

Noe Investment Planning and Management

# Prospective Client Presentation



# Presentation Outline

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## Mission Statement

*“The sole focus of my business is to help my clients achieve their financial and investment goals.”*



# Firm Information & My Experience

- Noe Investment Planning and Management was established as a sole proprietorship in 2003.
- I began providing planning and investment management services to a small number of clients in 2004.
- In 2005, I registered as an investment advisor with the State of Illinois.
- I have over eight years of investment experience working with two large Illinois public pension plans (Illinois Teachers' and Illinois Municipal). I currently maintain full-time employment as an Investment Analyst with the Illinois Municipal Retirement Fund.
- I achieved the Chartered Financial Analyst (CFA) designation in 2002.



# Services

- My services fall into two categories:
  - Investment/Financial Planning
  - Investment Management
- Investment/Financial Planning includes the following:
  - Help clients establish goals – *paying down debt, saving for retirement, saving for college education, etc*
  - Develop a written plan for clients to achieve their goals – *specify amount of money to save each month, timeframe needed to achieve the goal, recommend specific investments, etc.*
  - Help clients with their retirement accounts – *recommend investments for 401ks, 403bs, 457s, and IRAs*



# Services Continued

- Investment Management Services include the following:
  - Building portfolios of investments that meet client objectives
  - Monitor and rebalance these portfolios on an ongoing basis
  - Provide quarterly and/or monthly performance reports to clients



# Investment Philosophy

## 1) Diversify Your Investments

	1999	2000	2001	2002	2003
Int. Stocks	+27.3%	Real Estate +26.4%	Real Estate +13.9%	Bonds +10.3%	Sm. US Stks 48.2%
Sm. US Stks	+26.1%	Bonds +11.6%	Bonds +8.4%	Real Estate +3.8%	Int. Stocks 39.2%
Lg. US Stks	+21.8%	Money Market +6.2%	Money Market +4.4%	Money Market +1.8%	Real Estate +37.1%
Money Market	+4.6%	Sm. US Stks +0.0%	Sm. US Stks -0.3%	Int. Stocks -15.6%	Lg. US Stks 28.9%
Bonds	-0.8%	Lg. US Stks -11.0%	Lg. US Stks -12.8%	Sm. US Stks -20.8%	Bonds +4.1%
Real Estate	-4.6%	Int. Stocks -14.0%	Int. Stocks -21.2%	Lg. US Stks -21.3%	Money Market +1.2%

- Investment returns are unpredictable from year to year
- Many investors concentrate their holdings in only one or two of these asset classes such as U.S. Large Cap Stocks & Bonds
- By diversifying your investments into more of these asset classes, you will decrease the volatility of your returns (reduce risk)



# Investment Philosophy Continued

## 2) Lower Your Costs

- Trading stocks frequently and purchasing mutual funds with high expenses eat away at your returns
- Example - 10% return per year on two mutual funds.
  - Invest \$50,000 in Fund A with an annual fee of .25%
  - Invest \$50,000 in Fund B with an annual fee of 1.25%
  - In 20 years Fund A would be worth almost \$63,000 more than Fund B
- In the long-run mutual funds with lower fees outperform the funds with higher fees
  - Invest in low cost index mutual funds and exchange traded funds
  - It is very difficult for even the best money managers to outperform index returns over the long-run because of their higher costs



# Investment Philosophy Continued

## 3) Rebalance Your Portfolio

- As your investments perform differently, your portfolio mix changes. If you do not rebalance your investments, the risk & return profile of your portfolio will change.
- Rebalancing is a discipline that forces you to sell portions of your strong performing investments and buy portions of your poorer performing investments (sell high and buy low)
- Example:
  - \$200,000 portfolio (50% stocks, 50% bonds) on 1/1/2002
  - In 2002 stocks returned -20.9% and bonds 10.3% (Portfolio = \$189,410)
  - On 12/31/2002 portfolio = (58% bonds, 42% stocks)
  - In 2003 stocks returned 31.7% and bonds 4.1%
    - Rebalanced portfolio (back to 50/50 mix) = \$223,277 on 12/31/03
    - Portfolio without rebalancing = \$218,990 on 12/31/03



# Planning/Investment Process

- Define Your Goals and Objectives
- Identify Your Constraints
  - Time Horizon
  - Risk Tolerance
  - Other – Tax Considerations, Etc.
- Develop and Implement an Investment Plan
  - Decide on portfolio structure and choose investments
  - How much to save per year to reach your goal
- Portfolio Monitoring and Reporting



# Define Goals and Objectives

- Work with Client to develop realistic goals and objectives
- Goals Need to be specific
  - Good Example – Retire at age 60 with sufficient investments to produce an annual income of \$75,000 adjusted for inflation
  - Poor Examples – I want to retire rich (what is rich?) or I want to earn a 15% return each year without the risk of losing money (unrealistic)



# Identify Constraints

- What is your time horizon – when will you need the money?
  - Retirement, child's college education, etc.
- What is your risk tolerance?
  - Are you an aggressive or conservative investor?
  - How much can you afford to lose in a down market?
- Other considerations
  - Are you in a high tax bracket, and would benefit from investing in municipal bonds?
  - Are your investments in tax-deferred accounts?
  - Are there certain types of investments they want to avoid?



# Develop & Implement Investment Plan

- Decide on an investment allocation that will achieve the client's goals and objectives – what percentage should be invested in stocks, bonds, real estate securities, cash, etc.
  - Use historical risk and return statistics as a guide
- How much does the client need to save each year to reach their goal?



# Portfolio Monitoring & Reporting

- Monitor the performance of portfolio
  - Review each investment
  - Rebalance the portfolio should the investment returns cause a significant shift in allocations
- Provide quarterly or monthly reports
  - Reports to include:
    - Total portfolio market value and individual investment market values
    - Total portfolio returns over all time periods
    - Diversification of the portfolio



# Why Noe Investment Planning & Management?

- Many people do not have the time or expertise to manage their finances and investments – it pays to have the help of a professional
  - Companies are shifting the burden of retirement investing to their employees – moving from pensions to 401k plans where the employees are required to manage their accounts
  - Some people are great savers, but they do not have their money in the proper investments (too conservative or not diversified)
  - Some people do not have the discipline to save on their own without a plan
- I provide services to all types of clients at affordable rates – from clients that are just starting to save to clients that have sizable investment portfolios
- Independence
  - I do not receive compensation from any insurance company, mutual fund company, or broker/dealer
  - I am completely objective when providing recommendations to clients
  - I invest clients' money with only their goals and objectives in mind



# Exhibit A – Fee Schedule

- Investment & Financial Planning:
  - General investment advice and planning, including help with 401k, 403b, 457 plan, or IRA investments (*Fee = \$80 per session*)
  - Annual retainer planning services - includes the development of an investment plan, investment recommendations, periodic investment reports, and 2 or more formal meetings per year (*Fee = \$500 per year*)
  - One-time development and implementation of an investment plan (*Flat Fee = \$250*)



# Exhibit A – Fee Schedule

- **Managed Accounts:**

- **Managed Account Fee Schedule**

<u>Fee %</u>	
1.00%	on the first \$250,000
0.80%	on the next \$250,000
0.60%	on the next \$500,000
0.50%	on the next \$1,500,000
0.30%	on amounts over \$2,500,000
	(minimum annual fee of \$250)

- Accounts with \$40,000 or more in assets receive 50% discount on investment planning services
- Accounts with \$80,000 or more in assets receive investment planning services for free



# Exhibit B - Client Requirements

- **Investment Planning Relationship:**
  1. Execute a retainer contract
  2. Provide investment information to me on a quarterly basis, or provide me with Login IDs and Passwords for online accounts
  
- **Investment Management Full-Service Relationship:**
  1. Execute managed account agreement and retainer contract
  2. Execute a trading authorization agreement with online brokerage firm
  3. Provide me with brokerage Login IDs and Passwords

*Note: Contracts and Agreements can be terminated at any time with written notice*