

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

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- Registered Investment Advisor
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- "Ask the Experts" Panelist at www.federaltimes.com

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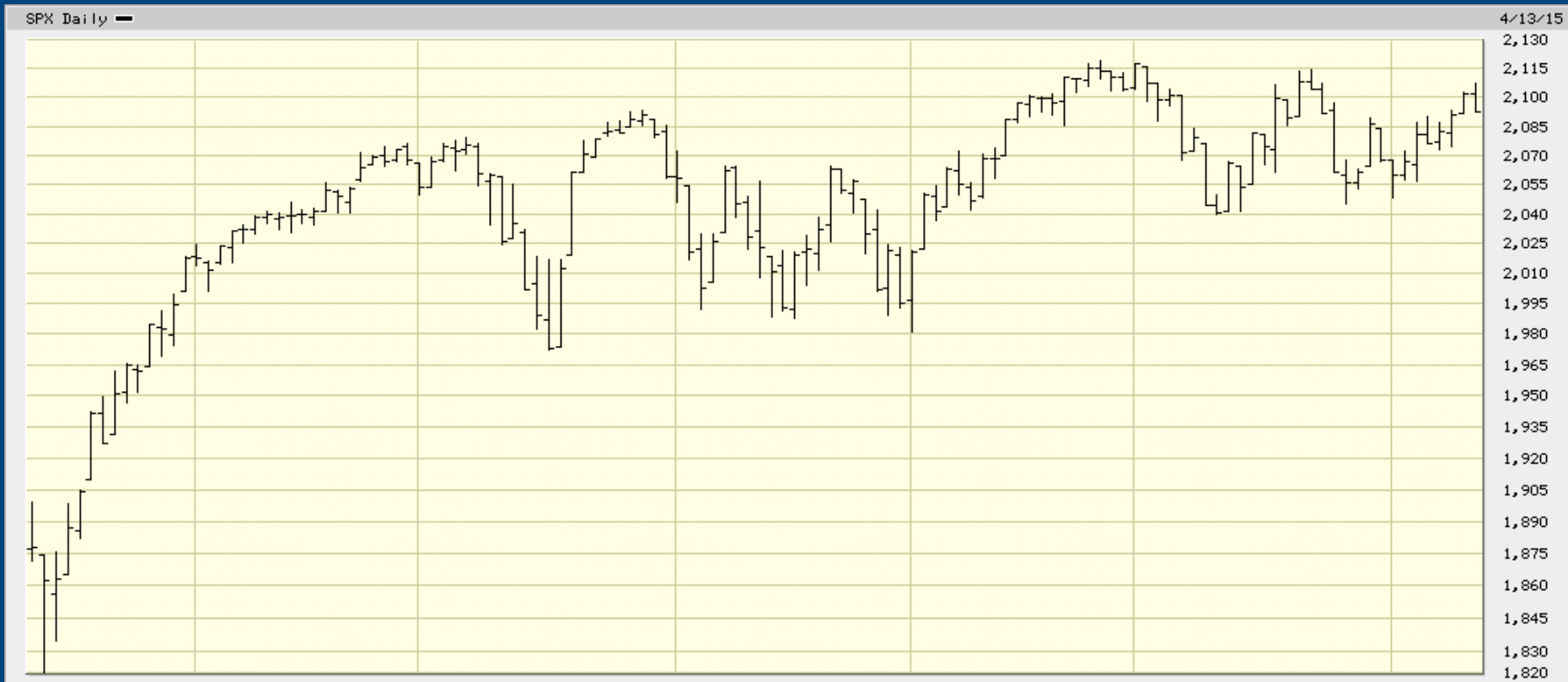
- \$49 Benchmark™ Portfolio Review – **Save \$250**
- Free Hour of Consulting / Analysis – **Save \$205**
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- Email Questions to me at mmiles@variplan.com

Contents

1. Market Review
2. Tactical Recommendations
3. Asset Classes and Types – Diversification and Concentration
5. Questions & Answers

How to Submit Your Questions

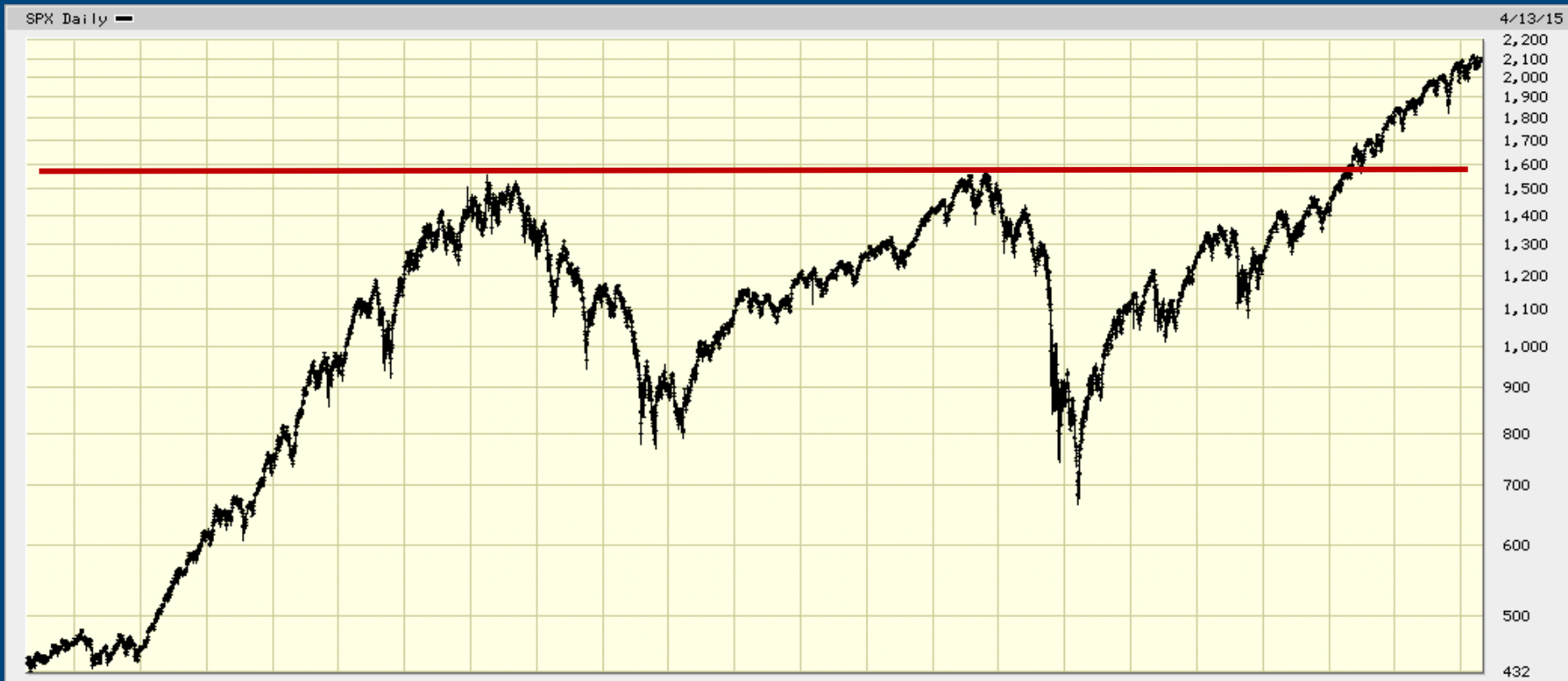
Market Review – Stocks (6 months)



Market Review – Stocks (5 Years)



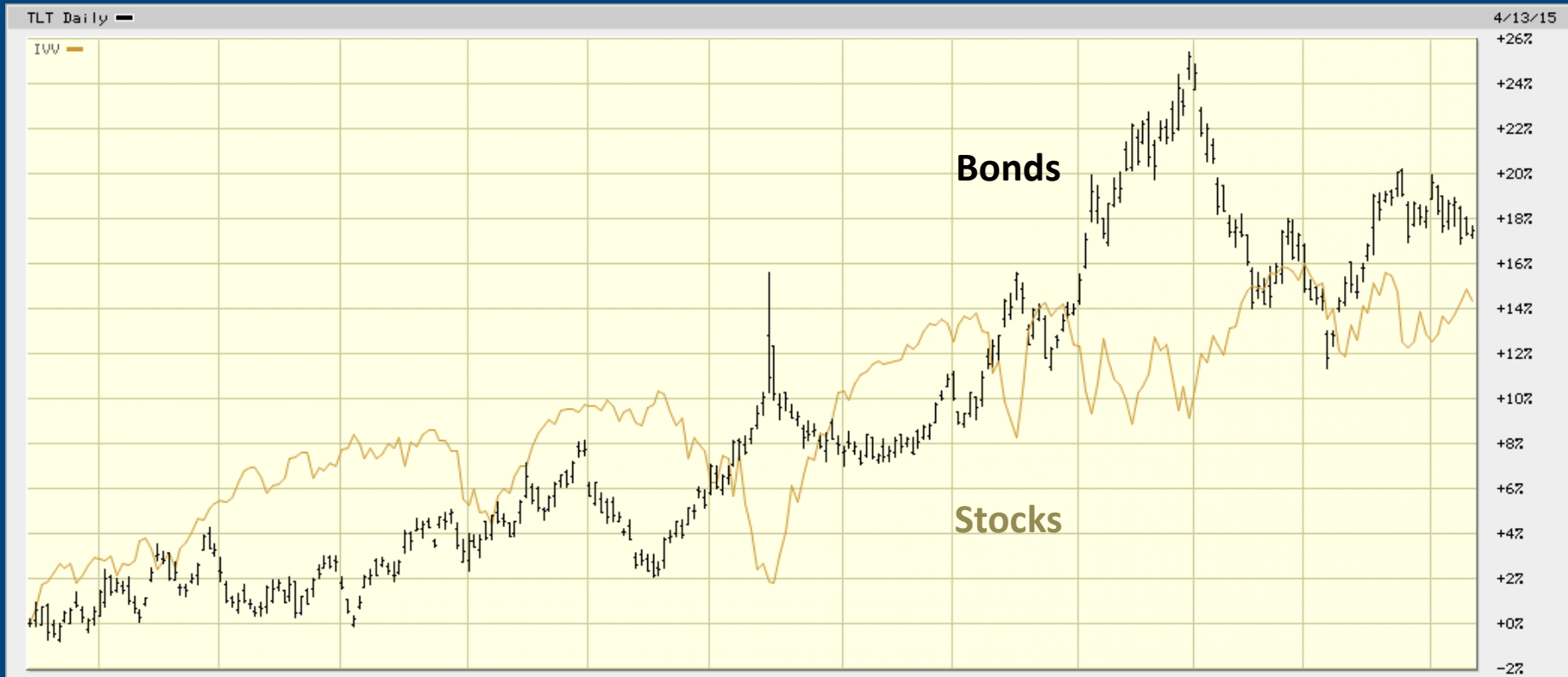
Market Review – Stocks (20 Years)



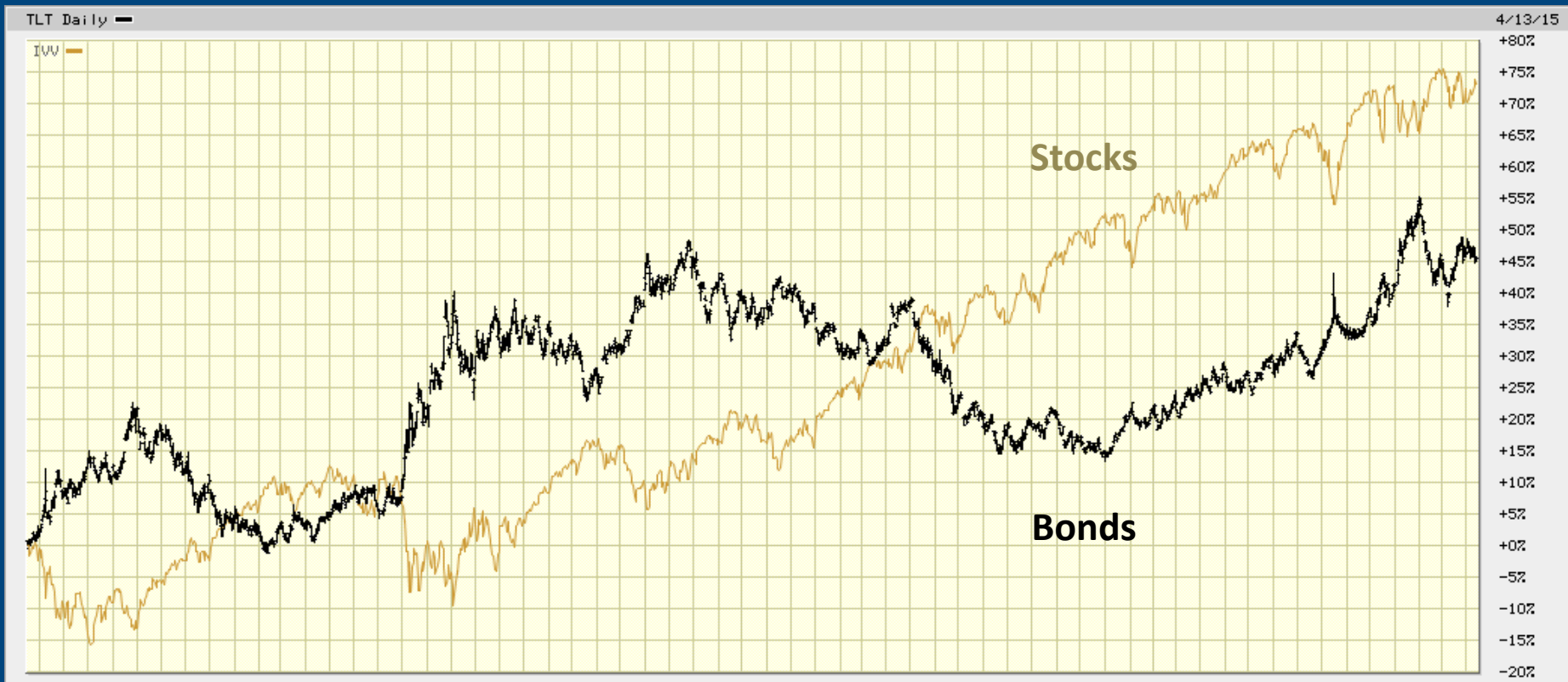
Market Review - Interest Rates (20 Years)



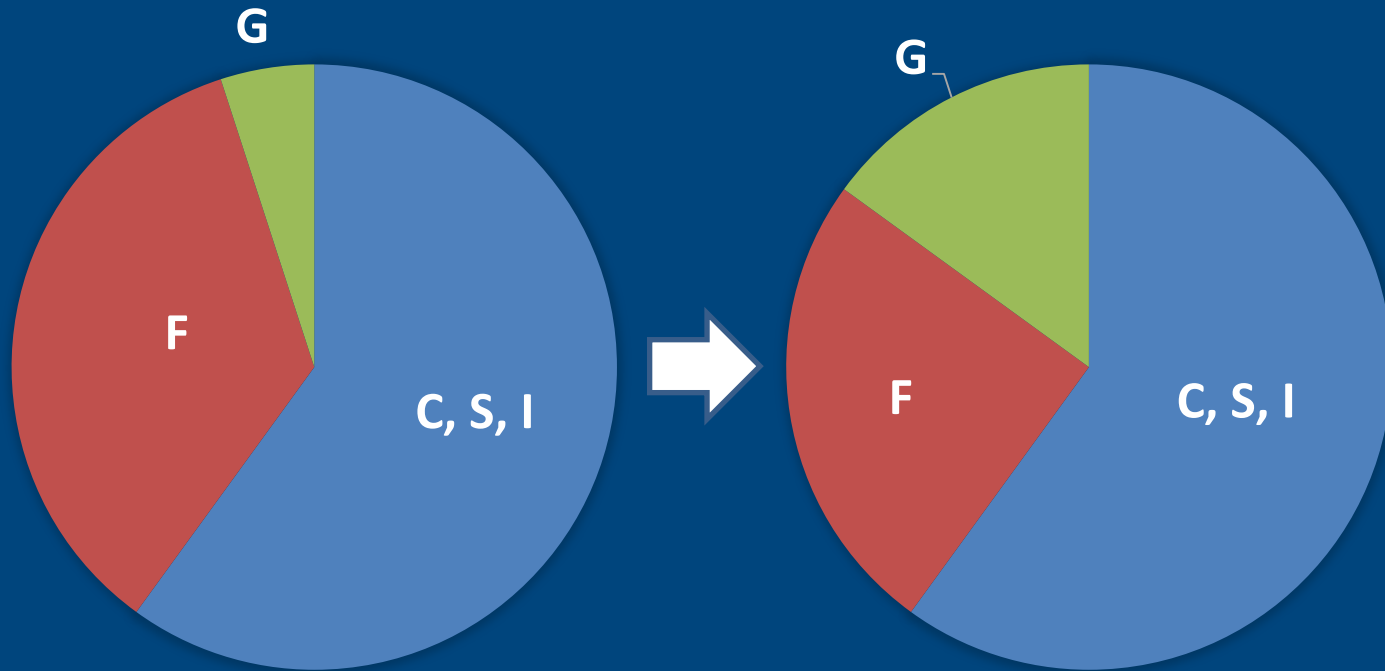
Market Review – Stocks vs. Bonds (1 Year)



Market Review – Stocks vs. Bonds (5 Years)

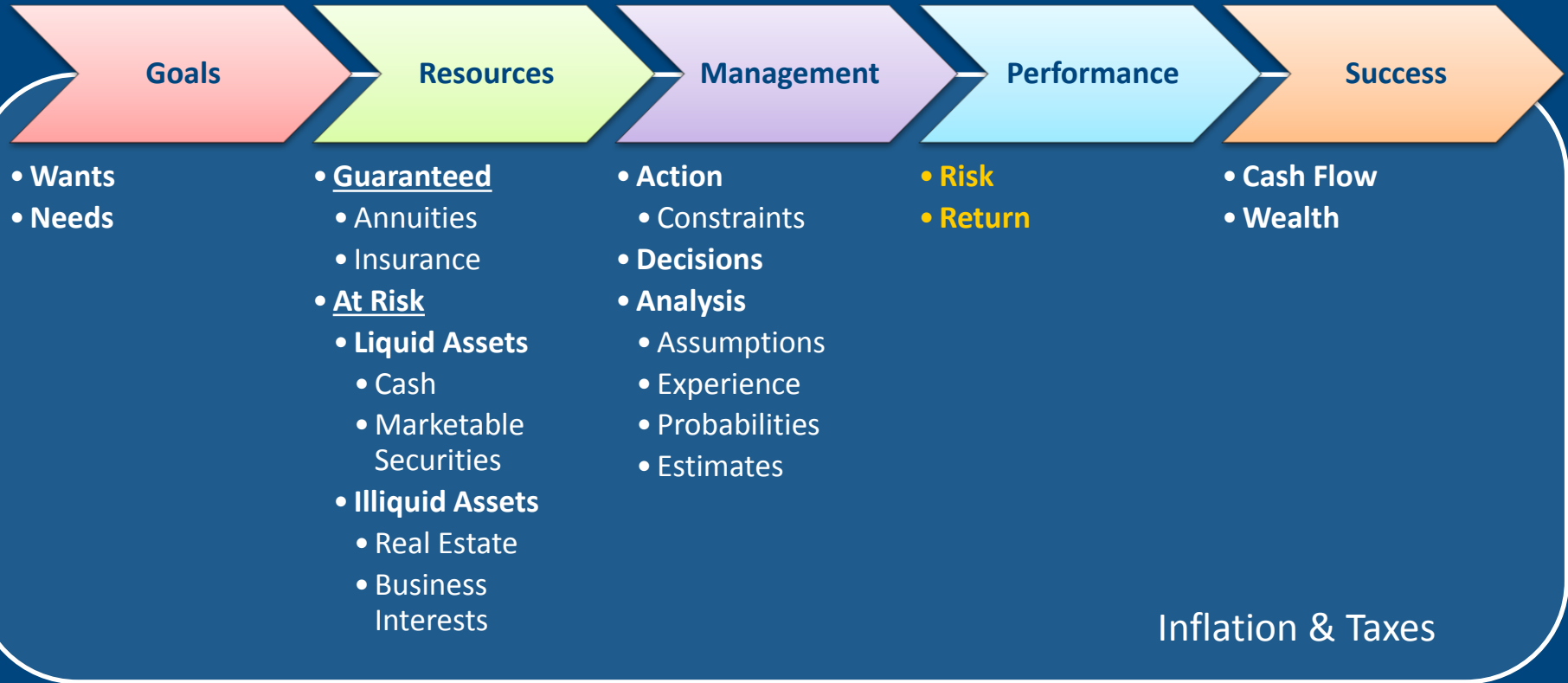


Tactical Recommendation



Asset Classes and Types – Diversification and Concentration

Financial Planning and Management



Asset Classes

Stocks

Bonds

Cash

Fractions of asset classes and anything else

Asset Types

Sector Funds

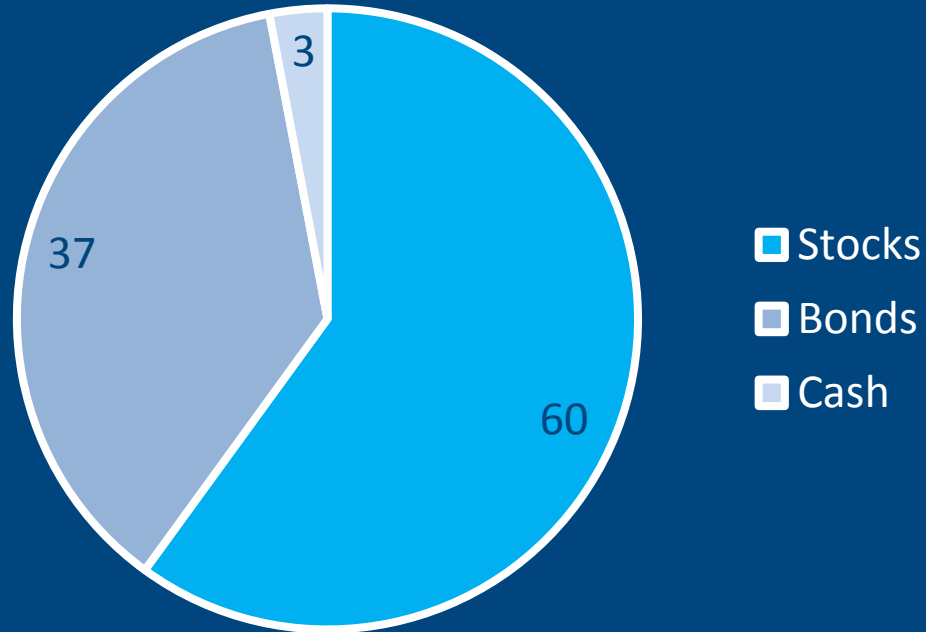
Commodities / Resources

REITS

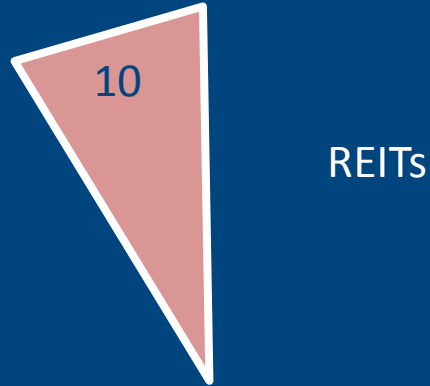
Derivatives

Foreign Funds

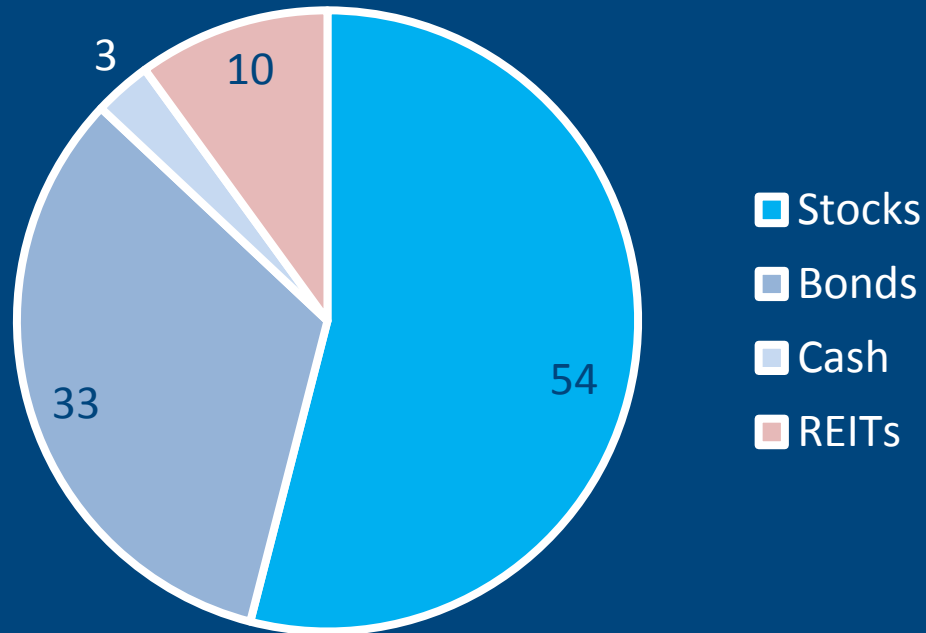
Simple Moderate Portfolio



How About Adding REITs to the Allocation?



Compromising REITs Into the Allocation



Return and Risk for the Assets

Asset	Expected ROR	Standard Deviation
Stocks	13%	19%
Bonds	5%	5%
Cash	4%	3%
REITs	8%	15%

REITs vs. Asset Classes

Asset	Expected ROR	Standard Deviation	Change in EROR	Change in SD
Stocks	13%	19%	-39%	-21%
Bonds	5%	5%	+60%	+200%
Cash	4%	3%	+100%	+400%
REITs	8%	15%	-	-

Correlation Coefficients

	Stocks	Bonds	Cash	REITs
Stocks	1.00	0.14	0.06	0.51
Bonds		1.00	0.23	0.18
Cash			1.00	-0.05
REITs				1.00

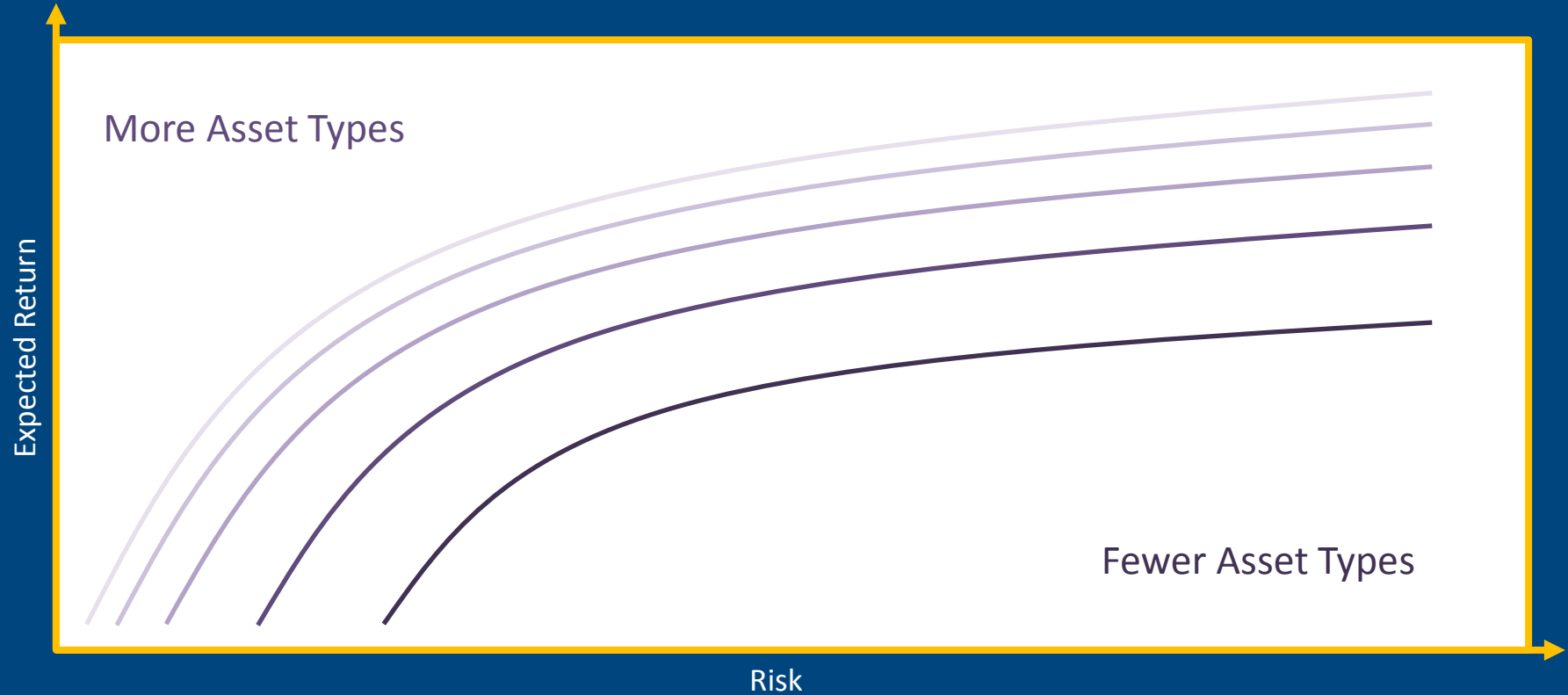
Adding REITs to the Portfolio

Portfolio	Expected ROR	Standard Deviation	Change in EROR	Change in SD
a. Moderate 60/37/3	10.1%	12.0%	-	-
b. Moderate w/ 10% REITs	9.9%	11.7%	-2.0%	-2.5%
c. 57/40/3 Variant	9.9%	11.5%	-	-1.7%
d. Moderate w/ 20% REITs	9.6%	11.3%	-5.0%	-5.8%
e. 53/44/3 Variant	9.6%	10.9%	-	-3.5%

How Much Inter-Market Diversification is Too Much?

Cost–Benefit Analysis

Diminishing Returns



Considerations

- Time
- Skill
- Method
- Expense
- Access
- Performance

Example: Asset Types Menu

SIMPLE ←		→ COMPLEX	
Stocks	Domestic	Large	Value
			Growth
		Medium	Value
		Growth	
		Small	Value
		Growth	
	Foreign	Developed	Blend
		Emerging	Blend
Real Estate	Domestic	Diversified	REIT
Metals	Global		Gold
Cash	Cash	Cash	Cash
Bonds	Domestic	Government	Short
			Medium
			Long
			TIPS
		Commercial	Invest Grade
		High Yield	
	Foreign	Government	Diversified

Example: Securities Menu

COMPLEX ←			→ SIMPLE	
IVE	IVE	IVE	IVV	C FUND
IVW	IVW	IVW		S FUND
IJJ	IJJ	IJJ		
IJK	IJK	IJK		
IJS	IJS	IJS	IJR	
IJT	IJT	IJT		
EFA	EFA	EFA	EFA	
EEM	EEM			
IYR				
IAU				
Cash	Cash	Cash	Cash	G FUND
SHY	SHY	SHY	AGG	F FUND
IEF	IEF	IEF		
TLT	TLT	TLT		
TIP	TIP			
LQD	LQD	LQD		
HYG	HYG			
IGOV				

Variplan Article Database



The image shows a screenshot of the Variplan website's navigation menu. The background is dark blue with a large, faint 'VP' logo. On the left, the Variplan logo is displayed in white, consisting of a stylized 'VP' above the word 'VARIPLAN' and the tagline 'Advanced Retirement Planning and Management' below it. On the right, a vertical list of navigation links is shown, each preceded by a small yellow square icon. The links are: 'WHO WE ARE', 'WHAT WE DO', 'HOW WE DO IT', 'OUR CLIENTS', 'CONTACT US', and 'ARCHIVE'. The 'ARCHIVE' link is circled in red. At the bottom right of the navigation area, there is a yellow box containing the text 'CLIENT RESOURCES'. At the bottom of the page, there are two columns of logos and text. The left column features the CFP® logo, the text 'CERTIFIED FINANCIAL PLANNER', and a paragraph of text: 'Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® in the U.S.'. The right column features the PALADIN logo, the text 'SERVICES', and five stars with the text 'AIAA OCB' below them.

VP
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- WHO WE ARE
- WHAT WE DO
- HOW WE DO IT
- OUR CLIENTS
- CONTACT US
- ARCHIVE

CLIENT RESOURCES

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Next Month:

Understand Asset Allocation
and Hedging

Questions / Comments / Suggestions



V A R I P L A N

Advanced Retirement Planning and Management

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