BANYAN CAPITAL MANAGEMENT

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For the first nine months of 2017 Banyan's equity composite was up in line with the market; 14.1% vs. 14.2% for the S&P 500. (Explanation of how composite is compiled) We are okay with that. We also continue to find a few companies that are mispriced. By way of example, the newest addition to our portfolio is Express Scripts.

We typically discuss investment topics in our quarterly letters. We would like to discuss a different, although related, topic this time: saving for retirement. A common question we hear is, "Do I have enough, and, if not, what can I do to save more?" These are difficult questions, but there are a few common sources of potential savings that should always be considered.

First, examine your expenditures thoroughly. Begin with the necessities and work your way towards luxuries, cutting deeper as you progress. Consider the following:

1. **Necessities** – What expenditures are absolutely necessary? This includes utilities and housing. Necessities are difficult to cut, but efficiencies can be gained, especially regarding utility usage.

2. **Staples** – What expenditures are essential to my livelihood? This includes food and household items. Consumption is difficult to cut, but cost per item can be reduced. Is the brand name product worth the premium, for instance?

3. **Taxes** – Can I optimize my tax burden? If you are receiving a tax refund, however, adjust your payroll withholdings to eliminate the refund. Otherwise, you are lending the government interest free money.

4. **Insurance** – Can I reduce my premium expenditures? This can be a large source of savings for some people. In no particular order, consider the following:

    a. Auto – Consider switching to a low-cost insurer like Geico or Progressive. Also, consider canceling your collision insurance if you drive an old vehicle of little resale value.

    b. Homeowners – Consider a high deductible policy to lower premiums. Also, underinsuring the value of your home is appropriate in some instances.

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c. Disability – Consider lengthening the period before disability payments begin to reduce premiums. If you have accumulated a fair amount of liquid wealth, you can self-insure for a longer period. Also, have a business pay the premiums if possible to gain tax deductibility.

d. Life – Consider reducing your total death benefits to lower premiums, especially if you have significant wealth and few dependents.

e. Professional Liability – Consider the cost effectiveness of your professional liability insurance. Shop around if you have not done so lately.

5. **Luxuries** – Lastly, what expenditures are simply luxuries? This includes traveling for pleasure, eating out, and entertainment, among many other things. Track these expenditures closely and examine them regularly. These expenses are like fingernails: They always need trimming.

Lastly, examine your balance sheet with an eye towards tax efficiency and productivity. Consider the following:

1. **Retirement Accounts** – Can you funnel more funds into your retirement accounts? Deposits to retirement accounts are typically not part of your earned income and, therefore, will reduce the amount of taxes owed. Also, you might open another type of retirement account that allows you to put more money away on a tax leveraged basis.

2. **Unproductive Assets** – Do you have considerable wealth tied up in assets that are not producing returns or, worse yet, depreciating? If so, does your family's enjoyment of these assets offset the opportunity costs?

This list is far from comprehensive. It is also generic. Every individual's circumstances are different, and none of the above ideas should be implemented without considering the nuances of your personal situation. They are not recommendations.

Remember that every dollar you spend is gone forever plus all that dollar could earn if it were properly invested. Therefore, saving is the first step to building permanent wealth.

Sincerely,

Gary L. Watkins
President

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Portfolio Manager