

Haverford Speaker Series for Women

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The 3 “Rs” of Respecting your Money

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The 3 Rs of Respecting your Money

Reading

*Reading your Monthly
Statement*

Rebalancing

*Rebalancing
your Portfolio*

Review

*Review – Questions to
Ask your Advisor*

Reading

Reading your Monthly Statement

Reading your Monthly Statement

3 Main Sections of your Statement

Summary

Account Holdings

Account Activity

Monthly Statement – Account Summary

Key Components:

- Amount in Cash and Money Market
- Total Value – past two month-end periods
- Estimated Annual Income from Interest & Dividends
- Amount of Realized Gains or Losses
- Asset Allocation Graph

Questions for your Account Summary

- Do I have the right amount of cash for my upcoming needs?
(usually 1 year)
- Do I have the right mix of stocks & bonds?
- Am I taking too much, or too little, risk?
- Are the realized gains in-line with my expectations?

Monthly Statement – Portfolio Asset Detail

Account Holdings are usually divided by asset type:

- Cash, Money Market & CDs
- Bonds – “Fixed Income”
- Stocks – “Equities”
- Mutual Funds and ETFs (Exchange Traded Funds)

Monthly Statement – Portfolio Asset Detail

Key Components:

- Total cost for the asset purchased
- Total market value – value as of the statement date
- Unrealized Gain/Loss – amount of value gained or lost since purchased.

Monthly Statement – Portfolio Asset Detail

Key Components:

- Annual Income – amount of interest and dividends paid to you in one year's time, regardless of changes in price of the security
- Yield – the amount of interest or dividend divided by the market value of the security

Questions for your Account Summary

- Do I have any concentrated stock or bond positions?
 - Defined by 5% or greater
- Do I know the companies in my portfolio and the products/services they offer?

Monthly Statement – Activity Detail

Key Components:

- Date & detail of each transaction
- Dividend payments
- Interest payments
- Deposits & withdrawals
- Purchase and sale of securities

Rebalancing

Rebalancing your Portfolio

Rebalancing

What does rebalancing a portfolio mean?

- Active management of your asset allocation

How does rebalancing add value?

- Recognizes the opportunity to buy stocks when they are more attractively priced, and sell stocks for profit when they have performed well
- Creates a disciplined, unemotional approach to investing

Rebalancing – Asset Allocation

- Asset allocation is a key component of a successful advisor relationship
- Asset allocation identifies your ideal balance between equity & fixed income – uniquely for your situation
- Balance your risk tolerance against your cash flow needs

Rebalancing – Asset Allocation

Example Account:

- \$1 million account
- Target asset allocation identified: 70% stocks, 30% bonds & cash
- Starting Allocation:
 - 70% stocks = \$700,000
 - 30% bonds & cash = \$300,000

Rebalancing – Asset Allocation

Scenario #1 – Stock Market is up 10% in 2012

- Increase: + \$70,000 stock increase
- Holding: increased value of stock holdings to \$770,000
- Allocation: stock allocation is now 72%
- Rebalancing Action:
 - Re-allocate to get back to 70% stock target
 - Take some profits by selling \$21,000 in stock to purchase a bond
 - $\$1,070,000 \times 70\% =$
 - \$749,000 stock target
 - \$321,000 bond & cash target

Rebalancing – Asset Allocation

Scenario #2 – Stock Market is down 10% in 2012

- Decrease: - \$70,000 stock decrease
- Holding: decreased value of stock holdings to \$630,000
- Allocation: stock allocation is now 68%
- Rebalancing Action:
 - Re-allocate to get back to 70% stock target
 - Use cash or bonds to purchase \$21,000 in stock at the day's lower prices
 - $\$930,000 \times 70\% =$
 - \$651,000 stock target
 - \$279,000 bond & cash target

Review

Questions to Ask your Advisor

Questions for your Review

- Is my asset allocation in-line with what we discussed as my goals & risk tolerance?
- What are my cash needs & do I have enough cash for the next year?
- Has my manager done what they said they were going to do?
- Are there any life events we should be planning for such as marriage (prenuptial agreement or trusts needed), births, educational needs, death, or retirement?
- *For retirement accounts* – Can we review my beneficiary designations to ensure they are current & accurate?