

Volume XXVI, Issue III

# THE HARBOR ADVISOR

## Lessons Learned From a Natural Disaster

Individual communities in Colorado have just experienced the devastation of what some are calling a 100 year flood and a 1,000 year rainfall. Many people and businesses have been affected, the longer term effects of the floodwaters won't be known for some time. The deaths are tragic and shocking, making the loss of property easier to bear.

The severity and magnitude of the situation surprised many, prompting preparedness and safety questions. It also prompted some observations.

How does one prepare for a relatively rare event such as what has just happened to Boulder, Lyons, Longmont and a number of our mountain communities? What would you do if there were no Federal or State agencies standing ready to move in with trained staff, equipment and communication protocols?

While we know some of the answers the bigger realization is that you can't fully prepare for any and all contingencies. You prepare the best you can and then move on acknowledging that there are risks everywhere, some that you can adequately plan for, some you cannot.

We can all learn from recent events, stock a few days of food and water, heed evacuation warnings, practice being prepared and support your community emergency response teams in good times and bad. We also learned that neighborhoods can and do pull together and that people and other living things are important, not your stuff. Our emergency response teams were ready to come to our community's aid and they did so admirably. A number of organizations had more volunteers and donated supplies than they could use. As shocking as events were, beyond the sadness lies a strong group of communities and the realization that in some situations we are all in this together.



October 11, 2013

## Contents

### Main Articles

Natural Disaster	1
Benchmarking Primer	2
Medicare: Parts & Pieces	3
Harbor Happenings	4

### Individual Highlights

25 <sup>th</sup> Anniversary Trivia	1
Q3 2013 Market Recap	2
Fund Focus	2
Living Well/Living Smart	3
Wire Fraud	3
Market Closures	4

## 1988 Trivia – Grammys

Album of the Year: *The Joshua Tree* by U2  
Song of the Year: "Somewhere Out There"  
recorded by Linda Ronstadt & James Ingram  
Record of the Year: "Graceland" by Paul Simon  
Best Pop Vocal Performance: Whitney Houston  
for "I Wanna Dance With Somebody"



## Third Quarter 2013 Market Recap

After a strong September, markets across the world finished positive for the month as well as for the quarter. Both bond and equity markets posted strong gains for the quarter, albeit with some volatility based on various world conflicts, namely the crisis in Syria. US and foreign equities led the rally with category returns ranging from 4-7%. Slow but steady improvements in the labor market, as well as strong numbers for housing are some economic factors that impacted the market. In addition, the Federal Reserve came out and stated that they would continue at full freight their bond purchase program. This

came as a welcome surprise to the markets which were expecting some kind of taper. The Fed remarks alluded to the fact they were concerned about continuing economic growth and stability because of the disagreements in Washington. As we all have been reading, the Fed proved to be remarkably on target with their concerns. Barclays Aggregate Bond index posted a .59% return for the quarter, S&P 500 rose 4.69% and the Russell 2000 had a 9.85% return. The MSCI EAFE posted an excellent 10.94%.

*"Not everything that counts can be counted, and not everything that can be counted counts." Albert Einstein*

### *Fund Focus: Vanguard Dividend Growth Fund (VDIGX)*

This quarter, we are highlighting Vanguard Dividend Growth. This fund was added to your portfolio after our model redesign this year because it meets several of our objectives for the coming year. We believe that increasing the allocation to the US Large Cap category is a conservative strategy to take advantage of the continued growth in the US economy. The companies that comprise this fund are high quality, having balance sheets demonstrating low debt and the potential for long-term growth and income. The companies are also required to have a history of increasing dividends. The fund is fairly concentrated with approximately 50 holdings. It is actively managed, yet maintains a low turnover rate currently of 11% and has a low expense ratio of 0.29%, which is low for this category of funds. In addition to adding to the Large Cap category, Vanguard Dividend Growth met another key objective of increasing our exposure to certain target sectors. This fund accomplishes this since it is broadly diversified among the sectors, such as health care, financials and technology.

## Benchmarking Primer

As we enter the fourth quarter of 2013, US equities, particularly mid and small cap companies, have delivered the strongest performance of any asset class across the globe. Within our model portfolios, the break down from strongest performers to weakest performers looks like this: US Small Cap > US Mid Cap > US Large Cap > International Equities > Multisector Bonds > Global Bonds > Core US Bonds > Emerging Market Local Bonds > Precious Metals.

While an investor can look up performance and see that small cap US equities are outperforming emerging market bonds by over 30% year to date on an absolute basis, it becomes more difficult to compare the return of an entire portfolio including both asset classes. US based investors will often compare their personal return to a well-known index like the Dow Jones Industrial Average or the S&P 500, yet in a year like 2013 with such disparate performance across asset classes, this may lead to confusion and misunderstanding. If only 30% of your assets were invested in companies in the S&P 500 index, why would you want to compare 100% of your portfolio return against that index? Enter the concept of benchmarking.

While benchmarking is not unique to investing, its application in personal finance allows us to properly compare diversified portfolio returns against a set of similarly allocated blend of indices. For example, we may benchmark a '60/40' portfolio with 40% allocated to US equities, 20% allocated to international equities and 40% allocated to US bonds to a blended benchmark consisting of 40% Wilshire 5000, 20% MSCI EAFE and 40% Barclays Aggregate Bond. This results in a more 'apples to apples' type comparison for portfolio performance.

Our investment committee takes this one step further using a performance evaluation tool called attribution analysis. Attribution analysis breaks down the performance of an investment manager's allocation and compares returns against the strategy benchmark. The end result provides an investor a glimpse at the manager's investment strategy to see if specific over/underweights and security selection added or detracted from performance. This analysis is not commonly used by individual investors due to the time intensive data inputs, but it provides a great way to see if allocating capital to a specific manager is money well spent.

As you read your quarterly reports please do not hesitate to contact someone on your Harbor team with questions on benchmarking.

## Medicare: Parts and Pieces (Part 2)

Last quarter we covered Medicare Parts A and B in this section of the newsletter. This quarter we will move on to Parts C and D as well as some information about when and how to begin the application process.

Medicare **Part D** is the drug coverage portion. While you enroll for Part D through Medicare you do have some choice over the type of plan and therefore the amount of the monthly premium as well as the amount of the deductible you will pay. There is also an option of either a co-payment, usually a set amount that you are required to pay, or coinsurance, usually a percentage that you pay as your share of the cost of any prescriptions. Specific drug coverage differs under each plan so it may pay to compare plans on the Medicare web site at this link <https://www.medicare.gov/find-a-plan/questions/home.aspx>.

In much of the available Medicare information any mention of a **Part C** is conspicuously missing. Medicare **Part C** is also referred to as **Medicare Advantage**. These are private plans run through Medicare that are equal to Part A and Part B coverage and some even include the Part D prescription drug coverage as well. Depending on the plan chosen they can also function as a Medi-gap policy and may be more cost effective than adding a Medi-gap policy to original Medicare. Medicare Advantage plans also are required to have an annual cap on out-of-pocket spending and some plans offer coverage for vision, dental, assisted living and/or nursing home care. To get detailed information and pricing on these plans you will need to contact the provider company.

Most people will want to sign up for at least Medicare Part A during what is referred to as the Initial Enrollment Period - three months before the month you turn 65 through the three months following your 65<sup>th</sup> birthday, a total of seven months. Signing up during this period, even if you are still covered under another health plan, is important as delaying can result in a penalty when you do sign up later. You can sign up by phoning the Social Security Administration or apply online at [www.ssa.gov](http://www.ssa.gov).



## Wire Fraud

Over the past year, advisors and clients have increasingly been targeted by scammers seeking to use email to commit wire fraud here. We at Harbor are taking extra precautions to protect our clients from these fraudulent wire requests. We will not accept any wire instructions to a third-party without our client's verbal consent.

It is important to understand how email based wire fraud works. Typically, email based wire fraud occurs when an unauthorized individual gains access to a client's email account. This possibility is why we will not include any of your account numbers or other sensitive information in an unsecured email. Once the email account has been compromised, the fraudster finds the advisor's contact information and starts an email conversation, ultimately requesting a third-party wire. These scammers have increasingly become more sophisticated. They study the tone and style of the intended victim's emails, look for personal information contained in other emails and may use an older email from someone at the financial firm to reply to -- all of which helps to validate their request.

So, if you happen to need a third-party wire you'll need to do it the "old-fashioned" way... pick up the phone and call us!

## Living Well/Living Smart

### **Winter is Coming, Winter is Coming!**

Winter carnivals, lighting ceremonies and ice-carving are just a few of the fun things to do once the snow starts falling in Colorado.

### **Denver Parade of Lights: Dec 6 & 7, 2013**

This 2 mile parade route in downtown Denver is the stage for Colorado's brightest holiday tradition – marching bands, ornate floats and SANTA. Don't forget your hot chocolate and ear-muffs!

### **Vail Snow Daze: Dec 7, 2013**

This bash welcomes the ski and snowboard season with a Dummy Demolition Derby, free concerts and a rockin' street fair.

### **Ouray Ice Festival: Jan 9–12, 2014**

Though it's an ice festival of a different sort, Ouray's celebration is one of the most spectacular. Each year, 3,000 climbers descend on the town to ascend the Ouray Ice Park's mile-long frozen gorge, while spectators watch in amazement.

### **Manitou Springs Great Fruitcake Toss: Jan 11, 2014**

This one speaks for itself!

### **Budweiser International Snow Sculpting Championship: Jan. 21–Feb 2, 2014**

Teams from around the world spend a week in Breckenridge gently coaxing intricate sculptures out of 20-ton blocks of snow.

### **Winter Park Snowfest: Jan 25–26, 2014**

This fest is a birthday party for one of the area's colorful early residents — a gal named Mary Jane — with live music, fireworks, a snow-sculpture contest, sled races, snowshoe treks and more.

## Harbor Financial Group, Inc.

1909 26th Street, Suite 1A  
Boulder, CO 80302

3773 Cherry Creek North Dr., Suite 575  
Denver, CO 80209

P: 303.939.8788  
F: 303.541.1059

info@harborfinancialgroup.com

Find us on the Web:  
[www.harborfinancialgroup.com](http://www.harborfinancialgroup.com)



Images: Nat Arnett

## Harbor Happenings

### **Introducing Leslie Stewart as Harbor's Office Manager**

Please join us in welcoming Leslie to Harbor. She and her family recently relocated to Boulder from Tallahassee, Florida. She is responsible for overall office management, taking your phone calls and scheduling appointments, assisting with events and special projects as well as bookkeeping for the firm. Look for her at the front desk the next time you stop in!

### **Doggy Dash 2013**

The 24<sup>th</sup> Annual Humane Society of Boulder Valley Doggie Dash was a huge success! With over 700 people and 400 pooches attending, they were able to raise \$101,000. Harbor sponsored a vendor booth and raffled a \$100 Humane Society Gift Certificate. Our Harbor Hounds Team was not to be missed wearing bright green matching team t-shirts. Thanks to those of you who joined us!

### **Beat the Year End Rush!**

Year-end continues to get more challenging for the financial industry with more delays and red tape. Consider acting now to make sure everything needed is completed before the end of the year. See our blog for a list of possible tasks.

<http://www.harborfinancialgroup.com/news-views/page/3/>

### **Harbor Wifi**

We are excited to announce that Harbor now has in-office Wifi! This means that when you come for a meeting, you can bring your laptop or tablet and access our network and, in turn, your personal files and online accounts, eliminating the need to lug printouts or email documents to us prior to coming in. You can also stop by our office anytime for a Harbor coffeehouse experience, complete with coffee or tea and a quiet place to browse the internet, free of charge.

### **2013 Office Closures**

Our office is closed on the following New York Stock Exchange holidays: Thursday, Nov. 28, Friday, Nov. 29 ½ day closure, Tuesday, Dec. 24 ½ day closure, Wednesday, Dec. 25.