

DIRECTIONS

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HOW TO AVOID THE HYPE



In this issue of Directions, CLS President Todd Clarke compares fad diets and fad investments, and discusses why it's usually

best to ignore the latest craze and instead stay disciplined, make small and sensible changes, and stay focused on the long-term.

The start of each New Year typically brings resolutions, often in the form of a diet or some other attempt at weight loss. While it's absolutely commendable to make resolutions to lead a healthier lifestyle, many of us find ourselves turning to the latest fad diet to quickly shed those pounds we accumulated during the holidays or throughout the previous year.

Think of all the diets that have come and gone over the past 30 years (grapefruit, cabbage soup, or lemonade diets, anyone?). They

promise big results in a short period of time and, for the most part, actually do deliver... but only for the three days you can stand to be on them. Still, it's easy to get swept away by the newest weight loss trend that promises quick results. Unfortunately, after you return to your normal eating habits, the pounds generally return, often with a vengeance. That's why experts instead recommend slow changes over a longer period of time; these moderate and sustainable changes in lifestyle habits one step at a time are more likely to bring about long-term results. And, no matter how many diet crazes crop up, it's the tried and true method of sensible eating across all food groups that seems to consistently be the most effective and garners the most lasting results.

Likewise, fads are common in the investment world (Dutch tulips, dot com, or housing bubbles, anyone?). Sometimes it's hard not to get caught up in the hype when that's

all you're hearing from the media. Additionally, it's often difficult for investors to distinguish between a 'fad' (typically unsustainable and marked by excessive enthusiasm) and a 'trend' (generally enduring and based on fundamentals). Observably, plenty of investors have made money during bubbles – but that's because they've had the foresight to buy at a low price (before the bubble begins) and sell at a high one (at the bubble's peak). Generally speaking, though, the bulk of investors tend to be risk-averse, meaning they don't snap up the fad investment until optimism about it is widespread. This increased demand inflates the prices of these assets even further – to an untenable level. Often, investors end up buying in when the hype is at its greatest – which frequently corresponds to very near the peak price of the asset. It's very difficult for everyday investors who do not have time to gain the expertise about asset class fundamentals to discern when the price is at its highest point and



Q: What's the best day of the week to online shop?

A: Monday

According to Extrabux, a web site that analyzed prices for more than 100,000 products sold online at thousands of retailers, prices for TVs, computers and other products can vary by \$20 to \$40+ per day. Their data showed that, overall, Monday is the best day to score deals.

- Computers cost an average of \$1,210 on Mondays and \$1,256 (a \$46 difference) on Fridays. Why? Likely because manufacturers tend to roll out rebates and discounts at the beginning of the week.
- TVs that sold for \$1,101 on Mondays were \$1,122 on Fridays.
- Prices on other electronics, like cameras and video games, are also best on Mondays and peak later in the week, possibly because consumers tend to spend more time online shopping on Monday, which makes them more susceptible to online promotions.

whether that price is inflated. Inevitably, since the price of the asset was exaggerated in the first place, it declines as rapidly as it increased, leaving many investors with a loss because they bought high and were forced to sell low.

You likely already realize some of these potential investing pitfalls, which is probably part of the reason why you've chosen to work with a financial advisor and CLS. Much like a personal trainer or nutritionist would make sure your exercise routine and diet are realistic and suitable for your ultimate health goals, your advisor and CLS work in tandem to ensure that your investment portfolio is aligned properly for your current financial situation and long-term goals. Our job is to analyze the

fundamentals of asset classes (in fact, CLS tracks 42), so we're well equipped to distinguish fads from trends. And, CLS's investment discipline keeps us focused on longer-term results and prevents us from chasing the latest craze.

Like sensible dieting in which your daily cuisine is comprised of diversified foods from different groups, CLS allocates your portfolio to a diversified set of asset classes to capitalize on areas of the market that are outperforming and reduce the impact of those that are underperforming. Due to the market volatility throughout 2011 that CLS thinks will continue in 2012, we believe the best strategy is to continue to focus on the long term and invest based on the fundamental strengths and

weaknesses of each asset class. Our investment discipline and risk budgeting methodology are long-standing, and we are resolved never to abandon them in order to chase the newest investment 'trend.' Time and time again, that's proven not to be sound investing.

Also, just as the beginning of a new year is a great time to assess your lifestyle and make positive changes, so it goes with your investment portfolio. Now is the perfect time to make sure your risk level is aligned with your long-term goals and that you're prepared to meet them by being invested in a strategy that reflects your life circumstances. For example, your portfolio may need to be more aggressive if you are not on track to achieve your desired level of savings.

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RETIREMENT PLAN CONTRIBUTION LIMITS

Each year, the IRS makes cost of living adjustments to the limits on benefits from and contributions to qualified and non-qualified retirement plans.

2012 limits:

401(k), 403(b), Profit-Sharing Plans, etc.
\$17,000
PLUS: age 50 & over catch up \$5,500

Roth/Traditional IRA
\$5,000
PLUS: age 50 & over catch up \$1,000

Conversely, it may need to be more conservative if you're nearing retirement. Your CLS investment objectives questionnaire – which you completed upon enrollment and should evaluate with your financial representative on a regular basis – will tell you exactly where your risk tolerance should be. Overall, the most important

thing is to stay invested and to not make major changes based on short-term performance, especially in a year like 2011 where the markets constantly seesawed. Rather, stay focused on your longer-term numbers, as they are a better indication of where you are with regard to your ultimate investment objectives.

Are You Prepared for This?!

Researchers at career site Glassdoor read through job seekers' reviews of approximately 115,000 interviews at more than 26,000 companies to compile the a list of the most unusual interview questions.

A sampling of what they found:

- "How many people are using Facebook in San Francisco at 2:30 on a Friday?"
- "If Germans were the tallest people in the world, how would you prove it?"
- "Given 20 'destructible' light bulbs (which break at a certain height), and a building with 100 floors, how would you determine the height where the light bulbs break?"

- "What do you think of garden gnomes?"
- "Would Mahatma Gandhi have made a good software engineer?"
- "Please spell 'diverticulitis'."
- "Name five uses of a stapler without staples."
- "How much money did residents of Dallas/Fort Worth spend on gasoline in 2008?"
- "How would you get an elephant into a refrigerator?"
- "How many planes are currently flying over Kansas?"
- "If you were a Microsoft Office program, which one would you be?"
- "How do you feel about those jokers in Congress?"

The lesson: *expect the unexpected.*

Cutting out two coffee shop trips per week saves you on average \$416 per year. Putting that \$416 into your IRA each year for 20 years could turn that money into \$15,500.



The Most Expensive Items Ever Sold

Personal Home

Mumbai, India
Price: \$1-\$2 billion
A 27-floor, 600-foot "modern Taj Mahal" built for the family of Mukesh Ambani, the Chairman of Reliance Industries.

Baseball Card

1909 Honus Wagner
Price: \$2.35 million
In 2007, hockey player Wayne Gretzky sold the most famous baseball card in the world to an anonymous California collector.

Painting

No. 5, 1948 by Jackson Pollock;
Price: \$140 million
This Pollock painting sold for only \$2.5 million more than the second most expensive painting ever – "Woman III" by Willem de Kooning.

Tooth

Napoleon's upper right canine
Price: \$19,140
The tooth extracted from the mouth of Napoleon Bonaparte in 1817 sold for \$19,140 in 2005. According to Guinness, it is believed to have been extracted during Napoleon's exile on St. Helena following his defeat in the Battle of Waterloo in 1815.



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The information contained in this publication is prepared for general information only. It does not have regard to the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any security or investment strategy and should understand that statements regarding future prospects may not be realized. Investors should note that security values may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. There is no guarantee that risk budgeting or any CLS program

THE NUMB3RS

- 1 percent.** According to Dalbar, the average return fixed-income investors earned over a 20-year period through 2010. The Barclays Aggregate Bond index returned 6.9 percent annualized for the 20-year period.
- \$2.** The new price for a Powerball ticket, effective January 15.
- 3.8 percent.** The percentage the average investor in stocks earned per year during the 20-year period through 2010. The Standard & Poor's 500-stock index returned 9.1 percent annualized for the same time period.
- 4.3 percent.** The amount the Dow fell on August 4 when Congress failed to meet the deadline to raise the debt ceiling. At the time, it was deemed the worst trading day since the 2008 financial crisis.
- 5.5 percent.** The increase in the Dow Jones industrials in 2011 (to 12,218).

or account will be profitable or prevent loss. Past performance is not a guide to future performance. Individual client accounts may vary.

The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index.

The Barclay's Capital U.S. Aggregate Bond Index measures the performance of the total United States investment-grade bond market. You cannot invest directly in an index.

The Dow Jones Industrial Average (DJIA) is a price weighted index of 30 of the largest, most widely held stocks traded on the New York Stock Exchange. You cannot directly invest in an index.