



S U M M E R 2 0 0 7

Discovering Financial Independence

What does financial independence mean to you? In his description of “retirementality,” financial life planning specialist Mitch Anthony describes it as follows:

“The New Retirementality is the ability to achieve the freedom to pursue your own goals, at your own pace, on your own terms ... regardless of your age.”¹

In other words, it’s the independence — not the dollars themselves — that matters the most. And yet, whether in our youth or in our maturity, the lines that separate career aspirations, charitable giving, family sharing time, and social and leisure activities can easily blur or disappear. Sometimes it’s hard to tell just where you’re at along the way.

That’s why it can be difficult to plan for financial independence in a vacuum. It’s why many of our clients benefit from a coordinated plan or blueprint.

Your plan isn’t simply about acquiring wealth: it’s about freedom. It’s about discovering what matters to you, feeling confident that you have solutions in place to address those things that matter and keeping your

solutions relevant as time marches on. Your strategy is based on a discovery process that helps us mutually identify and pursue sensible goals amidst life’s many challenges within these four primary life planning components:

1. **Enhancing wealth**
2. **Protecting wealth**
3. **Transferring wealth**
4. **Donating wealth**

In this issue of *The Educated Investor*, we describe the specific steps we take to discover, devise and implement strategies to meet your own goals. Call us today to continue your own explorations.



1. Mitch Anthony, www.newretirementality.com.

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Discovering a Menu of Services

If you compared the advisor relationship we build with you to a fine dining experience, a good model might be that of a Spanish tapas meal, which consists of multiple and varied “small plates,” rather than traditional courses such as appetizer, entrée and dessert. Similarly, we offer custom-prepared wealth services based on an array of options according to your personal tastes and appetite. Each component plays an integral role within an overall healthy and satisfying experience.

During the course of your “meal,” we seek to explore and address the following four life planning components in measures that make sense for you as you balance your career and creative aspirations, charitable goals, family sharing time, and social and leisure activities:

1. **Enhancing wealth**
2. **Protecting wealth**
3. **Transferring wealth**
4. **Donating wealth**

None of these pursuits are finite in time, nor will all necessarily be part of your individual pursuits. They are dynamic processes that can span your entire life, sometimes even multiple generations and branches within a family. They can be pursued (or not) at unique levels and in varying time frames based on your circumstances and objectives.



For example:

- ▲ Many clients begin with a focus on wealth accumulation or enhancement.
- ▲ As they achieve — perhaps surpass — their investment objectives, their primary focus might shift beyond their own retirement toward more complex wealth transfer or charitable pursuits.
- ▲ Similarly, wealth protection needs can evolve over time from mitigating immediate risks toward planning to protect more complex wealth needs and scenarios.
- ▲ All of these processes might renew or overlap as it becomes appropriate to introduce similar concepts to potential heirs.

Your plan isn't simply about acquiring wealth: it's about freedom. It's about discovering what matters to you, feeling confident that you have solutions in place to address those things that matter and keeping your solutions relevant as time marches on.

As such shifts occur, we can help you identify changing needs and execute smooth transitions. We offer not just theory but clearly defined steps toward achieving your life's goals. Like your goals themselves, these steps are not isolated, one-time acts; they are integral to the ongoing client relationship we build with you:

1. Discovery — Among the most important steps in our relationship is discovering who you are. What are your unique goals and challenges? Discovery involves mutual identification, exploration and mapping of your particular needs. It's meant to clarify your important goals, values, interests, assets, and personal and professional relationships. It sets the stage for an ongoing process that deepens the relationship between us and enhances critical communication about your changing life.

2. Planning — Recognizing where you've been and where you want to go is only the beginning. The next step is determining how you're going to get there. As your needs become more clearly identified, we will incorporate quantitative analysis and additional resources as appropriate to help you make important choices along the way.

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3. Commitment — The best plans in the world are nothing if not executed. At various points in our relationship, we will seek mutual commitment to execute the strategies we collectively devise. You, our client, have the ultimate responsibility for achieving your personal goals. We are responsible for answering any questions you have along the way; proactively engaging you and the loved ones in your life in ongoing planning; and helping you select and implement appropriate planning components as they make sense for you.

Are you ready to learn more? Next we explore the four broad components from which your own custom strategy can be built: enhancing, protecting, transferring and donating wealth.

Enhancing Wealth

Wealth enhancement or accumulation is first on our list for a reason. Clearly, if you lack sufficient wealth (“sufficient” according to your personal definition), then protecting, transferring or donating it becomes moot.

To address wealth accumulation, we offer a robust and prudent investment approach that enables us to serve as your trusted investment advisor. These components, already familiar to many of our clients, include the following:

- ▲ Serving in a fiduciary capacity — always seeking to act in your best interest in all the services we provide. As is required in our firm’s capacity as a Registered Investment Advisor, fiduciary duty is generally considered the highest legal duty that one party can have to another, and we take that obligation very seriously.
- ▲ Investing according to passive investing and broad global diversification rooted in Modern Portfolio Theory and supporting The Uniform Prudent Investor Act.
- ▲ Investing according to the concept that your portfolio’s level of risk (and its expected returns) depends on your personal preferences and situation. This includes your willingness, ability and need to take on market risk.
- ▲ Assisting with appropriate asset location between taxable versus tax-advantaged accounts, and applying other techniques to minimize the impact of taxes on your returns.
- ▲ Applying our investment approach for retirement plan sponsors or institutional clients.
- ▲ Introducing risk management strategies to begin the journey toward wealth protection.
- ▲ Maintaining strategic alliances that offer effective ways to implement all of the above.

Protecting Wealth

Every investor faces an investment life cycle that evolves from learning, to earning to withdrawing (spending or sharing) your assets. Risk management follows a parallel life cycle:

- ▲ Clients who are focused on asset accumulation may need protection against events that would interfere with carefully planned accumulation strategies. In addition, appropriate investment management can protect against erosion from taxes or inflation.
- ▲ As clients’ investment life cycles evolve, so do their protection needs. Insurance can evolve from playing a simple risk management role to serving as a strategic asset for protecting a client’s legacy. Asset withdrawal should also be managed to continue protecting against the damaging effects of taxes, inflation and market fluctuations.
- ▲ At advanced levels, concerns related to privacy, security of wealth and personal property, and protection against legal actions can become important factors to address within the overall planning process.

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Transferring Wealth

Careers have been devoted to and books written on successful wealth transition. With good reason. Many identify leaving a legacy as among their most important life goals.

And yet, research has indicated that up to two-thirds of attempted wealth transfers fail after transition!² Equally interesting are the indications of why. It would seem it is typically not due to outside sources such as poor estate planning. It's more often the result of breakdowns in internal family communications.³

In other words, heirs simply weren't prepared for the burden. They'd not been given the opportunity to discover, plan or commit to their own custom strategy, so they had no idea how to deal with assets that came their way.

Including multiple generations within an overall strategy can add enormous value. At the same time, such steps must complement each client's unique profile. We encourage you to begin this conversation with us today if wealth transition — *from* previous or *to* future generations — is or may be among your goals.

Donating Wealth

For many individuals and families, charitable acts can be their own reward. Charitable giving can be as simple as writing a check or as complicated as creating a family foundation. Again, it depends on circumstances and objectives. There are many ways to integrate one's charitable intent to reap additional and perhaps surprising benefits. For example:



- ▲ A pleasant by-product for a family engaged in charitable pursuits appears to be the value it adds to effective communication of family values among generations.⁴
- ▲ Ongoing legislative reform may afford existing and new opportunities for charitable giving to play an increasing role within your tax planning efforts. Keeping up with the latest regulations in this area can add value to your charitable pursuits.

2. The Williams Group, www.thewilliamsgroup.org.

3. Ibid.

4. Ibid.

Our Basic Tenets

Our objective is to design portfolios using passively managed funds that maximize investors' returns within their tolerance for risk. Here is what sets us apart:

- Fee-only investment management
- A disciplined investment strategy
- Access to institutional no-load passive asset class funds
- Fixed income expertise
- An investment approach based on research by Nobel Prize-winning economists
- Continued access to academic research
- A tax-efficient focus, with valuable tax and estate-planning ideas
- Risk tolerance assessment
- Periodic portfolio rebalancing
- Regular communications and state-of-the-art reporting

MOST IMPORTANT ... A TRUSTED ADVISOR RELATIONSHIP



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