, this will benefit our world economy. Terrorism was rooted in oppression, and gaining freedom and prosperity does not always have to come at the expense of others. Natural disasters, while unfortunate, can lead to innovation and collaboration. The world will grow more similar in the future and we can all learn from each other. That is certainly a good thing for growing the population of well-educated free thinkers.

**CNBC COMMENTATOR:** Hmm, I’m not sure our viewers are going to understand Chris’ plausible, common-sense views ... er, I mean, blindly optimistic views ... about the most productive, innovative, democratic nation on Earth ... or I mean rather, the laziest, most selfish society in the history of mankind. Thanks to our experts for joining us ... and you too, Chris. (*Cut to commercial*)

Don’t get too consumed with the hysterical manner in which the financial “news” is presented these days. Might we suggest you, too, cut to a commercial and enjoy all the good we have in our lives?

*Chris*

Chris Riley, CFP  
*Investment Advisor Representative*

**May We Toot  
Our Own Horn  
for a Moment?**

Vinton was profiled in a new book titled *Successful Financial Planners, Masters and Mentors in Equal Measure* by Allen Duck. The book was written about 50 financial advisors across the country to serve as a resource for financial professionals who are entering the financial planning profession.

# Too Much of a Good Thing?

One of the challenges financial advisors frequently face is handling large positions of a single stock. If you know someone with a “concentrated” single-stock position, you may want to share this article with them. If you personally have a concentrated position, feel free to call us so we can discuss it further.

There are a number of ways that concentrated positions may have accumulated in a portfolio. Frequently, the investor, or one of their parents, was employed by the stock-issuing company. However, sometimes the

concentration is simply due to prior investment in a great company, continued over many years. Time allows for these positions to build, sometimes at a dramatic pace, depending on the company.

One of our favorite investment proverbs is “wealth is created through concentration and protected through diversification.” In many cases, it is a single concentrated position that elevates an investor to a more affluent status. This can create an emotional attachment that makes it difficult for the investor to sell further on down the road.

Often, a concentrated position will be a great company: Duke Energy, Exxon, and Pfizer all come to mind. Until a few years ago, I would have included Bank of America, Wachovia, and SunTrust on that list of great companies. Unfortunately, many investors who created great wealth through concentrated positions in bank stocks have watched that wealth tumble in recent years. This highlights the importance of the second half of the proverb, “... protected through diversification.”

There will always be a way to rationalize not selling a concentrated position. We hear



them frequently:

- “It is doing so well right now. What if it goes higher?”
- “It has fallen a bit. I’ll sell when it gets back to the high.”
- “It might split again.”
- “I like the company and their

products. Don’t you think they are in a great position?”

In many cases, we may like the company and think the stock price looks attractive, but investing is about balancing risk with the potential for returns. It’s important to have a well-diversified

portfolio so all your eggs are not in one basket if something goes wrong. The company you’ve invested in may be well-managed, its balance sheet in order, and its future prospects promising, but the question is, should you risk your financial well-being on the prosperity of a single company?

The risks become magnified in retirement. Once you’re not earning a steady paycheck, managing your investment risk is directly related to managing your income for the rest of your life. You may have great faith in a company, but is it worth the risk if being wrong means a substantial change in your lifestyle?

An investment strategy should be based on a well thought-out plan, not an emotional attachment to a single investment. Single “concentrated” stock positions are speculative, but typically this is not understood until it is too late. Pro-active thinking and planning are vital to creating the best path to success.

*Buck*

Buck Beam  
Investment Advisor Representative

## BUILDING FUTURES by Buck Beam

*Should you risk your financial well-being on the prosperity of a single company?*

## Wealth Wisdom

Action is the foundational key to all success.

**Pablo Picasso**

It’s what we learn after we know it all that counts.

**A.C. Carlson**

Times of stress and difficulty are seasons of opportunity when the seeds of progress are sown.

**Thomas F. Woodlock**

High achievers spot rich opportunity swiftly, make big decisions quickly, and move into action immediately. Follow these principles and you can make your dreams come true.

**Dr. Robert Schuller**

## Thoughts from the Past

*“The point I would like to make is be careful if you are playing musical chairs within the real estate sector. The music will stop, it always has, and it always will; and you want to be sure that you have a chair when that occurs.”*

*Real estate tends to include debt which makes market cycles more problematic. We are experiencing some of the most phenomenal real estate returns that I have ever witnessed. I would like to urge caution to all investors. Be careful with speculation based on a rosy future without grounded economics. It may be time to leave the ‘herd!’*

**Vinton Fountain**  
**FFA Newsletter, 2005**

# FFA Events

## In & around the office

Our Winter event was a dinner with renowned political analyst Charlie Cook, held on December 7th. Mr. Cook is the editor and publisher of *The Cook Political Report*, and is also an analyst for NBC News and the *National Journal*.



From left to right: **Henry Brown, Vinton Fountain, Charlie Cook and Buck Beam**



**Tom and Rita Lewis**



**Micki Hage and Peggy Spallek**

February 17th marked our annual Valentine's Day luncheon and dinner, and we were happy to have Tracy Brown back among the familiar, friendly faces of all our sweethearts.

From left to right:  
**Lorraine and Jon Mason with Pat and John Hatcher**



**Patty and Dellmer Seitter**



From left to right: **Bob Seeling, Tracy Brown and Irene Seeling**



**Catherine and Bob Warwick**



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