Smoother Ride Part III – Portfolio Strategies & Requirements
"Closed Captions"

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If you watched video 2 you listened to all the disclosures and all the side pieces so, please make sure and reference those.

This is the same document we were just working on and we had basically built up to look at the annualized returns, the highest and the lowest. And then down below this is just graphically representing those 21 years relative to each of the strategies above. This assumes no money is taken out, no money is added, so it's a very um uh stable approach from a standpoint of no cash flows. The reality is most of us in retirement, there's money coming, there's money going. Again, just want to use this for historical context for educational and information purposes. And if you have interest in some of these strategies under our Smoother Ride series, you can certainly reach out as discussed to questions@richmondbrothers.com.

I want to spend a little bit of time actually in the disclosure section and I'm going to scroll down and I'm going to come back up to each of these. But if you look on the page now you can see a category that says primary stock portfolio and you see the names Vanguard Consumer Staples, Vanguard Materials, Vanguard Financials and these are the symbols. These are all exchange-traded funds, so it's not individual stocks the goal is to continue with an exchange-traded fund model. And then remember I said on my last video that for any Equity exposure through Beacon, we would be targeting an equal weighting. That means there's 11 sectors. If you take a hundred percent divided by 11 sectors that gives you about 9.09 percent that we don't have each of them. In dollar terms, if you had a hundred grand divided by 11 that's about nine thousand dollars in each of these sectors. Healthcare, Energy, Information Technology, Utilities, these are actually what you may see if you own these strategies on your Fidelity statements. Vanguard is no different to us (Richmond Brothers) then we have a Fidelity account, and we could own Invesco, we could own Fidelity funds, we could do a Vanguard funds. So, Vanguard is a streamlined exchange-traded fund model that we can own the 11 sectors, just for context.

Okay, we're going to scroll down a little bit further and you remember we also said there was some Bond strategies within these portfolios. So, if we presently owned any of those strategies with bonds, we would equally own the Vanguard long-term Bond, intermediate-term, and short-term bond, which you can see over here represented at about a third each. So again, these would be what you'd see on your statement. So, you may recall a 70/30 balance; so, if you had a hundred grand, 70 grand would be split equally with the 11 sectors of the S&P 500 above. The other 30 grand or 30 percent would be split equally between these. Now remember, in the strategies there's algorithms and defensive triggers where if the equity portion drops 10 percent, it triggers the defense at the end of the day and defense is to go from stocks to bonds; however, if bonds have dropped four percent, they trigger an even more defensive position all the way down to the Vanguard short-term Bond here, which is about a risk 20. And then just a cash position which would be a risk one. Now in the year 2022, because remember I said stocks and bonds are both down, had have been down in a correction or greater. A correction is a 10 percent drop. So all three of these strategies in the year 2022 have already triggered to get defensive. So just so you kind of get a sense of where we're at with those.

Now, I want to take a minute here, again you'll have access to this full document if you are watching these videos where it talks about back testing performance. Past performance is not indicative of future results. But I actually wanted to spend a little bit of time on this section five of disclosures on page two. And if you kind of go down, we actually had these strategies run as if you were a client invested in these strategies and as if you were paying investment advisory fees and money management fees. And so, you all know this, but according to our client agreement, the first five hundred thousand dollars in a family household is at 1.35 percent per year that's broken up quarterly. Beacon would have the first 500 Grand set at 0.45 percent, so if you added 1.35 and 0.45 together you end up at 1.8 (percent). So, I wanted to point out in these disclosures that the numbers reflected on page one for all three strategies are the net effect of paying a 1.8 percent fee. Now, why 1.8? That is the highest level that any client would be paying in these strategies. The bigger your portfolio gets, there are some breakpoints, but everyone would be at this or less, according to your client agreements and according to the master agreement we have signed with Beacon.

So given all of that and given the back tested performance, this is hypothetical, I wanted to go back up here. And if you look at these annual returns for these three strategies over 21 years, these are assuming that 1.8 (percent in) fees have already been paid. So, this would have been the back-tested hypothetical net performance, net of fees. What's interesting is this is actually the annual return of the Vanguard 500 Index, which is meant to compare against the S&P 500. This was a Buy and Hold strategy, but this does not include any fees. So if you were with an investment advisor and if you just did a Buy and Hold on the S&P Vanguard 500 Index, the return would have been 7.41 gross. If you back off the 1.35 or 1.8 in fees it certainly would be at six percent or less net.

So, we bring that up because it highlighted some important factors as we were doing our research and due diligence over the last year on Beacon and several other options that we could present to clients. What we found is we really were attracted to the idea of equal weighting. We were attracted to the idea of using all exchange-traded funds, so we kind of get away from Individual stocks, which can typically carry a much higher risk profile. And then we also are questioning and had been questioning the buy and hold of the market because we've had so many bear markets in a higher velocity and frequency than we have before 2018. So again, these are some strategies we can consider.

We wanted to present these out and I'm going to add I'm at seven minutes now, so again you have access to this PDF document. If you have specific questions, we would like to speak with you. You can reach out to questions@richmondbrothers.com.

And one other note is in general, if you have an equity exposure and there's 11 sectors, what Beacon really sets up through Fidelity is a rules-based system. And we're targeting the possibility of a portfolio, which could be a multiple of accounts in a household, to be at least a hundred thousand dollars in value. Now there are small exceptions to that, but that's really what Beacon looks for. And so, if you're outside of that, we can talk about other strategies, but just to also put that information out there.

So, this will end the video series video number three. There'll be one more video I will put out here to conclude the Smoother Ride series and as always reach out with any additional questions that you have. Thank you so much for tuning in!

Sources:

https://richmondbrothers.com/wp-content/uploads/2022/09/Vantage_2.0_Explained_1212021.pdf

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3568 Wildwood Avenue, Jackson, MI 49202
www.richmondbrothers.com