

## CONSIDER THIS PROGRAM

EPISODE DATE:

**December 21, 2019 Episode**

ON THIS SHOW:

**Big Joe Clark**, CFP®: Managing Partner and Lead Advisor of Financial Enhancement Group

**Ken Dilger**: Former Tight End at Indianapolis Colts, Senior Loan Officer at Milestone

**Angi Kinser**: Event Coordinator at Financial Enhancement Group

### SHOW NOTES:

#### Topics Include:

- Investment Strategies
- Asking Why
- Social Investing
- Technical Analysis

#### ESG Investing

It's environmental, social and governance related investment issues.

Why is it important to have so many different points of view? This might be a good time for you to explain what, who and how the allocation team works.

We have a four legged strategy that we use at the Financial Enhancement Group. One of those is the narrative leg. It's looking at the big story; the demographics. The second one is the fundamental leg and we're going to have Adam Harter, a CFA (Chartered Financial Analyst) and one of my partners on to discuss how a fundamental analysis works. The third will be Andrew Thrasher. He'll come in and talk about how we use or don't use technical analysis in, in constructing ESG specific portfolios.

A balanced portfolio is when you want to make sure that you have the same number of cookies. Many portfolios will have people who come in who say, "I'm a balanced investor," and they want to have 60% in



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equities and 40% in fixed income or bonds at all times. That's the strategy that we use. We don't believe anything should ever be *that* static. If the market looks like it's poised to move positively, we will increase the equity exposure. On the other side, if our risk barometer says that it's negative, we'll decrease it. That's what a balanced portfolio is.

Another portfolio is somebody who lives off of the dividends. That's just another strategy.

ESG is just a short little term that says, "Hey, do we want to buy companies that are environmentally aware? Do we want to buy socially driven companies?" The last is governance: how your business is run.

### **Portfolio Analysis**

How are portfolios put together and how have things have changed, as far as using more math and more technical analysis? Why do you think that's changed?

We all love a good story because we have this natural desire to believe that we can have an answer. We want to come up with these why's and depends where you fly economically on this. Some people are supply based. In fact, most economists are supply based people. This is what's taught in the economic school. Supply based means build it and they will come. If you build it, they will buy it. I disagree. I'm demand driven. I believe you will buy things that you need or want. In some cases, the greater your discretionary income, the more you want, the less you need.

I love behavioral finance, but when it comes to investing, what I care about is demand. I care about what you need at your age. I care about what the mass of people born between 1957 and 1961 are buying today and what they're getting ready to stop buying. That makes all of the difference in the world.

### **Adam Harter on Fundamental Analysis**

Adam is a CFA (Chartered Financial Analyst) who has been with the firm for almost 19 years. His love in life is fundamentals. We are talking a little bit about the differences between the narrative (big picture investing), fundamental analysis, and technical analysis. What would you call fundamental analysis?

"It's just a broad category of ways to disappoint people. That's because what makes people happy in investing is payoffs that come in the short run. Fundamentals are geared towards the long run. A fundamental analysis is important to determine and evaluate what you're buying. Many types of investing and many investors in the technical world don't care what it is you're investing in."

How do we use that perspective at the Financial Enhancement Group as we build portfolios?

"I look at fundamentals and how we use it more on an individual investment basis. It's much more difficult to look at a broader market and apply a whole lot of fundamental merit to it because when you're looking at the S&P 500, you're seeing 500 companies that are largely viable. The real value was drilling in and





looking at individual companies rather than trying to determine what the fundamental characteristics of the market as a whole are."

When you're jumping out on the limb and buying one stock as opposed to 300-500 that may be inside of one fund, you have to be sure that what you're owning is going to be viable when you stick your neck out and purchase one company.

What led to all these questions was a question on ESG investing.

"It is actually the hardest thing about my job because of that middle one, the social. That's because we represent people across this country, so social means different things to different people. I have had people who will ask me: 'How do we make sure that my money doesn't go into fund or pay for abortions?'

I've had companies that will want to make sure that they treat marriage in favor of marriage equality and don't discriminate based on sexual preference. We have liberals, we have Democrats, conservative Republicans. All those things push for different things. That's the toughest thing when you're looking at an individual company.

### **Andrew Thrasher on Technical Analysis**

We have a guest host in this part of the show, Andrew Thrasher, Chartered Market Technician, part of the Financial Enhancement Group.

Leaving ESG out of the equation, how do we employ technical analysis in the portfolios that we built?

Like everything, we want to approach topics of investing. When we're looking at what we want to hold in our portfolios, we want to evaluate how much risk we want to take on. We want to evaluate how it is performing against the broader market? Is it doing better than the market? Is it doing worse than the market? We really want to evaluate: if we're taking on this risk, are we going to get paid for that risk? Are we going to be able to have a higher return than the broad market?

One of the first things we look at from a technical standpoint is: how was that security or that market doing relative to the whole market? Then we want to look at that individual security or that stock and determine the technical health of it. It all boils down to supply and demand. When we look at the health of a chart, we want to see if there is a greater amount of demand -- meaning: is the market showing respect for the security and pushing the price higher?

What would a technical trader have to say about rebalancing automatically on a calendar date?

Rebalancing on a calendar basis allows you to see things that might've had a really strong run up and maybe pull back some of those exposures where it's gotten too large of a percent of your portfolio. As things can run away in both directions, we get too much of an imbalance in supply and demand. By rebalancing, it will keep you within a tolerance.



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By keeping it on a calendar basis, the one benefit is that it takes away some of the biases. By having a process and following that process, that's where long term results can benefit. I'm not letting those behavioral issues take hold and derail a portfolio.

61st day, count on full taxation. And if you're under 59 and a half, a full 10% penalty.

*Disclaimer: Joseph Clark is a Certified Financial Planner™ and the Managing Partner of Financial Enhancement Group, LLC an SEC Registered Investment Advisor. He is the host of "Consider This" found on WIBC Saturday mornings from 6-7a.m. as well as three other Indiana-based radio stations. Joe has served as an Adjunct Assistant Professor at Purdue University where he taught the capstone course for a degree in Financial Counseling and Planning.*

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