# Asset Management

**Managing Assets. Managing Behavior. Managing Expectations.**

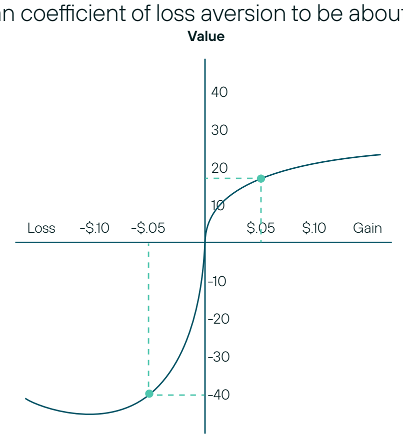
Let's face it, there is a lot of noise out there and the world isn't getting any quieter. Markets move faster than ever, and "information" is more readily available than any other time in history. How do we navigate an investment portfolio through times like these?

### STEP 1

**Understand How Emotions Can Affect Our Behavior**

As humans, we tend to feel the pain of our losses more than the joy of our gains. In their 1992 paper, Daniel Kahneman and Amos Tversky found the median coefficient of loss aversion to be about 2.25, i.e., losses hurt about 2.25 times more than equivalent gains reward.**

Simply put, it's better not to lose $20 than it is to find $20. Knowing this does not necessarily make it easier when losses happen, but it at least can help us curb our natural tendencies.




### STEP 2

**Segment Your Assets (Long Term v. Short Term)**

Even if you are retired, you likely still have assets that will either be used many years from now or not at all and passed on through your estate. Should those long-term assets be invested in the same manner as the investments you plan to use for expenses this year? "Bucketing" your money is a strategy that builds investor confidence because they know that no matter what markets do in the short run, their immediate needs are taken care of. Bucketing according to goal time-frame and forecasted cash flow, gives long-term assets time to potentially grow while short-term assets are allocated more conservatively. No strategy assures success or protects against loss.

**Tversky, Amos; Kahneman, Daniel (1992). "Advances in Prospect Theory: Cumulative Representation of Uncertainty". Journal of Risk and Uncertainty. 5 (4): 297–323. doi:10.1007/BF00122574. ISSN 0895-5646.Abstract. Source: https://en.wikipedia.org/wiki/Loss_aversion

### STEP 3

**Determine Your Tax-Sensitivity Factor**

Understanding your present and future tax-sensitivity is absolutely vital in building your investment strategy. High tax bracket? Let's avoid investments like actively-managed mutual funds in non-tax-deferred accounts. Let's make sure that ordinary-dividend and interest-generating bonds are held inside tax-deferred vehicles like IRAs.

Are the bulk of your investments pretax, where the IRS still has a claim to them or are they Roth-based where future distributions are tax free? Are you a current or future candidate for strategic Roth IRA conversions? Positive returns are what we seek, but it's all about what you keep. We will help shed light on how taxes are affecting your current portfolio and how we can help you keep more of your hard-earned money.

### STEP 4

**Determine Your "Risk Number"**

We utilize comprehensive technology that helps us determine your emotional tolerance for risk, i.e. your "Risk Number". We then utilize the same technology and analyze your existing portfolio to determine its Risk Number. We then compare the two for divergence.

### STEP 5

**Design Your Custom Asset Allocation**

Very few clients come to us with a "clean slate" of cash to invest. Many have concentrated stock positions from their employment and other existing investments, some of which may be functioning well and others not so much. During this phase we examine each of the individual parts of the portfolio and determine what should stay, what should go and what asset classes need to be added in seeking to optimize the allocation. Of course we always rely on Riskalyze technology to build and optimize each of our clients 'unique portfolios from a risk standpoint.

### STEP 6

**Deploy!**

### STEP 7

**Monitor & Review**

We are always monitoring our clients' portfolios and will proactively keep you informed on updates we make. It is vital to remember that the investment strategy works hand-in-hand with the remaining 9 pillars of the financial plan. As part of our systematic monitoring process, we conduct yearly reviews of our clients' financial plans, which includes their investment portfolios. In addition, we will prompt our clients for a 6-month "check-in" to make sure we are staying on track. We also understand that "life happens" and you may need our expertise at a random point. Just remember, we are here for you. We have your back.



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