

Expanding Your Wealth

A Publication of www.GreatWealth.com

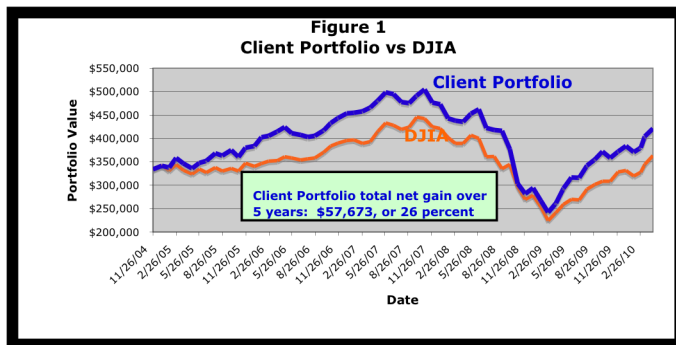
Show Me the Money!

Recently, in preparing for a meeting with one of my early clients, I pulled up his initial statement from November 2004. When I compared his original account balance to his current account balance I found some very positive information. In spite of 2008 being the worst calendar year for the stock market since 1933, his portfolio, which is 90 percent equities and 10 percent bonds, has increased 26 percent since 2004.

Sure, I'd much rather report that his portfolio was up 75 percent in six years, but in times like what we've endured since 2004 it's important to have a portfolio that can weather the storm and still generate a significant return.

After seeing that his portfolio has increased 26 percent, all costs and fees included, I immediately asked myself: "What has the Dow Jones Industrial Average (DJIA) done over the same period?" After all, the DJIA is the most commonly quoted benchmark in the world.

In comparison, the DJIA, with no investing costs included, has increased just 9 percent over the same period. In other words, while my client's portfolio increased 26 percent, the DJIA, which beats most peer funds, and without any costs taken out, has increased 9 percent since November 2004.

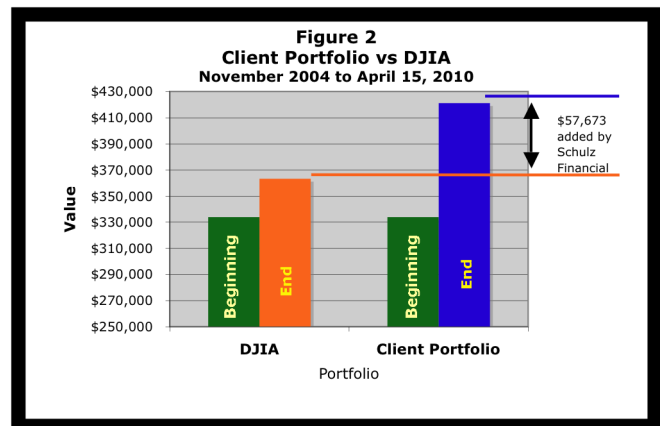


Moreover, when I plotted my client's portfolio against the DJIA I found that it stayed ahead of the DJIA almost the entire time (Figure 1).

While an incremental difference of 17 percent over the DJIA is good, the real question is: "How many dollars, after all investing fees, does this mean to my client?" The answer? **\$57,673**, on an initial portfolio value of \$334,041 (Figure 2).

But what about the risk comparison of the two portfolios? Did the client portfolio have an unfair advantage?

On one hand, the client portfolio has slightly more volatility, or standard deviation, than the DJIA (11.6% vs. 10.2%). However, the client portfolio is significantly less risky than the DJIA in another respect because it is far more diversified than the DJIA, containing thousands of investments instead of just 30.



Hence, the net risk of the client portfolio is approximately the same risk as the DJIA. **This is what we want: significantly more return for no additional risk.**

The performance of his portfolio is a natural outcome of using DFA mutual funds and engineering

Expanding Your Wealth

A Publication of www.GreatWealth.com

the portfolio with the Morningstar software I lease, as well as the experience I have at optimizing portfolios by utilizing mathematical/statistical models. It all comes into play.

But **the bottom line is the client is \$57,673 ahead** of the DJIA, a benchmark that beats most peer funds, and the client is comfortable with the risk he's taking. Further, and more importantly, **my client is \$87,044 ahead (all costs included) of where he was on an investment of \$334,041** in 2004. Hence, in spite of being in the midst of a difficult decade, they're still moving toward their financial goals.

Yes, we'd all rather see markets go up more than 26 percent in six years. However, having a robust portfolio that survives a historically strong downturn and still posts a significant gain is a big step forward in trying years like what we've been through.

If I were clairvoyant I could buy low and sell high on market movements, but no one is clairvoyant. So what does one do? Get into a high quality, well engineered portfolio that's tailored to your risk and time horizon. Such a portfolio will weather the ups and downs while moving you toward your personal financial goals.

A More Recent Example

What about one of my portfolios that I took over at a later date, not long before the financial collapse? Yes, I do have such an example.

One of my clients moved a portion of his portfolio over to Schulz Financial in May 2008, just before the fall/winter meltdown of 2008-09.

Where is it now? Fortunately, *the portfolio has regained 96 percent of its May 2008 value*. This is typical of the portfolios I manage.

Sure, we'd rather be ahead instead of being down 4 percent. However, when one considers what we went through, it's good to have weathered such a market and be within 4 percent of the beginning value in such a short amount of time.

Again, our robust portfolio survived the storm and the client is again moving toward their financial goals. **That's why I'm here: to expand your wealth and help move you toward your financial goals.** It's not a linear path, but we're going the right direction.

Thank you for giving me a few minutes and please pass this along to others you know who would like to expand their wealth.



Please check out my new web site at:

www.GreatWealth.com

On it, you can check out the blog and sign up for my newsletter, *Expanding Your Wealth*. Please send the PDF or link to this site far and wide, or better yet, contact me at:

Rodney@GreatWealth.com

281-705-9189