



# The Kobrin Kronicle

Financial & estate planning news that you can use

**KOBRIN**  
Financial & Insurance Services

Winter 2013

## “Investors Behaving Badly” by Donald B. Kobrin

According to Gavin Quill, Vice President, Financial Research Corporation, investors have a tendency to chase after what they consider “hot funds” after they have already peaked... and dump funds that are recovering. “This tendency to buy high and sell low does great damage to their potential return.”

According to Quill from 1990 to 2000; “Ninety billion dollars were placed in funds in the quarter that they had peaked vs. \$6.5 billion during their worst quarter.”

This approach to investing is

generally referred to as “self-directed portfolio development.” Basically, the individual takes the responsibility of choosing his/her investment assets, which can be based on a myriad of strategies. The inherent dangers to this type of investing are many fold: emotional buying and selling as outlined above, lack of in depth analysis for what to buy and when, inadequate diversification to meet current and long term objectives, failure to adjust to economic signals, life changes, aging, etc. Advantage: no one to blame but yourself.

The second general method of portfolio development is seeking the help of a professional brokerage firm that clearly has your best interest in mind, at least we hope. In my twenty plus years of interviewing folks with these types of brokerage accounts, I can easily point out some inherent dangers of this type of investing.

- Inadequate and incomplete evaluation on the part of the advisor of a client’s risk tolerance, timeline objectives and investment experience.

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Kobrin Staff: (standing from left): Dan Parun, Don Kobrin (seated from left): Catherine Stewart-Chatman, Sharon Kobrin-Evans and Brenda Kobrin.

## Identifying Types of Risk by Donald B. Kobrin

In our lead article, “Investors Behaving Badly,” I spoke briefly about the inherent risks in different methods of investment. This article breaks down further the different types of risks we encounter in the investment world.

- Market Risk** - value of investments going up and down through market fluctuation
- Capital Risk** - loss of some or all of your principal
- Default and Credit Risk** - inability of an entity to pay guaranteed or projected returns and, in some cases, principal
- Inflation Risk** - loss of purchasing power... generally associated with long term bonds
- Market Timing Risk** - investors are attempting to time the market

- Liquidity Risk** - investors unable to convert investments to cash or take out withdrawals when needed
- Diversification Risk** - attempting to predict the

volatility of the market, the direction and magnitude of movement in various sectors. ■

High Risk	Currency
	International Stocks
Medium Risk	Tech Stocks
	Junk Bonds
	Common Stock
Low Risk	Small Cap Funds
	Variable Annuities
	Variable Universal Life Insurance
	Real Estate
	AAA Corporate Bonds
	Treasury Bills
	Treasury Notes
Equity Indexed Annuities	
Certificates of Deposit	
Passbook and Money Market	
Tax-Deferred Fixed Annuities	

### Did you know... ?

- If a smoker quit smoking 30 years ago, rather than purchasing a pack of cigarettes each day, the smoker could have saved \$205,774. Talk about money going up in smoke!
- Tens of thousands of refund checks sent out by the IRS this year will be sent back to the IRS due to people providing incorrect addresses.
- The contribution limits for IRA’s (including Roth) in 2013 went up to \$6500 if you are over 50, \$5500 if you are under 50.
- Legal tender with a value over \$100 is no longer printed, but is still floating around.

Excerpted from “Did You Know. com”

## 2012 Holiday Gala

The Kobrin 2012 Holiday Gala showcased so much talent! We were entertained by singers, dancers, musicians, a comedian and Santa Claus even made an appearance. The Kitchen Kut-Ups opened the show and a few of us closed the Friedman Center down with some enthusiastic dancing of our own. You blessed our charity, Crossing the Jordan, with your overwhelming generosity. It was a most wonderful holiday celebration with the best people in Sonoma County. We are so blessed!





## “Investors Behaving Badly” *(Cont. from page 1)*

2. Inadequate follow up with the clients once the portfolio is established.
3. Quarterly statements that are cumbersome, lengthy, difficult to read and, more importantly, difficult to understand.
4. The overall lack of educating clients as to understanding risk in each of their investments. Risk is often “measureable” and needs to be considered in each investment chosen.
5. Breaking the Rule of 100... which is simply this: subtract your age from 100 (i.e. 100 - age 65 = 35). Your entire portfolio should reflect that 65% of your total assets be held in stable, low risk investments and this adjustment needs to be made every few years, especially as you approach your retirement. Advantages: you have someone to blame other than yourself.

Our third method of portfolio development is more uncommon and is referred to as Private Wealth Management. Instead of relying on either of the first methods, which we can refer to as macro-managed, our third

method focuses almost entirely on “risk control” through micro-management.

Most of this type of management occurs through “smart computers” or algorithm programming.

The managers spend their time, energy and expertise feeding data into these programs, pertinent to the investment vehicles used, which then automatically trigger buys and sells at critical moments. The advantage to this method of investing is that no one person or persons are making buy/sell decisions. Sales occur when triggered by the algorithm and reinvestments occur likewise. This has become my chosen investment type for one simple fact... it controls risk and therefore losses, more efficiently than the above models.

Whatever method you are currently deploying, it is prudent, I believe, to review your current plan and see if your needs are being met to their fullest potential. ■



### Upcoming Events:

#### Upcoming Workshops: Investors Behaving Badly

Learn the effects of wrong investment thinking vs. right investment thinking.

Tue., March 6<sup>th</sup>  
Thu., March 14<sup>th</sup>

Call our office to get restaurant locations and times. Clients welcome but must be accompanied by qualified guests.



#### Special Event:

#### Financial “Health” Fair

Wednesday, March 20th

Charlie’s Grill

See flyer insert for details.

## For Women Only by Sharon Kobrin Evans

We know how difficult it can be to find someone you can trust when it comes to making important financial decisions. Men seem to dominate the world of finances and often this can feel very threatening or intimidating for a woman. I have learned that there are women who would much prefer to meet with another woman because it makes them feel more comfortable and at ease.

I have been hosting “women only” small groups in client’s homes to meet with their friends who wanted to ask financial questions without feeling pressured or unintelligent, and get honest answers from someone they could trust. At Kobrin Financial we truly believe that an educated investor makes better financial decisions. We all have women in our lives that have lost a spouse, divorced, sold their home, recently retired, are tired of losing money in the market, or have their money parked in a bank, earning next to nothing. Often they feel intimidated by their brokers and they don’t know who to turn to with their financial concerns.

This is an opportunity for you to reach out to the women in your life who may be struggling with financial

issues and in need of sound financial advice and safe investment opportunities.

I will be hosting informational workshops **FOR WOMEN ONLY** right here in the Kobrin office. They will be intimate groups of 10 or less, so we have the opportunity to address your questions and concerns. I will be serving light refreshments and truly hope you take this opportunity to invite the special women in your life to come join us. Everyday we hear, “I am so happy I found you” or “My friend says you are someone I can trust.” Let’s reach out to all the women you love and care about and offer them the same peace of mind. See the dates below and RSVP to join me in empowering the women in your life.

#### Evenings at 5:00

March 5th  
April 2nd  
May 7th

#### Luncheon at 12:30

March 21st  
April 18th  
May 16th

Don’t forget to call the office to reserve a seat for you and your guest! ■

### Words to Live By

“Too many people overvalue what they are not and undervalue what they are.”

~ Malcolm Forbes

### Join Us At The Movies

Enjoy one of 4 first-run movies for FREE at the Third St. Theater in Santa Rosa every first Thursday of the month at 10:00 am November through June. Kobrin Financial sponsors this monthly event for anyone over age 60.



## Kobrin Financial and Insurance Services



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## Protecting and Growing Assets for This Generation and the Next

At Kobrin Financial Services we are committed to helping our clients make the most of their retirement years and their inheritable estates through appropriate planning.

The investment advice is offered by Horter Investment Management, LLC, a Registered Investment Adviser. Insurance and annuity products are sold separately through Kobrin Financial Services for Horter Investment. Management clients are placed through Pershing Advisor Solutions, Trust Company of America and Jefferson National Monument Advisor.

### Fiscal Cliff Bottom Line\* by Donald B. Kobrin

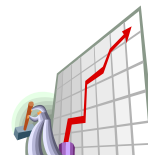
Many people are still unclear about what actually occurred in regards to the "Fiscal Cliff." Please find below an outline of the important changes and "no changes" that have taken place.

- Social Security payroll tax cut: Allows a 2 percentage point cut in payroll tax first enacted two years ago to lapse, which restores the payroll tax to 6.2%.
- Other tax changes: Extends for five years Obama-sought expansions of the child tax credit, earned income tax credit, and an up to \$2,500 tax credit for college tuition.
- Unemployment benefits: Extends jobless benefits for the long-term unemployed for one year.
- Cuts in Medicare reimbursements to doctors: Blocks a 27% cut in Medicare payments.
- Income tax rates: Extends tax cuts on incomes up to \$400,000 for individuals, \$450,000 for couples. Earnings above those amounts - taxed at 39.6%. Phase-out of the personal exemption for individuals making more than \$250,000, couples \$300,000.
- Estate tax: Taxed at a top rate of 40%, with the first \$5 million in value exempted - \$10 million for family estates.
- Capital gains, dividends: Taxes on capital gains and

dividend income exceeding \$400,000 for individuals and \$450,000 for families would increase from 15% to 20%.

- Alternative minimum tax: Permanently addresses the alternative minimum tax and indexes it for inflation.

If any of these changes had an impact on your bottom line or if you are not sure, we would be glad to sit down with you and review your current financial situation. We look forward to seeing you soon. ■



\*Excerpted from Federal Reserve Chairman Ben Bernanke's remarks during a Joint Economic Committee hearing titled, "The Economic Outlook" held on June 7, 2012.

**KOBRIN**  
Financial & Insurance Services

### OUR MAIN FOCUS:

- ◆ Protecting current assets and providing income from these assets for the life of the client and the spouse.
- ◆ Planning for catastrophic events such as illness, death or nursing home needs.
- ◆ Maximizing the inheritable estate of the heirs.
- ◆ Providing guidance for the trust beneficiaries as the estate passes to the next generation.



Protecting and growing assets, for this generation and the next...



**KOBRIN**  
Financial & Insurance Services

Call (707) 566-6775

For more information

## FINANCIAL and HEALTH EXPO

You and your guests are invited to come and bring your questions to the experts!

Safe and Secure Income For Life

Money Management

Long Term Care Alternatives

Health Insurance/Medicare Supplements

Mortgage

Reverse Mortgage

Certified Residential Specialist

Tax Preparer

Professional Fiduciary

MediCal

In-Home Care Assistance

Optimal Health Practitioner

“Aging in Place” Home Design

Santa Rosa Memorial Park

Open House 4:00-6:00 pm  
Wednesday, March 20<sup>th</sup>

Charlie's Grill

1320 19th Hole Drive, Windsor, CA

The investment advice is offered by Horter Investment Management, LLC, a Registered Investment Adviser. Insurance and annuity products are sold separately through Kobrin Financial Services for Horter Investment. Management clients are placed through Pershing Advisor Solutions, Trust Company of America and Jefferson National Monument Advisor.