

Perspective: Tax Man Dues, Bio-Blues, and Lecture News

May 03, 2014

Dear Scott,

The Tax Man Blues

As April began, the market hit the skids, sliding nearly 4% by the 13th, which, once again had the financial talking heads were pointing in all directions. Postmortem analysis — always more sensible — seems to favor the explanation that it was about "tax selling."

The relatively good market returns last year meant that investors with taxable accounts had a sizable capital gains tax bill staring at them. Of course, no serious investor stashed cash idly under a mattress to hand the tax man. Every last cent was still bet on the market in hopes of making just a bit more on the tax-doomed portion before the IRS bill came due.

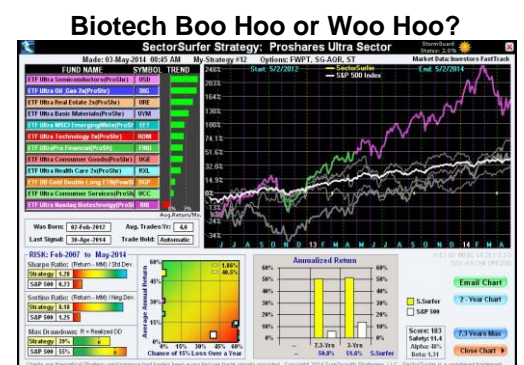
While one lesson might be that if you know there will be some tax-selling, do yours early, another lesson might be that if you have procrastinated too long already, then do so a little longer. If you file a tax extension (and pay some taxes on time, but not all), then the IRS imposes a late payment penalty of one half of one percent (0.5%) per month on the portion of federal tax that remains unpaid. The penalty may be the lesser of two procrastination evils. Of course, getting personal professional tax advice is well advised.

Biotech Blues? Boo Hoo or Woo Hoo?

Boo Hoo or Woo Hoo depends on your matter of perspective. The chart to the right can be found on the [Strategy of Strategies](#) page as "candidate Strategy #12." It held the BIB Ultra Nasdaq Biotechnology ETF for 12 months. If you had invested in it for that entire period, then you would have had a 73% return — a definite Woo Hoo! But if you got in near the peak, you saw a 30% loss — a definite Boo Hoo.

Of course, any peak to trough measurement will be a definite Boo Hoo, and although it may be your legitimate experience, it misrepresents the longer term value of an investment Strategy by ignoring the upside. All investment Strategies have both upside potential and possible risk of loss. While you'll get a reasonably smooth ride on a bus, it's not too fast. Conversely, while you'll get a speedy ride in a sports car, you'll feel all the bumps a lot more. Not only is biotechnology more of a sports car, but the BIB Ultra Nasdaq Biotechnology ETF is a sports car on steroids.

Always understand the nature of the ride before getting in and you will enjoy the ride a lot more. That's what all the measures of risk on the charts are supposed to help you evaluate. Then when the bumps occur, you'll more likely take them in stride.



May 15, 17, and 19 California Speaking Tour

Please come to one of our three California speaking engagements in May. Or, ask your AAI Chapter leader to schedule us to present. Webex presentations for smaller investment groups are also possible.

These seminars will be suitable for both beginners and advanced investors alike, with plenty of practical examples. Come prepared to feel like I made you "drink from a fire hose" for a few hours. It'll be fun!

San Diego AAI Chapter - Thursday May 15th 6:30 PM

["Diversification Heresy: Breaking Through the Efficient Frontier"](#)

Lawrence Family Jewish Community Center, The Teen Room, Jacobs Family Campus
4126 Executive Drive, La Jolla, CA 92037, 858-457-3030

Los Angeles AAI Chapter - Saturday May 17th 8:30 AM

["How to Own the Bubble and Catch a Rising Star: New Tools Simplify Everything"](#)

Skirball Center, Ahmudson Hall
2701 N. Sepulveda Blvd., Los Angeles, CA

Silicon Valley SectorSurfer Users Group - Monday May 19th 6:00 PM

["How to Own the Bubble and Catch a Rising Star: New Tools Simplify Everything"](#)

University Club of Palo Alto
3277 Miranda Ave., Palo Alto, CA 94304. 650-493-3972

Surf Well and Prosper,



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