I am obsessed with disaster movies. I?m still taken by cinema epics that drive reality to the breaking point. Fictional events that push characters up against a wall, compel them to make heart-wrenching choices, encounter great risk, face their true selves, battle and ultimately defeat enemies or antagonists *(after losing so much first).* Irwin Allen was the prolific director of cinematic disaster films. The father of the genre, also known as the *?Master of Disaster,?* Irwin Allen produced such classics as *?The Poseidon Adventure,? (which I sat through a record 15 times in 1972)*, and *?The Towering Inferno.?* The movies spawned from his blockbuster success included 1974?s *?EARTHQUAKE,?* which promoted a gimmicky process called *?Sensurround,?* a series of custom speakers that enveloped a theater with sub-audible bass sound waves at 120 decibels, similar to a jet airplane on takeoff. During earthquake and aftershock scenes, audio was strategically released which vibrated seats and ear canals thus placing viewer sensations smack in the middle of the disaster along with the movie characters. **Campy, right? I couldn?t get enough of it!** As a famous drama screenwriter schooled me:

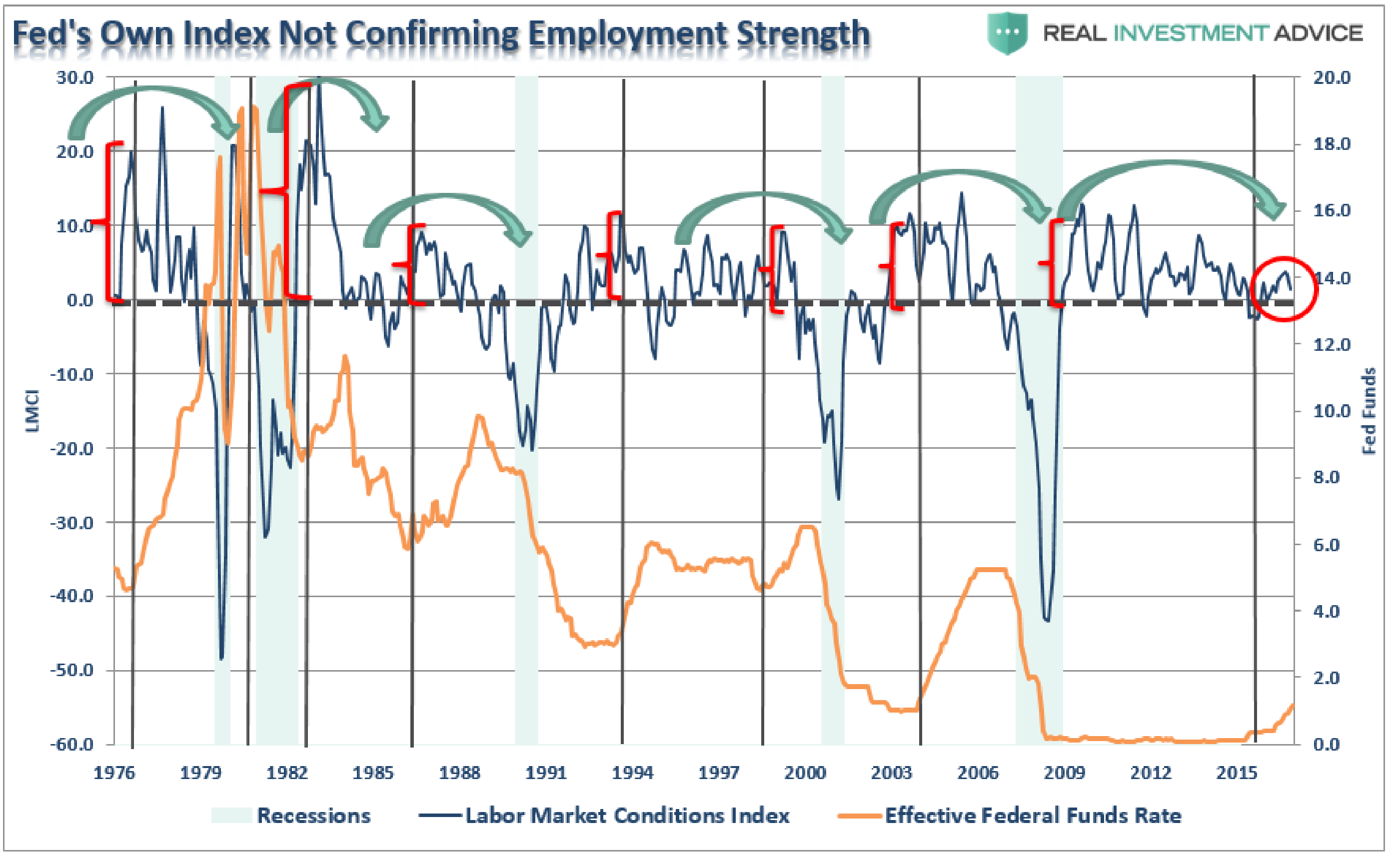
> *?There?s no such thing as fiction. Your fiction is somebody else?s fact.?*

I discovered what those words truly meant this week as the city and state I?ve called home for two decades suffered through the worst flooding disaster in United States history. I

won?t rehash the details. Most of you are never going to forget. Some will never recover. I?ll also never forget what I heard which motivated this writing. Edmond Russo with the U.S. Army Corps of Engineers and deputy district engineer for Texas, made the seminal comments at a Houston news conference Monday and again Tuesday.

> *?This storm and associated flooding is outside the parameter of our computer models??*
> *?Harvey is bringing amounts of rainfall seen only once in a thousand years.?*

Some levees were designed to protect against flooding that happens every 100 or 200 years, not every *1,000 years*. Yet, flooding instances in the area have occurred with greater frequency over the last several years without seemingly much alacrity to upgrade water infrastructure. The time previous, the April 2016 *?tax day flood,?* which dumped 17 inches on Houston and vicinity, was then concluded to be an incident that happens *?rarely.?* **Until a stalled Hurricane Harvey dumped a massive 52-plus inches of rain wreaking havoc and destruction which turned fiction to reality and motivated ordinary people to become heroes.** Candidly, nobody is going to save you when financial storms arise. **Very few financial professionals are equipped to be heroes. Or guardians. Their education is based primarily on the dependency on markets to *?right themselves,? ?fall within models.?*** It?s a false comfort they believe as religion and have little choice but to communicate. Stories are created, validated, disseminated. Word craft designed to hit sales goals, keep investors fully, blindly invested through every market cycle. Rare market events that *?fall outside the models,?* or 1,000 year incidents, black swans per se, are scoffed at. There?s little urgency to share facts, especially about the overall foundational fragility of financial theory. The financial crisis shades to a statistical speed bump. The neat bell-curved asset allocation packages marketed insidiously as predictable, are depended upon more than any period I?ve witnessed in my career. **This technological phenomenon driven by the investor cry for low fees, Wall Street?s desire to cement cash in fee-based models and big box firms motivation to preserve profit margins are feeding a potential financial Hurricane Harvey on the periphery, in the shadows of a bull market fueled primarily by central bank intervention and corporate accounting alchemy.** Markets are inured to bad news *(nukes, hurricanes),* as participants are convinced the Federal Reserve is stuck outside their models. The outlier interventions are the new normal. Unlike Hurricane Harvey that remained trapped over Texas moving at a mere two miles per hour, the Fed doesn?t wish to maintain a glacial pace of interest rate hikes. They seek to increase interest rates even when their inflation targets fail repeatedly to be met. **They?ll even go so far as to discontinue their own metric like the Labor Market Conditions Index, which conflicts with their false narratives.**



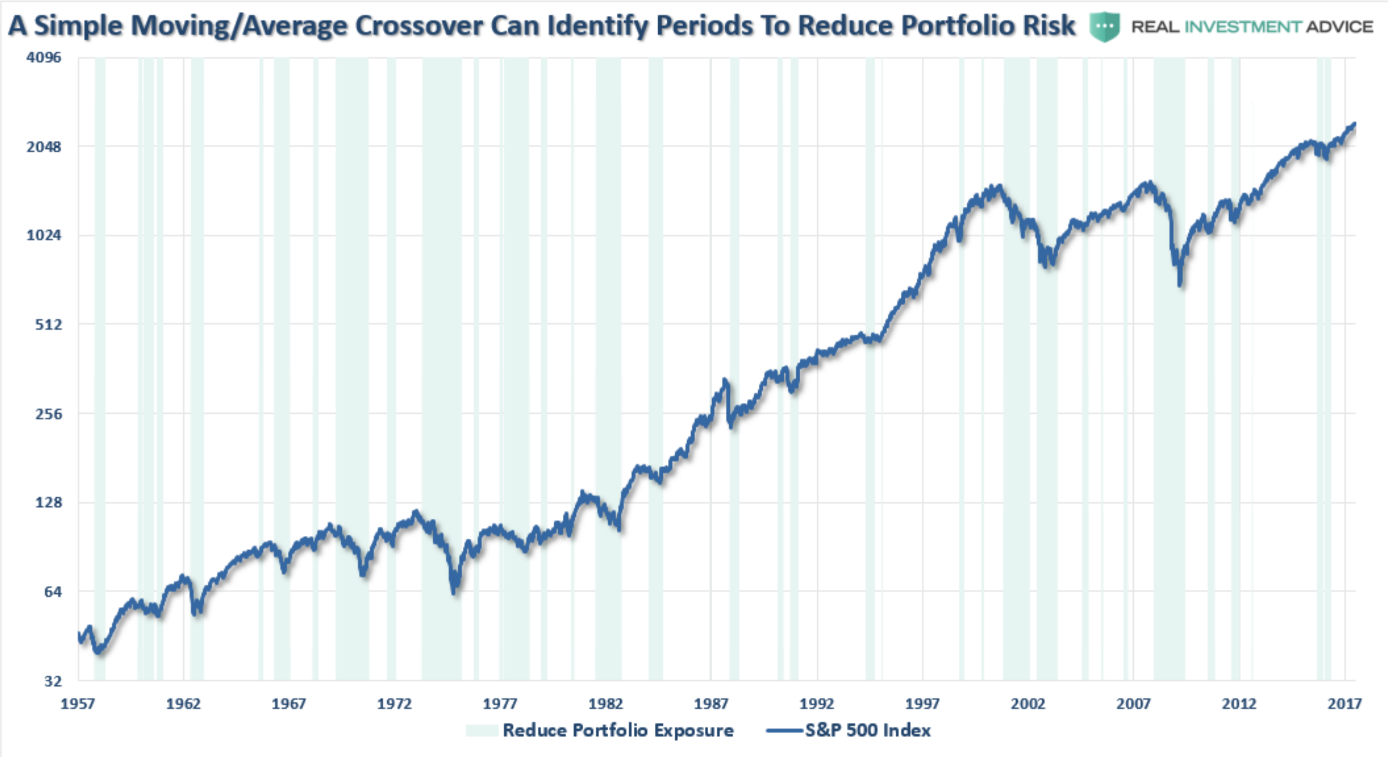
As it?s been so long since even a 5% market pullback, the model builders are emboldened. Cocky. They?re building more models, ?*algos,?* robots, that increasingly drive market behavior and continue to drown true risk-asset price discovery. There exists a dangerous false sense of low probabilities of shocks and rare events. However, as a household, your net worth only requires one rare event, a single outlier, to ruin everything. As many victims of the recent horrific events in Houston are finding out. **It only takes one *?1,000 year event,?* to change a life. Forever.** As a weathered investor you know the storm ultimately arrives. Here are financial lessons that I was reminded of again as the great Houston flood shut down, altered the landscape of America?s 4th most populous U.S. city.

1) Never Take On Risks That Could Jeopardize You

Insurance, whether life, disability, healthcare or long-term care related, must be utilized to mitigate risks that a household and family cannot financially absorb. It?s not about probability of occurrence, it?s about whether or not the risk is survivable if it does occur. Remember, the risk only needs to come to fruition *once* to wreak havoc. I understand how difficult it is to come to grips with aging, death or disability. Consider the example of Hurricane Harvey to comprehend vulnerability and motivate you to ultimately undertake a complete insurance analysis, preferably by a seasoned, licensed insurance professional. However, prioritize your actions. Remember, it?s never about product first, it?s planning. Before you purchase or increase coverage, it?s crucial to complete a comprehensive financial plan to assess insurance gaps and validate current coverage. From there, allow a financial fiduciary to arm you with guidelines and education regarding the types and costs of insurance available if required. For example, one of our insurance guardrails at Real Investment Advice is *?term until you earn,?* which means, term life insurance as the purest, cheapest form of coverage is especially suitable for young families with children. Permanent or cash-value life insurance, which requires a greater cash flow commitment or higher premiums, may be considered for estate and legacy intentions and in select cases a supplement source of retirement income once careers and earnings grow and children become increasingly independent. **A comprehensive plan should be able to illustrate the impact of an illness or death on your overall financial standing and current insurance**. From there, you can decide whether it?s acceptable to take on the remaining risk or purchase additional coverage.

2) Place Little Faith In Financial Models

Be guarded and aware of stale models that minimize the impact of ?outlier? events that have the potential to alter your financial path. Unfortunately, those models based on predictability of containing risks, are designed solely to keep you invested in risk assets at the most dangerous times. Financial models use blind faith as part of their foundation. Faith that markets are rational when we know as investors that markets are far from rational as they are comprised of people. People building more sophisticated quant structures that attempt to provide a false sense of security to the masses. Think of it as standing at Hurricane Harvey?s landfall point between Port Aransas and Port O?Connor. In the dark. With your eyes closed. You wouldn?t. There?s absolutely no academic, empirical reason to ride markets down when simple safety rules may be employed to minimize damage. Complex leads to chaos.



Risk management which is the minimization of losses when things go wrong, is attainable. While there are many sophisticated methods of handling risk within a portfolio, a basic method of price analysis, such as a moving average crossover, can be effective. [From Lance Roberts:]

> *"The chart above shows a simple moving average crossover study. The actual moving averages used are not important, but what is clear is that using a basic form of price movement analysis can provide a useful identification of periods when portfolio risk should be* ***REDUCED.*** *Importantly,* ***I did not say risk should be eliminated; just reduced. Again, I am not implying, suggesting or stating that such signals mean going 100% to cash.*** *What I am suggesting is that when ?sell signals? are given, it is the time when individuals should perform some basic portfolio risk management. Using some measure, any measure, of fundamental or technical analysis to reduce portfolio risk as prices/valuations rise, the long-term results of avoiding periods of severe capital loss will outweigh missed short term gains.* ***Small adjustments can have a significant impact over the long run."***

3) It?s Never Flooded Here

Throughout storm coverage, most of my television reporter friends (who I have a new level of respect after how much they sacrificed themselves and their families to provide much needed information,) asked in several ways, a similar question to those being rescued from flooded subdivisions.

> *?Have you ever experienced flooding or anything like this where you live??*

The spirit of the response every time?

> *?It?s never flooded like this here.?*

This answer summed up everything for me, personally. There was raw feeling, emotion and the shock of outlier risk fully taking hold of the moment. As this market rolls higher, you?ll be tempted to assuage risk management rules. You?ll begin to emotionally let your guard down and focus on potential reward instead of the risk taken to achieve it. The momentum of greed, like flood water, will look to capture and carry you. Markets are seductive, persuasive. The herd mentality will work relentlessly to take and sweep you away. I want you to craft a short paragraph, a financial beacon or mission statement, if you will, that will help you remain firmly grounded in your goals and priorities. Perhaps it sounds corny, but if it keeps emotions in check, I?m happy to appear as such. A financial mission statement should outline what you or you and your family strive to achieve (taking on greater risk is *not* an achievement), the values you find important and specific steps to get where you need to go. For example:

> *"We will not take on additional risk to place our finances in jeopardy. Monthly we are going to add an additional $100 a month to reduce credit card debt and increase our emergency savings by $25 a month. Our investments will match our specific goals and we will not be tempted to place our money in investments or financial products we do not fully understand*."

You get the picture. **Negative surprises, regardless of the probability of low occurrence, may fuel severe storms of financial fragility that can alter a path in unwelcomed ways.** Do what you can to protect. We as a Texas family have already been through so much. Our resiliency and resolve are strong. The responsibility to fortify your financial levees should never be as important as it is right now.