

# THE WEALTH SOLUTION



STATE OF THE ART  
CONFERENCE

November 4, 2011

**“Go confidently in the direction of your dreams. Live the life you have imagined.”**

Henry David Thoreau



Bringing Structure to Your Financial Life

# A Framework for Financial Success

- We all have busy lives, juggling multiple priorities and demands on our time.
- Each of us is our family's chief executive officer.
- To be successful CEOs, we all need two things:
  - A solid understanding of the challenges
  - A comprehensive approach for addressing each



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# The Cost of Failure



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# **In This Workshop, You Will Discover a Process That Will Enable You to:**

- Cut through all the confusion and noise.
- Simplify your financial life.
- Help ensure that you are consistently making the smartest possible decisions about your money—day in and day out.



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**Let me tell you why I feel  
so  
passionate about this ...**



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# The Six Key Challenges Facing Today's Investors

1. Preserving wealth in retirement
2. Minimizing taxes
3. Effective estate and gift transfer
4. Wealth and income protection
5. Charitable gifting
6. Finding high-quality financial advice



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# Definition of Wealth Management

1. Use a consultative process to gain a detailed understanding of your deepest values and goals.
2. Employ customized solutions designed to fit your specific needs and goals beyond simply investments.
3. Deliver these customized solutions in close consultation with other professional advisors.



# The Structured Wealth Management Solution

- Investment planning
- Advanced planning
- Trusted advisor relationships



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# The Investment Planning Process

1. Beating the market is virtually impossible.
2. Owning a broadly diversified portfolio of stocks is a prudent approach to investing.
3. Risk and return are related.
4. Structured diversification can reduce volatility and enhance wealth.
5. Building an ideal portfolio depends on each investor's risk capacity, risk tolerance and investment preferences.
6. A disciplined long-term perspective is the key to staying on track to realizing your key financial goals.



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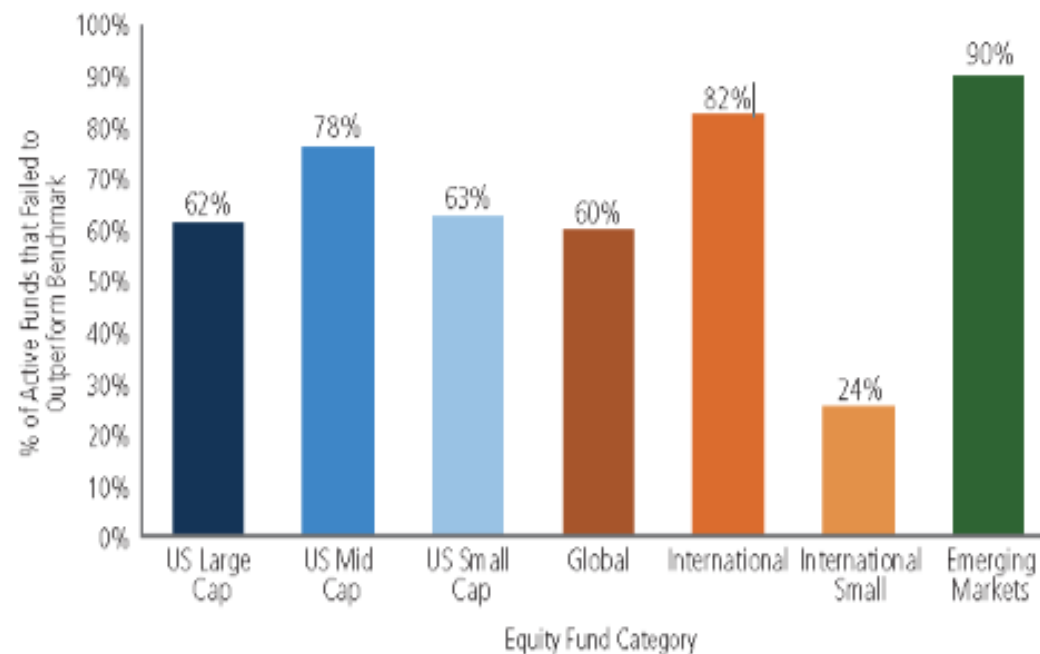
# 1. Beating the Market Is Virtually Impossible

- Public equity mutual funds that outperformed their benchmarks
- Active fixed income mutual funds that outperformed their benchmarks



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**Exhibit 5.2: Percentage of Active Public Equity Funds that Failed to Beat Their Indices**  
(January 2006 – December 2010)



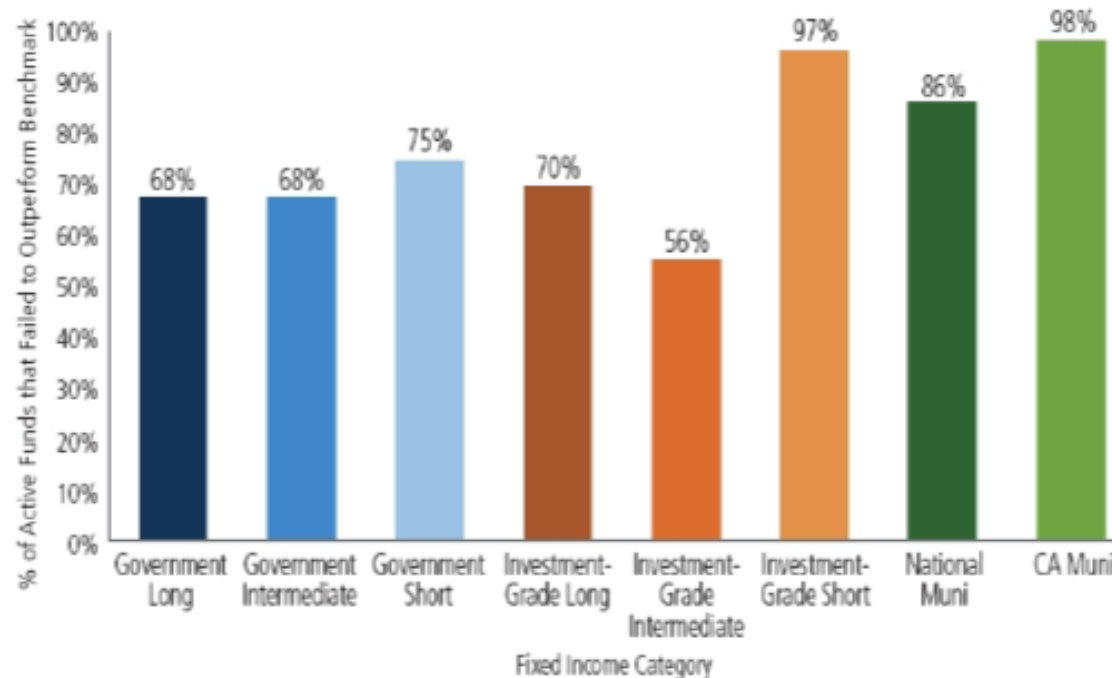
Source: Standard & Poor's Indices Versus Active Funds Scorecard, March 2011. Index used for comparison: US Large Cap — S&P 500 Index; US Mid Cap — S&P MidCap 400 Index; US Small Cap — S&P SmallCap 600 Index; Global Funds — S&P Global 1200 Index; International — S&P 700 Index; International Small — S&P Developed ex. US SmallCap Index; Emerging Markets — S&P IFCI Composite. Data for the SPIVA study is from the CRSP Survivor-Bias-Free US Mutual Fund Database.



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## Exhibit 5.4: Percentage of Active Fixed Income Funds that Failed to Beat Their Indices

January 2006 – December 2010



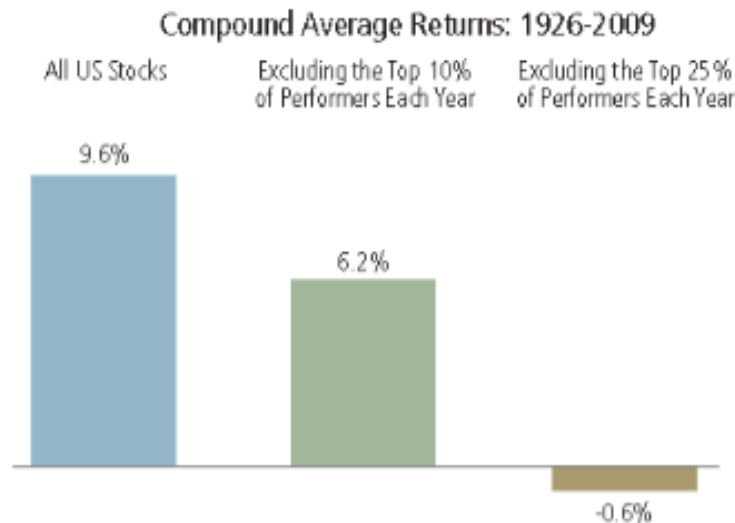
Source: Standard & Poor's Indices Versus Active Funds Scorecard, March 2011. Index used for comparison: Government Long — Barclays Capital US Long Government Index; Government Intermediate — Barclays Capital US Intermediate Government Index; Government Short — Barclays Capital US 1-3 Year Government Index; Investment Grade Long — Barclays Capital US Long Government/Credit; Investment Grade Intermediate — Barclays Capital US Intermediate Government/Credit; Investment Grade Short — Barclays Capital US 1-3 Year Government/Credit; National Muni — S&P National Municipal Bond Index; CA Muni — S&P California Municipal Bond Index. Data for the SPIVA study is from the CRSP Survivor-Bias-Free US Mutual Fund Database. Barclays Capital data, formerly Lehman Brothers, provided by Barclays Bank PLC.



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## 2. Owning a Broadly Diversified Portfolio of Stocks Is a Prudent Approach to Investing

Exhibit 5.6: The Impact on Returns of Missing the Top-Performing Stocks (1926-2009)



Source: Dimensional Fund Advisors. Past performance is not indicative of future results. Indexes are unmanaged baskets of securities in which investors cannot directly invest. The data assume reinvestment of all dividend and capital gain distributions; they do not include the effect of any taxes, transaction costs or fees charged by an investment advisor or other service provider to an individual account. The risks associated with stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Small company stocks may be subject to a higher degree of market risk than the securities of more established companies because they tend to be more volatile and less liquid.



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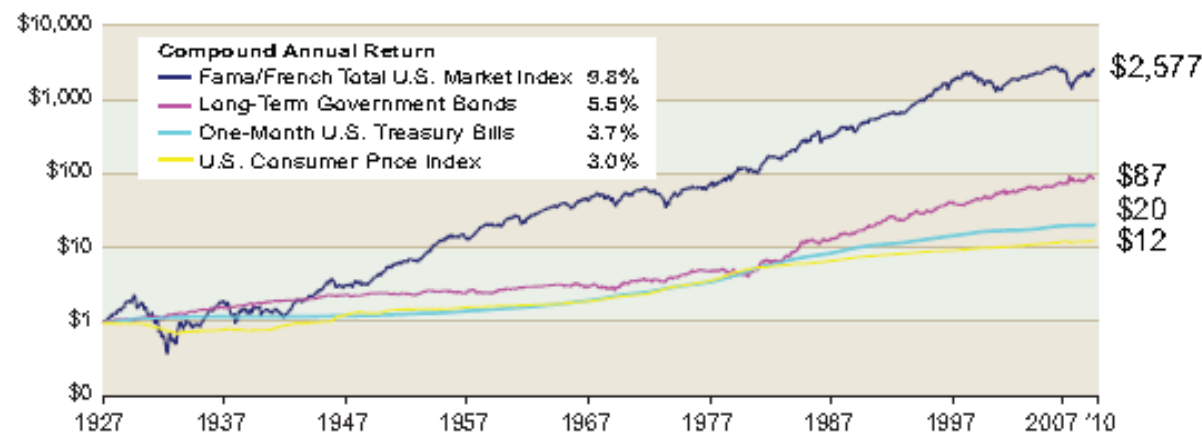
# 3. Risk and Return Are Related

Exhibit 6.1: Three-Factor Model



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## Exhibit 6.2: Stocks Outperform Bonds Over Time 1927 - 2010



Source: Morningstar's 2010 Stocks, Bonds, Bills, And Inflation Yearbook (2011); Fama/French Total U.S. Market Index provided by Fama/French from Center for Research in Security Prices (CRSP) data. Includes all NYSE securities (plus Amex equivalents since July 1962 and NASDAQ equivalents since 1973), including utilities. Risks associated with investing in stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Indexes are unmanaged baskets of securities that investors cannot directly invest in. Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1927 and kept invested through December 31, 2010. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.



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## Exhibit 6.4: US Small vs. US Large July 1926 – December 2010



Periods based on rolling annualized returns. 715 total 25-year periods. 775 total 20-year periods. 835 total 15-year periods. 895 total 10-year periods. 955 total 5-year periods. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Indices used: Fama/French US Small Cap Index, Fama/French US Large Cap Index. The risks associated with investing in stocks and overweighting small company stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Small-cap stocks may be less liquid than large-cap stocks.



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## Exhibit 6.5: Value Outperforms Growth

July 1926 - December 2010

In 25-Year Periods	Value beat growth 100% of the time
In 20-Year Periods	Value beat growth 100% of the time
In 15-Year Periods	Value beat growth 95% of the time
In 10-Year Periods	Value beat growth 91% of the time
In 5-Year Periods	Value beat growth 82% of the time

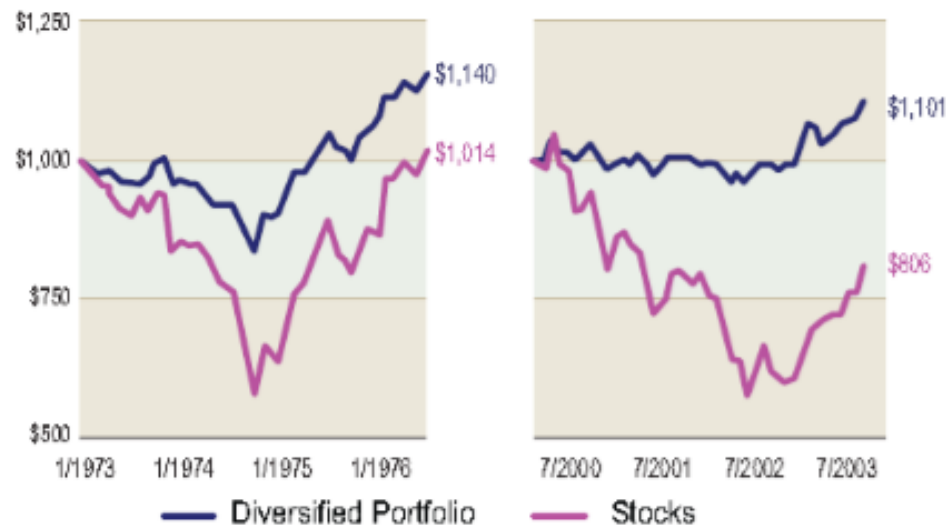
Periods based on rolling annualized returns. 715 total 25-year periods. 775 total 20-year periods. 835 total 15-year periods. 895 total 10-year periods. 955 total 5-year periods. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Indices used on this chart Fama/French US Large Value Index (ex utilities), Fama/French US Large Growth Index (ex utilities). The risks associated with investing in stocks and overweighting value stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal.



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# 4. Structured Diversification Can Reduce Volatility and Enhance Wealth

Exhibit 7.2: Diversified Portfolios in Various Market Conditions  
Performance during and after select bear markets



Past performance is no guarantee of future results. Diversified portfolio: 35% stocks, 40% bonds, 25% Treasury bills. Hypothetical value of \$1,000 invested at beginning of January 1973 and November 2007, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Stocks in this example are represented by the Standard & Poor's 500®, an unmanaged group of securities considered to be representative of the stock market in general. Bonds are represented by the 20-year U.S. Government Bond, and Treasury bills by the 30-day U.S. Treasury bill. The data assumes reinvestment of income and does not account for taxes or transaction costs. © 2010 Morningstar. All Rights Reserved. 3/1/2010.



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## 5. Building an Ideal Portfolio Depends on Each Investor's Risk Capacity, Risk Tolerance and Investment Preferences

Exhibit 8.2: Average Mutual Fund Costs in 2009

Funds	Annual Reported Net Expense Ratio	SAI Charges*	Total Fees
Average Actively Managed Mutual Fund	1.14%	1.53%	2.67%
Average Passively Managed Mutual Fund	0.52%	0.61%	1.13%

\*Statement of Additional Information (SAI). Based on Turnover Ratio % times average SAI of 1.47%.

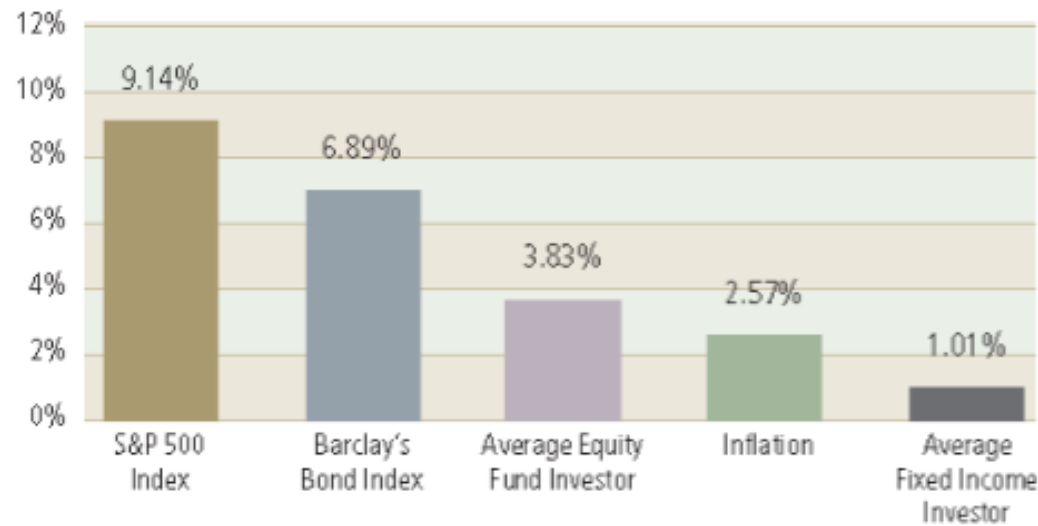
The illustration results are only an estimate and do not reflect advisory fees charged by your investment advisor. Source: Lipper Data as of December 31, 2009



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## 6. A Disciplined Long-Term Perspective Is the Key to Staying on Track to Realizing Your Key Financial Goals

Exhibit 9.2: Market Rates of Return vs. Investors' Actual Rates of Return  
Average Investor vs. Major Indices 1991 – 2010



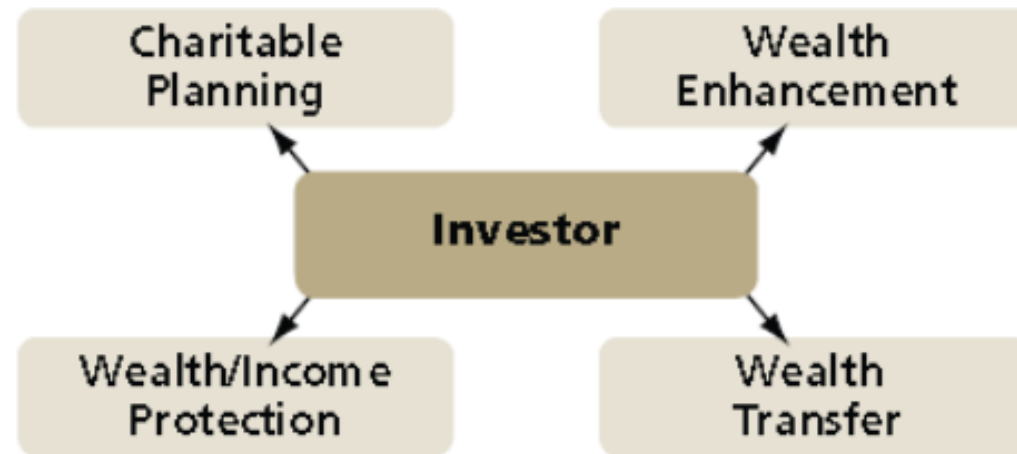
Average stock investor and average bond investor performances were used from a DALBAR study, Quantitative Analysis of Investor Behavior (QAIB), 03/2011. QAIB calculates investor returns as the change in assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms (above), two percentages are calculated: Total investor return rate for the period and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions, and exchanges for the period. The fact that buy-and-hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future.



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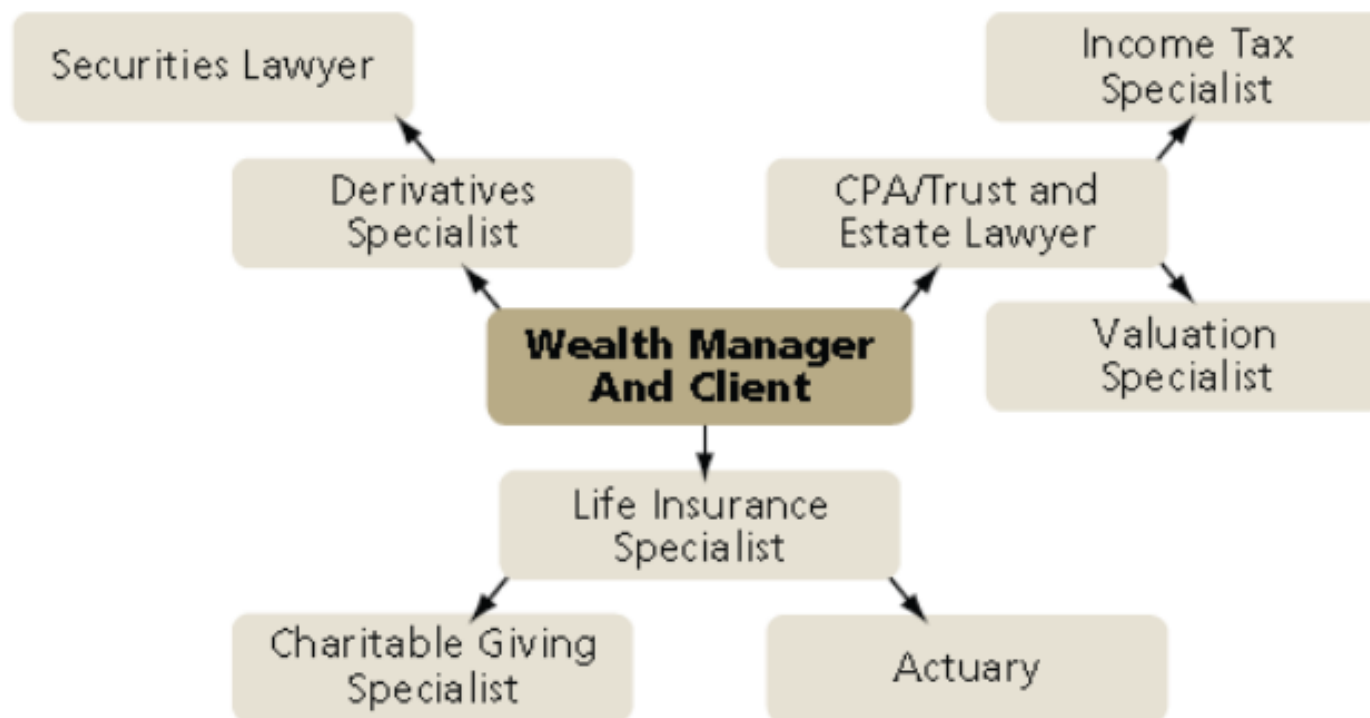
# Advanced Planning

Exhibit 10-1: Key Advanced Planning Concerns



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## Exhibit 10-2: The Range of Trusted Advisory Relationships



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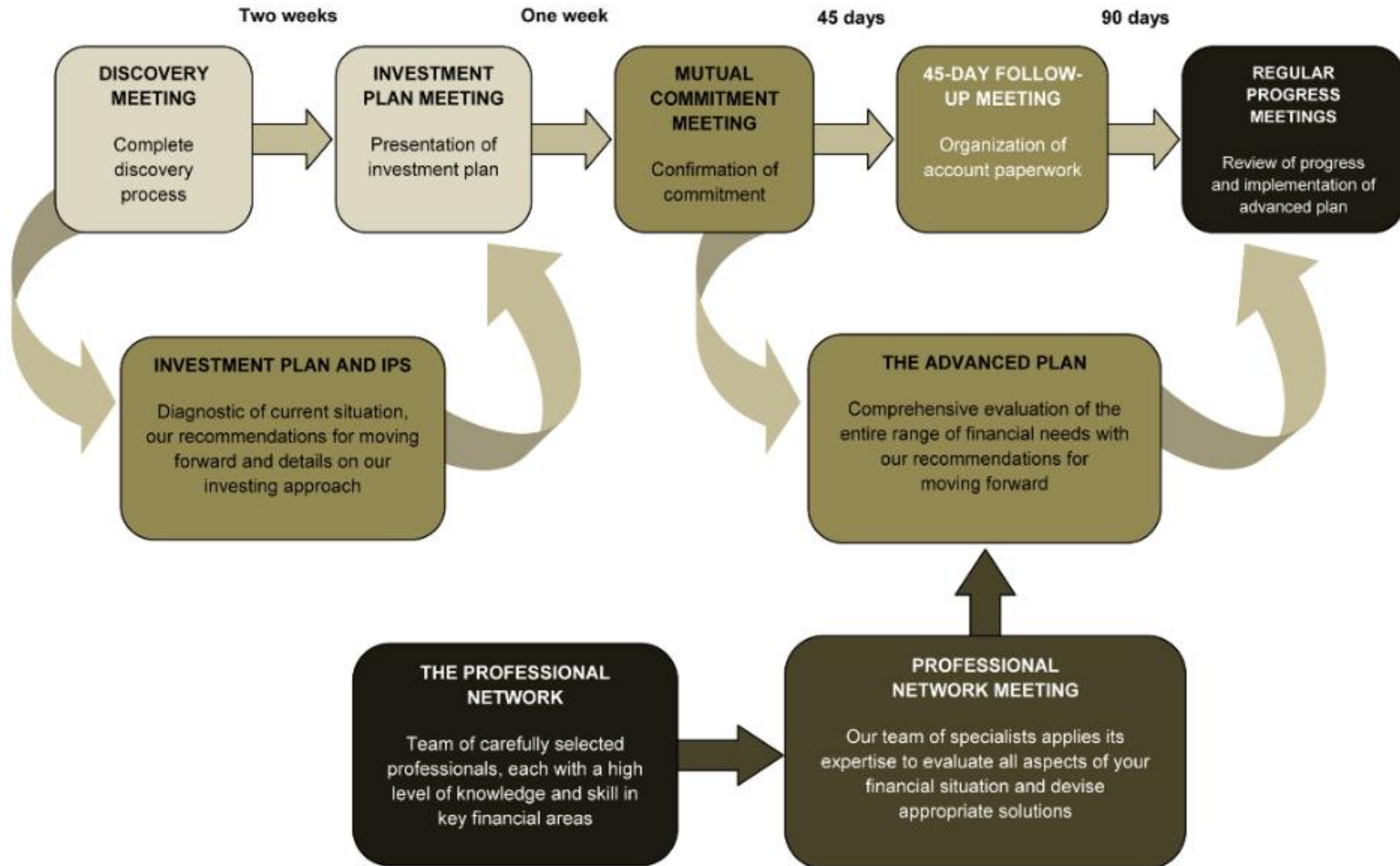
# Putting It All Together

- Develop your total investment profile.
- Create your investment plan.
- Create your advanced plan.
- Get the help you need.



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## Wealth Management Consultative Process



**We wish you nothing but success  
in achieving all that is important to  
you.**



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NOVEMBER 4, 2011