

## Fiduciary Responsibility to the Core Affluent Investor

Presented by:  
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### What is a Core Affluent Investor?

- Traditional: Investable assets of \$250,000 to \$2,000,000
- My Definition: All investable assets are needed to produce sufficient income to meet liabilities



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### The Lost Decade



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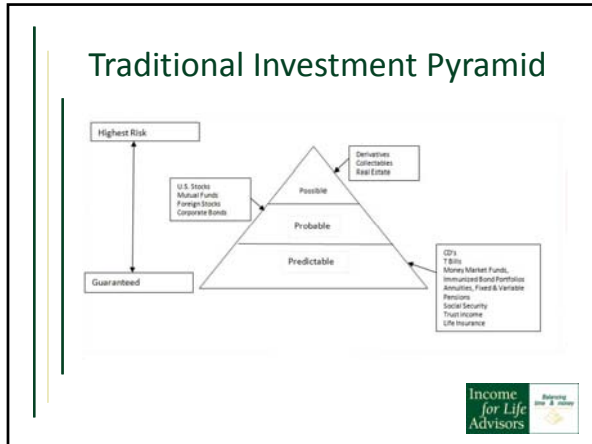
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- ### The Culture of Equity
- Disintermediation
  - High Speed Computers
  - Replacement of Defined Benefit Plans with Defined Contribution Plans
  - Boomers
  - Evolution of Shadow Banking
- Income for Life Advisors

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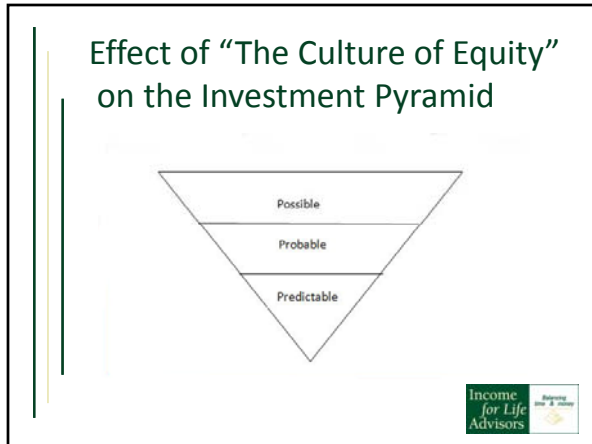
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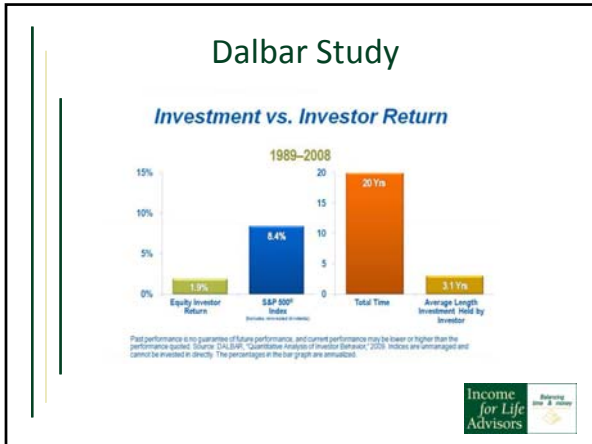
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- ### Possible Reasons for Dalbar Results
- “Money Magazine Disease”
  - Dollar Cost Averaging
  - Momentum Driven Investing
  - Unrealistic Expectations
- Income for Life Advisors** Member of the Financial Planning Institute

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- ### Examining Unrealistic Expectations
- Behavioral Finance – Using Disjunctive Reasoning
- Availability Bias
  - Representativeness
  - Hindsight Bias
  - Prospect Theory
  - Gambler’s Fallacy
  - Overconfidence
- Income for Life Advisors** Member of the Financial Planning Institute

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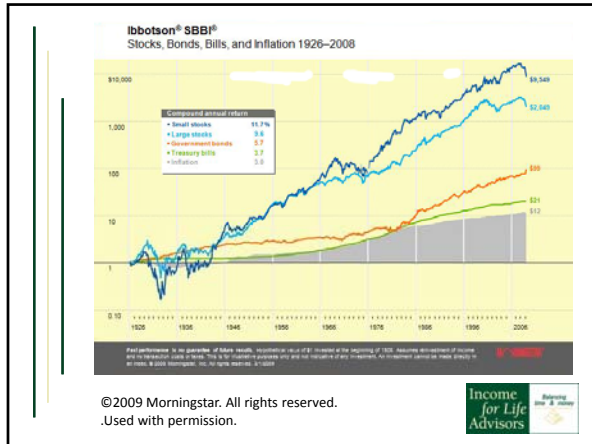
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### Large Stock Returns Without Dividend Reinvestment

\$75.00

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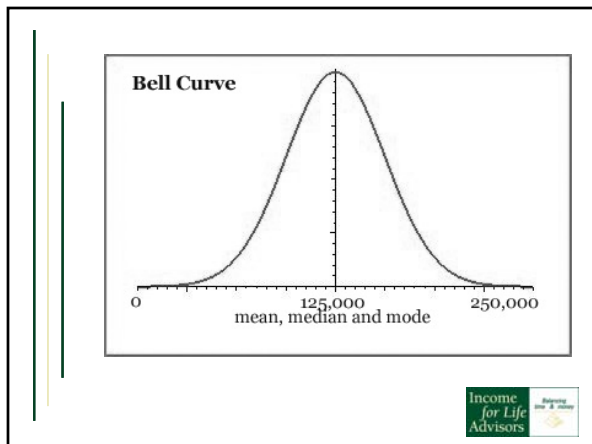
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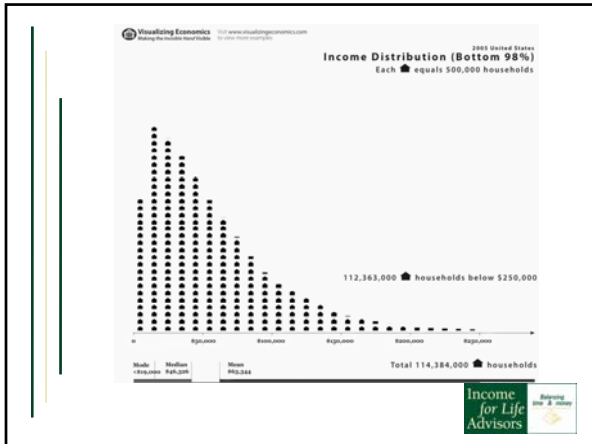
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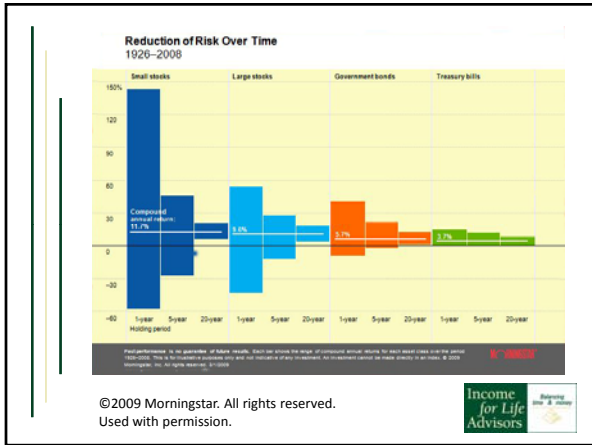
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### The Effect of "Fat Tails"

Event	Should be	Actual
Dow Moves 3.4%+	58 days	1001 days
Swing of 4.5%+	6 days	366 days
Index swing > 7%	once in 300,000 yrs	48 in the 20 <sup>th</sup> century

Crash of 1987 was 20 standard deviations.  
 Should only happen once every 15 billion years.

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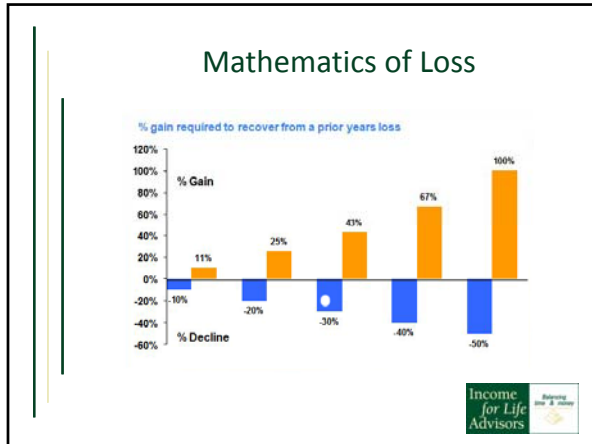
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### When Less is More

**Current Scenario using Ideal User Values**

**GOALS**  
Ideal Amount: \$2,200,000  
Total Spending for Life of Plan: \$3,361,200

**INVESTMENTS**  
Current: \$2,200,000  
75% Stock  
Total Return @ 10%  
Risk 14.37%

**Estimated % of All Goals Fulfilled**  
Average Return: 100%  
Risk Timing: 100%

**Probability of Success: 73%  
In Confidence Zone (73% - 86%)**

**Suggested Changes**

None      34% less stock

**Estimated % of All Goals Fulfilled**  
Average Return: 100%  
Risk Timing: 100%

**Probability of Success: 83%  
In Confidence Zone (73% - 86%)**

MoneyGuidePro™ Financial Planning SMARTware, V2.1  
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## Retirement Income Engineering

- Liability Driven Investment Strategies
- Sustainable Asset Allocation
- Cash Flow Management
- Endowment Income Procedure
- Pooled Risk – Insured Income Products
- Personal Pension

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### Retirement Income Engineering – The Personal Pension



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