

Wiser Wealth Management

A Presentation Designed For ASA Flight Crews To Better Understand, Analyze, and Implement a Successful Strategy For Investing.



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- This presentation has been created and is presented by Wiser Wealth Management, Inc. The purpose of the information contained here is to educate Atlantic Southeast's crew members about the basics of investing and relating this information to the Atlantic Southeast 401K plan. This information is not intended to be individual advice, but a way for the plan participant to take basic investment knowledge and form his or her own analysis of their situation.

Disclosures

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- Casey Smith
 - Grew up in Marietta, GA
 - Finance Degree from Berry College
 - Entered brokerage business in 2000
 - Unhappy in the commission world; created a fee only fiduciary investment advisory firm that eventually became Wiser Wealth Management.
 - Tax Prep School 2005
 - Estate Planning Certification (MEP) 2005
 - Started flying in 2002
 - Came to ASA in 2004

Wiser Wealth Management

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- Casey Smith
 - Captain CRJ 200
 - President of Wiser Wealth Management (2001)
 - Berry College Board of Visitors (2010)
- Recent Speaking Engagements
 - ASA Pilot 401K Workshop 2010
 - Europe ETF Conference, Amsterdam 2010
 - Inside ETF Conference, Boca Raton 2010
 - Art of Indexing Summit, New York 2010
- Recent Quotes and Publications
 - Wrote article for AJC on advisor fiduciary duty
 - Recent interviews on SeekingAlpha.com, ETFshub.com
 - Quoted or featured in recent articles for the Wall Street Journal, Kiplinger Magazine, CNN Radio, Berry College Alumni Magazine, the Marietta Daily Journal and the New York Times.

Wiser Wealth Management

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- Fee only investment advisory firm
- Wealth Management services includes
 - Asset Management
 - Tax Preparation
 - Estate Planning
- Our Professionals
 - Casey Smith – Principal/Lead Advisor
 - Cam Wilbur – Financial Advisor
 - Kim MacConnell – CPA
 - Doug Shaddix – Estate Planning/Business Attorney
 - Dawn Levine - Estate Planning/VA Services
 - LaTrelle Allen – Client Services

Wiser Wealth Management Overview

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- Maintain a diversified portfolio
- Keep the cost of investing low
- Always invest for the long term

Our Investing Philosophy

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Financial Planning/Behavior

Risk Analysis

Investment Vehicles

Fund Evaluating Methods

Portfolio Building

Today's Agenda

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Who is Saving for Retirement?

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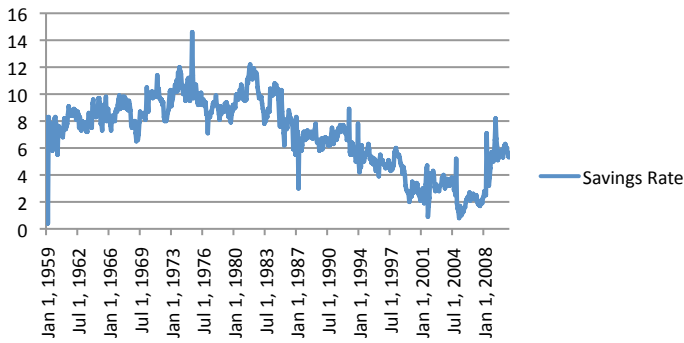
- 57% of Americans have at least one retirement account
- The avg. balance is \$50K, however the median is \$2K
- Many Pensions are being reported as severely underfunded.
- Social Security is severely underfunded and may not be available for your retirement

Retirement Savings

Most Americans aren't doing this...



Savings Rate



US Household Savings Rate

Data from the US Government



- From Dave Ramsey's new book "Total Money Makeover"
 - Create and maintain a family budget
 - Get \$1,000 in a emergency fund
 - Aggressively attack and payoff debt
 - Save 15% for retirement while increasing your emergency fund
 - Pay off your home
 - Aggressively save for retirement

Financial Planning

11

- If you retire at age 65 you should expect to live until age 95.
- A 45 year old will need \$2,801,935 saved by age 65 to provide \$80K (FV 144,488) a year in today's dollars to last until age 95.
- A 35 year old will need \$3,765,565 saved by age 65 to provide \$80K (FV 194,180) a year in today's dollars to last until age 95.

How Much is needed for Retirement?

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• IRA

- In 2011 you can save up to \$5000 per year in an IRA, \$6000 if you are over age 55.
- Money saved is tax deductible
- Earnings and contributions are tax deferred until withdrawal.
- Withdraw penalty free after age 59 ½
- Must make withdrawals by age 70 ½
- Household income limitations apply
- Open an account with any Mutual Fund Company, Brokerage Firm, or Independent Advisor
- Limitations
 - Married: \$160K AGI
 - Single: \$110K AGI

IRA

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• ROTH IRA

- In 2011 you can save up to \$5000 per year in an IRA, \$6000 if you are over age 55.
- Money saved is NOT tax deductible
- Earnings and contributions are TAX FREE at withdrawal.
- Withdraw principal with no penalty after 5 years
- Withdraw earnings penalty free after age 59 ½
- Must make withdrawals by age 70 ½
- Household income limitations apply
- Open an account with any Mutual Fund Company, Brokerage Firm, or Independent Advisor
- Limitations: 105K Single Income
 - 167K Married Filing Jointly Income

Roth IRA

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WEALTH MANAGEMENT

- Contributions are NOT tax deductible, but earnings are tax deferred.
- The variable annuity is most popular, but there are also fixed annuity's or index annuity's.
- Client chooses "separate accounts" to invest in (similar to mutual funds).
- **CAUTION:** Wiser Wealth does not recommend most annuity's because of **HIGH** hidden fees. In some cases where an annuity would be beneficial we suggest a no load annuity.

Tax Deferred Annuity

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Ways To Invest

What are the types of options available to us?

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Active → Passive Involvement



Ways to Invest

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- Purchasing an Individual Stock or Bond
 - Google
 - Enron
- Investing in a Mutual Fund
 - Vanguard
 - Fidelity
- Investing in an index
 - S&P 500
 - MSCI EAFE

Options

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- A mutual fund is an investment vehicle that pools investors money together to then invest into the market as one entity.
- The mutual fund hires a manager or group of managers to invest the funds assets according to the funds objective.
- Examples: A large cap value fund; Small Cap Growth Fund; International Fund
- A management fee, 12b-1 and trading fees are charged to the shareholders

Mutual Fund

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- A Index fund is similar to a mutual fund in that it pools investors money together and diversifies over many companies. However the similarity stops here.
- Index funds simply purchase all the companies with an index (S&P 500) and do not try to time the trading of individual securities. The cost of ownership is usually around 0.25% compared to Mutual Funds at 1.8%
- Long term buy and hold strategies are best used with index funds such as ETFs.

Index Fund

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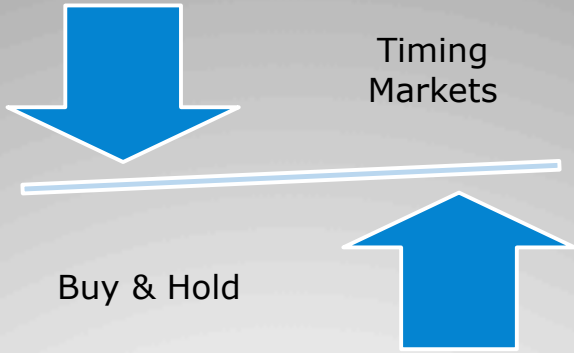


Investment Strategies

A look at two simple investment strategies...

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Timing
Markets

Buy & Hold

Two Opposing Investment Strategies

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Market Timing

- Technical Analysis
- Following market trends
- Constant buying and selling

Buy & Hold

- Fundamental Analysis is most commonly associated with this strategy
- Dollar Cost Averaging
- Buying and investing in quality managers or assets for the long Term

Market Timing v. Buy & Hold

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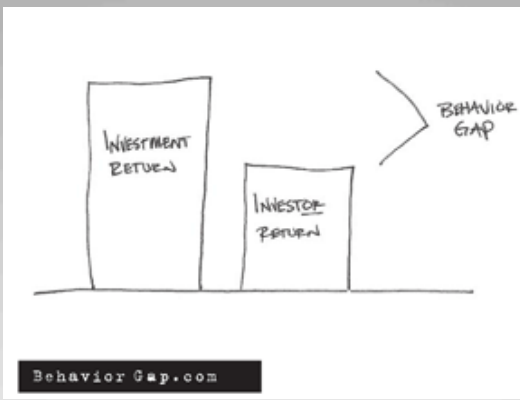


Risk & Behavior

Investing involves risk but you may be surprised at who the largest risk to your nest egg is...

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How Your behavior effects Your returns.

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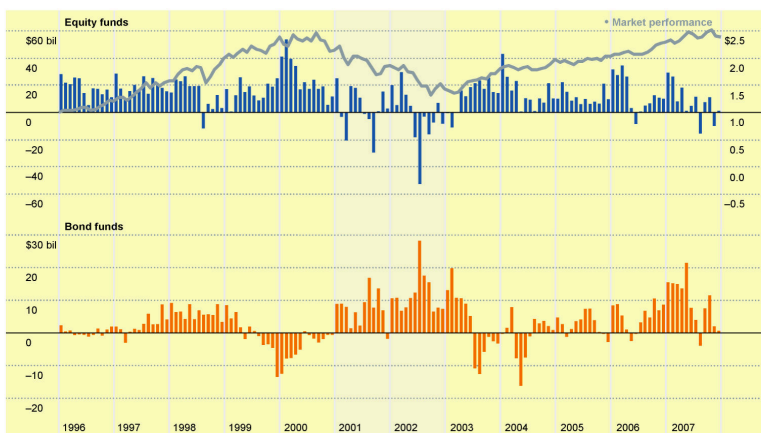


- Investor behavior takes away from investment returns
- Investors as a whole pour money into the market when everything is rising and sell when everything is falling
 - This is a buy high and sell low strategy

Behavior Gap



Net Cash Flow to Funds Often Relates to Market Performance
1996–2007

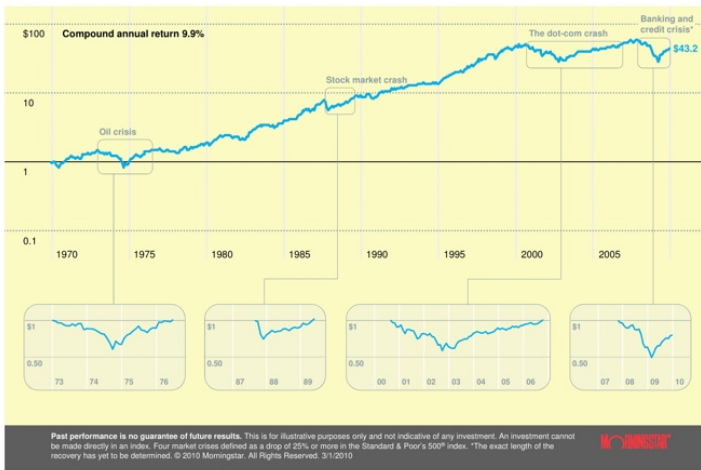


Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2008 Morningstar, Inc. All rights reserved. 3/1/2008



Crises and Long-Term Performance

Market declines in historical context, Jan 1970–Dec 2009



- An investor's objective should be to assemble a portfolio of funds to achieve the highest rate of return for the least amount of risk
- For those approaching retirement, we modify this objective to achieve the highest rate of return for a given amount of risk
- How do we go about achieving our objective? Asset Allocation

An Investor's objective

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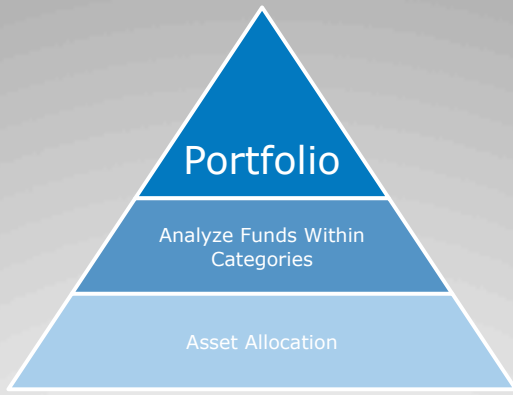


Basic Portfolio Construction

Looking at building portfolio's through asset allocation

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Fund Analysis

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US Stocks

- Large Cap
- Mid Cap
- Small Cap

International

- Developed Market
- Emerging Market

Bond

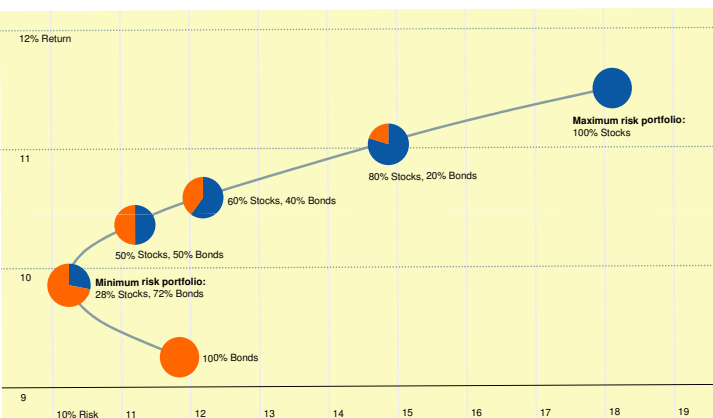
- US Treasury
- Corporate

Asset Class Breakdown

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Stocks and Bonds: Risk Versus Return
1970–2009



Past performance is no guarantee of future results. Risk and return are measured by standard deviation and arithmetic mean, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. 3/1/2010



Fund Analysis

Fund Analysis focusing on the options within the ASA
Employee 401K Plan

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- Standard Deviation (Average Return)
- Sharpe Ratio
- Alpha
- Cost
- Unique considerations

Analysis Tools

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Standard Deviation

- Standard deviation measures the variation of data from its average. In finance, standard deviation is applied to the annual rate of return of an investment to measure its volatility (risk). A volatile stock would have a high standard deviation. With mutual funds, the standard deviation tells us how much the return on a fund is deviating from the expected returns based on its historical performance.

How to Evaluate a Fund and

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• **Sharpe Ratio**

- Developed by Nobel laureate economist William Sharpe, this ratio measures risk-adjusted performance. It is calculated by subtracting the risk-free rate of return. (US Treasury Bond) from the rate of return for an investment and dividing the result by the investment's standard deviation of its return.

The Sharpe ratio tells investors whether an investment's returns are due to smart investment decisions or the result of excess risk. This measurement is very useful because although one portfolio or security can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance.

Morningstar.com

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★ Fund Family Data Add to Portfolio Get Email Alerts Print PDF Report Data Question

Quote Chart Fund Analysis Performance **Ratings & Risk** Management Stewardship Portfolio Expenses Tax Purchase Filings

Information from [dodgeandcox.com](#)

Dodge & Cox International Stock DODFX | ★★★

Morningstar Rating (Relative to Category)	11-30-09
3-Year	Above Average
5-Year	Above Average
10-Year	Above Average
Overall	Above Average

Morningstar Return	Morningstar Risk	Morningstar Rating™
Above Average	Above Average	★★★
Above Average	Above Average	★★★
Above Average	Above Average	★★★

Morningstar Category: Foreign Large Value [Click here to see our Methodology](#)

Volatility Measurements Trailing 3-Yr through 12-31-09 | **Trailing 5-Yr through 12-31-09

Standard Deviation	28.32	Sharpe Ratio	-0.08
Mean	-0.24	Bear Market Decile Rank*	

Modern Portfolio Theory Statistics Trailing 3-Yr through 12-31-09

Standard Index	Best Fit Index
MSCI EAFE NR USD	MSCI AC World NR USD
97	97
R-Squared	Beta
1.16	1.24
Alpha	3.94
	3.32

S&P 500 Index data: S&P 500 Copyright © 2009

Step up. Stand out.
Your \$100K+ career experts
FIND A GREAT JOB NOW
The Ladders

Term Life Insurance Quotes

Done

start Microsoft PowerPoint Dodge & Cox Interna Flash.pdf - Adobe Re... untMid - Fan... 100% A Internet 100% 11:00 AM

- Alpha

- Simply stated, alpha is often considered to represent the value that a portfolio manager adds or subtracts from a fund portfolio's return. A positive alpha of 1.0 means the fund has outperformed its benchmark index by 1%. Correspondingly, a similar negative alpha would indicate an underperformance of 1%. For investors, the more positive an alpha is, the better it is.

How to Evaluate a Fund and Risk

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Information from dodgeandcox.com

Dodge & Cox International Stock DODFX | ★★★

Quote Chart Fund Analysis Performance Ratings & Risk Management Stewardship Portfolio Expenses Tax Purchase Filings

Morningstar Rating (Relative to Category)			11-20-09
	Morningstar Return	Morningstar Risk	Morningstar Rating™
3-Year	Above Average	Above Average	★★★
5-Year	Above Average	Above Average	★★★
10-Year	Above Average	Above Average	★★★
Overall	Above Average	Above Average	★★★

Morningstar Category: Foreign Large Value [Click here to see our Methodology](#)

Viability Measurements				Trailing 3-Yr through 12-31-09	1-Trailing 5-Yr through 12-31-09
Standard Deviation		28.32	Sharpe Ratio		-0.08
Mean		-0.24	Bear Market Decile Rank*		---

Modern Portfolio Theory Statistics				Trailing 3-Yr through 12-31-09
	Standard Index	Best Fit Index		
R-Squared	HSCI EAFE NR USD	HSCI AC World NR USD		97
Beta	1.16	1.24		
Alpha	3.51	3.32		

S&P 500 index data: S&P 500 Copyright © 2009

- Mutual Fund Costs

- Management Fees
 - paid directly to the company that manages the funds portfolios (managers)
- Distribution Fees
 - Paid to the sales rep
- Transaction Cost
 - Cost incurred by the fund as its trades its assets. 100% turnover can mean and extra 1% annually in fees
 - The average Large Cap Blend Mutual Fund has a 72% average Turnover. Data: Morningstar, Inc.
- Taxes
 - All capital gains are passed through to investors (no tax paid by you inside a 401K)
- All expenses here reduce the investors rate of return

How to Evaluate a Fund and Risk



• Other Factors to consider...

- Cost
 - Turnover-function of cost
- Concentration of top holdings
- Management & Strategy
- Asset Allocation
 - % of international holdings

Large Cap Growth

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The screenshot shows the Morningstar website interface in a browser window. The page features a navigation menu with categories like Stocks, Options, Funds, ETFs, Hedge Funds, Markets, Tools, Personal Finance, and Discus. A main news section titled "Emerging Markets Rise from Decade's Gloom" is highlighted, with a sub-headline "Emerging markets and developing asset classes like commodities outperformed established equity and bond markets through the last decade." Below this, there are sections for "What Will 2010 Bring?" and "2009 Index Returns". On the right side, a "Market Barometer" and "Market Indexes" section are visible, showing data for DJIA (10,428), S&P 500 (1,115), NASDAQ (2,269), and Russell 2000 (625). The browser's address bar shows the URL http://www.morningstar.com.

How to apply Alpha, Standard Deviation and Sharp Ratio to your investment choices.

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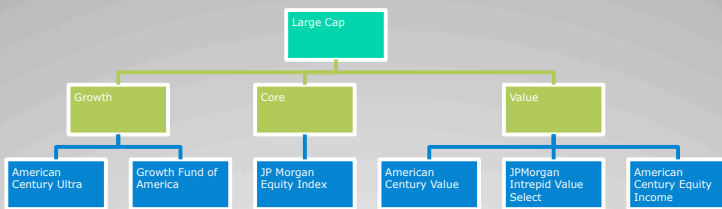
Large Cap Funds

- JP Morgan Equity Index Select
- American Century Ultra
- American Century Value
- American Funds Growth Fund of America
- JPMorgan Intrepid Value Select
- American Century Equity Income

Large Cap Domestic Analysis

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Style Breakdown

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Growth stocks

- ▶ High growth rate of earnings, sales
- ▶ Low book-to-price, high price-to-earnings ratios
- ▶ Paying lower or no dividends

Risks

- ▶ Future growth does not occur as expected
- ▶ Book-to-price ratios rise unexpectedly, price-to-earnings ratios decline unexpectedly

Value stocks

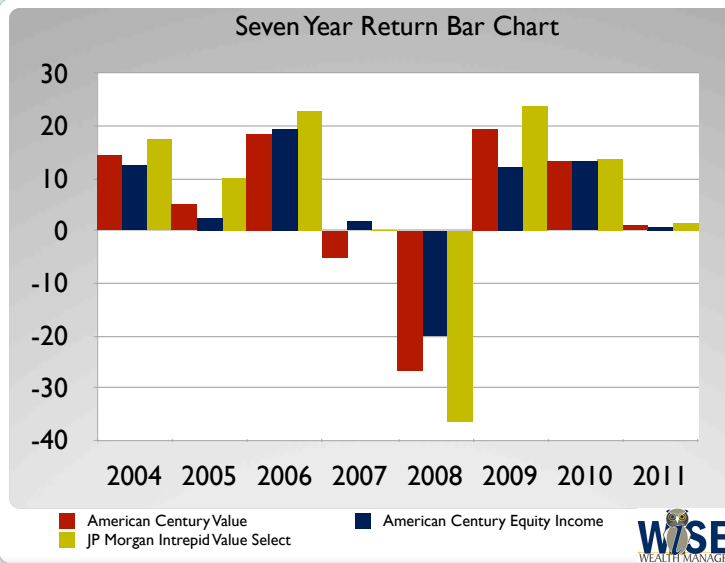
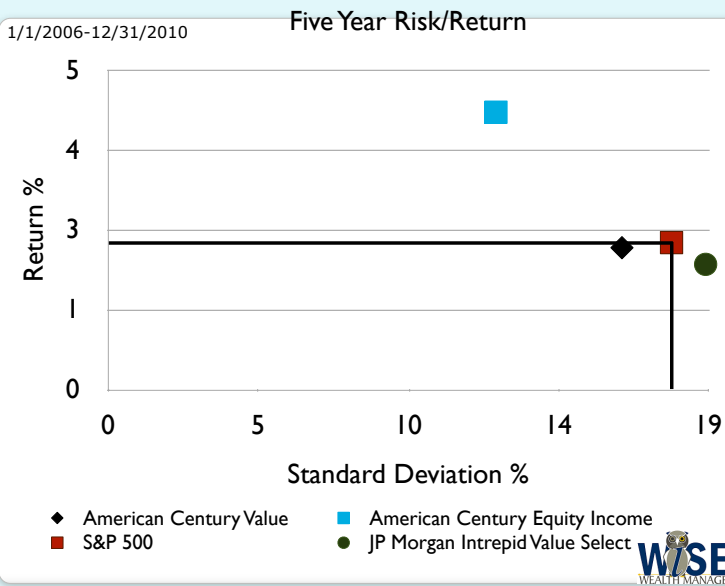
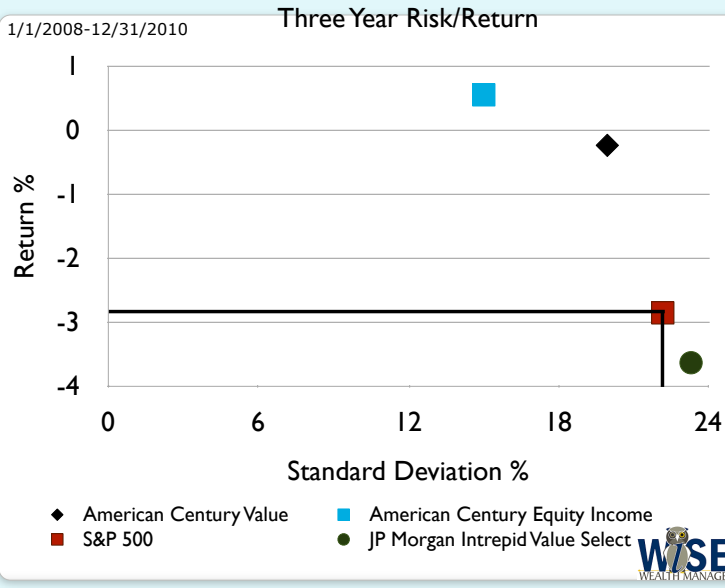
- ▶ Slower growth of earnings and sales
- ▶ High book-to-price, low price-to-earnings ratios
- ▶ Higher dividend yields
- ▶ Turnaround opportunities

Risks

- ▶ Evaluation of stocks as good value is misread
- ▶ Difficult to stick to value policy when prices are beaten down

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What are Growth and Value Stocks?



Funds	5 Year Sharpe Ratios
American Century Value	0.08
American Century Equity Income	0.22
JP Morgan Intrepid Value Select	0.08
S&P 500	0.09

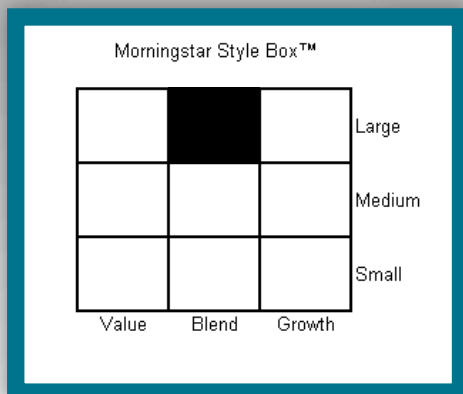
5 Year Sharpe Ratios

Sharpe ratios from the previous 5 years, 2010 numbers were presented at last year's workshop. Source: Morningstar, Inc.

Funds	5 Year Alpha Ratios
American Century Value	-0.16
American Century Equity Income	1.67
JP Morgan Intrepid Value Select	-0.20

5 Year Alpha Analysis Comparison

Alpha Ratios calculated using the S&P 500 Index



Large Cap Blend

JP Morgan Equity Index

ASA 401k Large Cap Blend Options

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- Only Large Cap Blend Fund in the plan
 - Index fund covering the S&P 500 Index.
- What makes this effective...
 - Zero Manager risk
 - Low Cost
 - Extreme diversity within asset class
 - Low Business, Sector, and Industry Risk
- When we study indexes, we can look more at the index and the index's characteristics.
 - If the index fund tracks the index fairly well, we can generally trust the index fund to perform like the index.

An Indexing Approach to Large Cap Stocks

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- American Funds Growth Fund of America
 - Holds 8% Cash, 3% Bonds, 17% International, 72% US Stock. Note: All the Large cap funds in the ASA 401k do not just hold large caps.
- American Century Equity Income
 - While this fund has a Large Cap ranking the funds takes an "all cap" approach to investing.
- American Century Ultra
 - This fund has 151 Billion in assets under management, causing problems within its investment strategy.

Large Cap Notes

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Funds	5 Year Alpha Ratios
Columbia Mid Cap Value	1.81
Morgan Stanley Mid Cap	6.59
JPMorgan Mid Cap Growth Select	3.87

Alpha : 5 Yr trailing data

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- Morgan Stanley Mid Cap does not track its assigned index. The Manager is free to pick any company within the midcap arena.
- Columbia Mid Cap has had a hard time recovering from 2008.
- JP Morgan Mid Cap does not get a stellar review from Morningstar, but ranks #2 in our list.

Mid Cap Notes

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Name	Return	5 year Statistics		
		Standard Deviation	Sharpe Ratio	Alpha
Columbia Mid Cap Value	0.49	21	0.17	1.81
Morgan Stanley Mid Cap	0.89	22.51	0.37	6.59
JPMorgan Mid Cap Growth	0.66	21.87	0.26	3.87

Mid Cap Recap

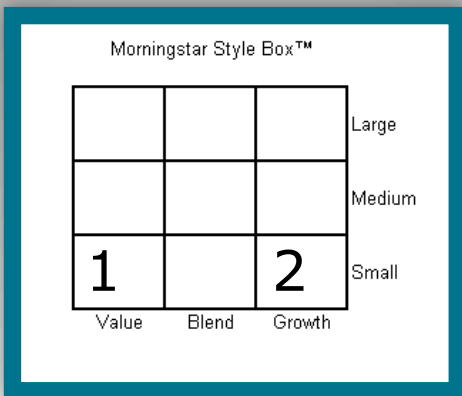
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Small Cap Stock Funds

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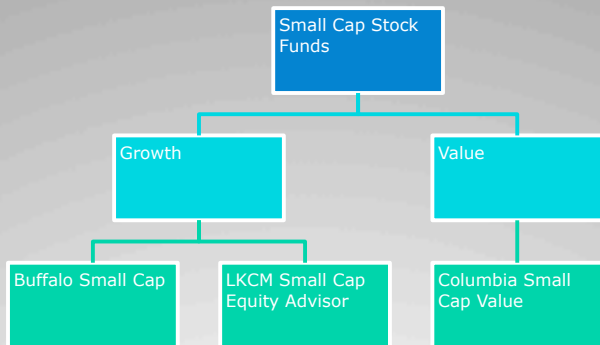




Small Cap Options

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Mid Cap Break Down

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- All three small cap funds look similar in performance. Over the years Buffalo has had the consistent performance.

Small Cap Notes

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5 year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Buffalo Small Cap	0.60	21.59	0.23	3.26
Columbia Small Cap	0.60	22.88	0.22	3.03
LKCM Small Cap Equity	0.52	22.00	0.18	2.19

Small Cap Recap

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International

Capturing the growth of overseas markets

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• Telling the story through allocation

- Janus Overseas
 - 68.75% Developed Markets
 - 31.25% Emerging Markets
- American Century International Growth
 - 87.65% Developed Markets
 - 12.35% Emerging Markets
- Dodge & Cox International Stock
 - 77.28% Developed
 - 22.72% Emerging Markets

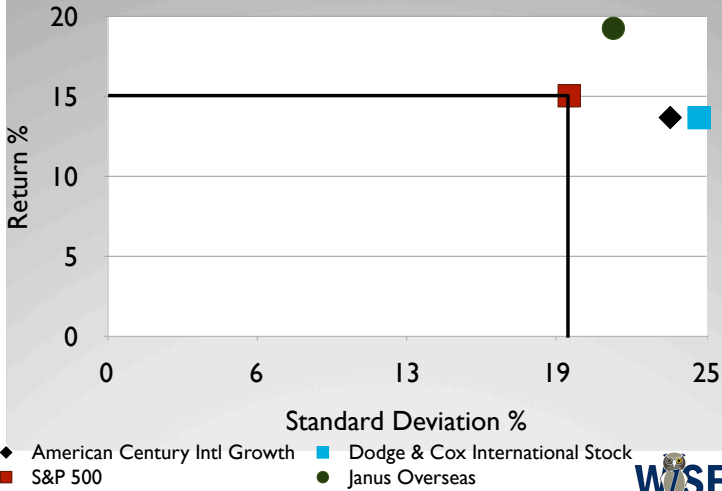
This year's breakdown

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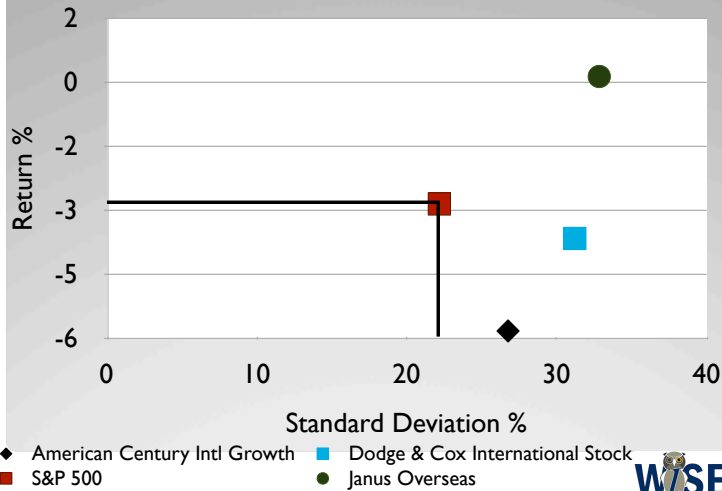
1/1/2010-12/31/2010

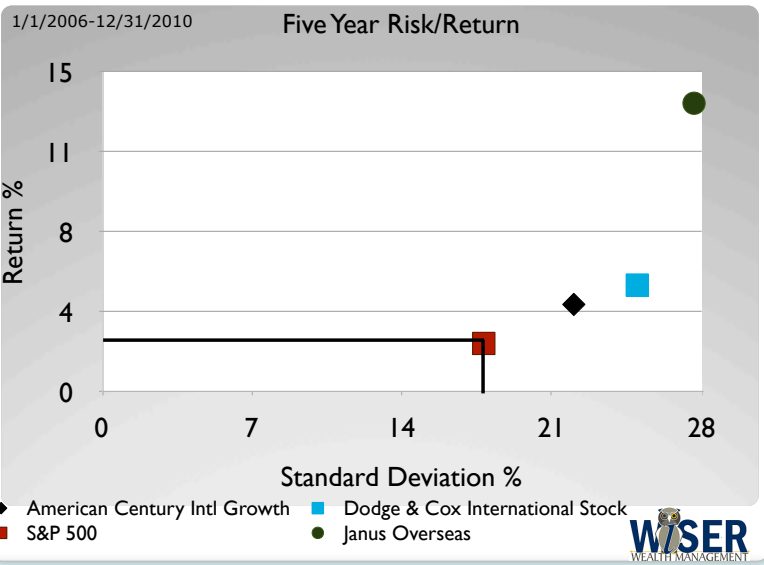
One Year Risk/Return

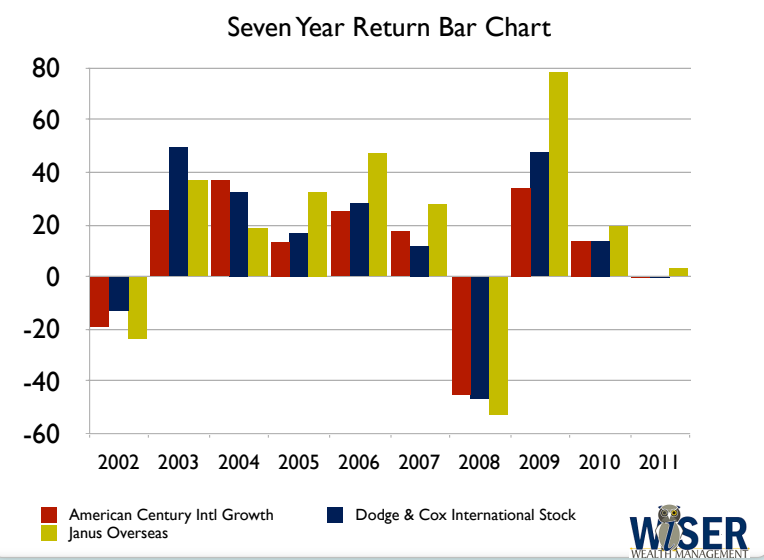


1/1/2008-12/31/2010

Three Year Risk/Return







- Each of ASA's 401k International funds has its own risks, thus we are not comparing apples to apples here. While Janus Overseas is the clear winner, it also took on additional risk (which paid off) to achieve its gains. For those within 5 years of retirement you may consider American Century International.
- Dodge and Cox International has a 5 year standard deviation of 23 but over its history it is 28. This fund holds more emerging market companies (higher risk) than its peers in the past, but currently holds less than Janus.
- Janus Overseas holds 21% of its fund in US Stock.

5 year Statistics

Name	Return	Standard Deviation	Sharpe Ratio	Alpha
Janus Overseas	1.39	27.63	0.52	11.42
Dodge & Cox International	0.67	24.55	0.23	2.94
American Century	0.54	22.02	0.18	1.71

International Recap

Alpha calculated against MSCI EAFE Index



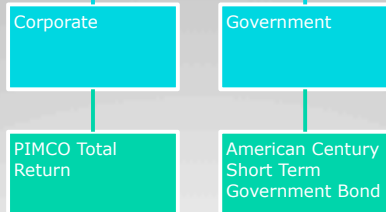
Bond Portfolios

Looking at fixed income as a diversifier and risk reducer.

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Bond Funds



Bond Fund Break Down

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- Fixed income is complicated
 - Very diverse category, can include many different structures and counter-party risks.
 - Generally, fixed income involves some kind of flow of cash, effected by interest rates, time, and credit risks.
- Studying bond funds simplifies fixed income products, since we can look at broad characteristics.

Bond Fund Analysis

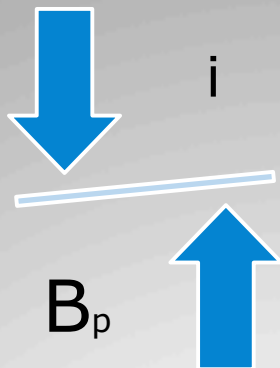
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- Duration
 - A measure of interest rate sensitivity
 - Example: a duration of 5 means if interest rates move 1%, the fixed income investment will move 5% in the opposite direction.
 - Interest rates are the independent variable and since bond cash flows are mostly fixed, the bond price must change to reflect the markets value of the future cash flows.
- Duration measures the risk you have to price changes...the smaller the number, the safer.

Bond Fund Analysis

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- How this works
 - As interest rates fall, the cash flow from a bond investment become more valuable and the bond price must rise
 - In the same way, if interest rates rise, the cash flows from the bond are less valuable and the bond price must fall.

Bond price movements

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- Moderate
 - Large Cap 30%
 - Mid Cap 15%
 - Small Cap 15%
 - International 10%
 - Bond 30%

Moderate Allocation

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- Conservative
 - Large Cap 15%
 - Mid Cap 5%
 - Small Cap 5%
 - International 10%
 - Bond 65%

Conservative Allocation

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- Part of the 401K
- A brokerage link allows you to invest in things like...
 - Stocks
 - Mutual Funds
 - Exchange-Traded Funds
 - Bonds
 - Some options with restrictions

The ASA Self-Directed Brokerage Account

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- Stocks & Exchange-Traded Funds
 - \$14.95 per electronic trade
- Mutual Funds
 - No transaction fee to buy
 - 24.95 per electronic trade to exchange or sell
- Options - Trade at your own risk!!!
 - \$24.95 per electronic trade and \$1.75 per contract
- Annual Fees
 - \$100 per account per year

ASA Brokerage Link Breakdown



- When investing within the brokerage link use caution
 - Mutual funds outside the plan will be more expensive. Before investing you need to fully understand 12b-1 fees, front loaded, back loaded and no load fund fees.
 - Individual Stocks carry company risk. Information about the company is not the same on wall street and main street
 - ETFs should be traded using limit orders, and the investor should research the index methodology of the ETF prior to investing.

CAUTION: Brokerage Link Ahead

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Investing Outside the 401(K)

- At some point you will leave ASA, either through retirement or other opportunities.
- Lets take a look at how you investing style should look outside your 401(K)



- Invest Directly into Stocks
 - Low long term success rate
- Hire a fund manager to invest for you in the form of Separate Managed Accounts or Mutual Funds.
 - Expensive and 95% of managers do not track or beat the market after fees
- Purchase Index Funds
 - Most efficient long term strategy

Investment Options

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- ❑ Maintain a diversified portfolio
- ❑ Keep the cost of investing low
- ❑ Always invest for the long term

Our Investing Philosophy

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- ❑ Wiser Wealth Management believes proper diversification is obtained by allocating assets across many different asset classes
- ❑ Optimizing the type of funds in a portfolio is essential to reducing risk.
- ❑ This is why at Wiser Wealth Management we create our portfolios to capture the entire world market
- ❑ The most effective way to gain exposure to market diversification is through index funds via exchange traded funds.

DIVERSIFICATION

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- Here is a sample of our Moderate Risk portfolio:
 - Short Term Government Bond Index
 - Treasury Inflation Protected Securities (TIPS) Index
 - Barclays US Aggregate Bond index
 - High Yield Bond Index
 - Emerging Market Bond Index
 - S&P 500 Index (Large Companies)
 - S&P 400 Index (Mid Size Companies)
 - S&P 600 Index (Small Companies)
 - MSCI EAFE Index (Developed International)
 - MSCI EAFE Small Cap Index
 - Emerging Markets Index
 - Dow Jones Commodity Index

What is in a Index Portfolio

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- This Moderate Portfolio has a annualized 5 year rate of return of 5.39% and a Standard Deviation of 12.87
- In Contrast the S&P 500 has had an annualized rate of return of 2.29% and a standard deviation of 17.82 over the same period

* Return calculated from January 2005 to December 2010

Diversification Through Indexing Wins!

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- Most financial institutions will place you in expensive annuities, un-diversified bond holdings or mutual funds to achieve income.
- Wiser Wealth Management purchases indexes holding High yield stock, bonds, REIT'S, and or Preferred Stock, creating income for those in search of diversification and regularly scheduled withdrawals.

Indexing Is for Income

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- Indexing is certainly not as thrilling as picking a stock your friend or colleague said is the next Google, but in the long run academic and professional research shows us that diversification and a long term time horizon wins the race.
- Remember: Keep Cost Low, Stay Diversified, and Invest For the Long Term.

Wiser Investing 101

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Fly Safe

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