

## STRAIGHT ANSWERS TO IMPORTANT QUESTIONS

# What does an investment advisor do?

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It depends on the advisor, but we can tell you what we do at Rockbridge. *At the highest level*, we help you build or maintain your wealth in a meaningful way, so you can feel free to do what you want with your life. In the face of life's many uncertainties, we want to make investing as easy and effective as possible for you.

*At the hands-on level*, we address two tightly interrelated needs: the personal and the practical sides of investing. From a personal perspective, investment advice is pointless if it's not on target. We've got the passion and processes to help you: (a) assess where you're at today, and where you'd like to be tomorrow, (b) recognize and feel prepared to address your biggest challenges, and (c) stay on course toward your evolving goals.

Of course we also help you with the practical "how-to" of investing. For this, we've got understandable solutions in place, flexible to meet your unique goals but grounded in decades of academic evidence on how you can best harness expected market returns to build wealth.

*Close up, day-to-day*, Rockbridge is your ally in planning, executing and maintaining the details. We help you articulate your goals, reflect them in a written plan, build your investments according to plan, and monitor and report on how you're doing. Throughout, we welcome your questions and ideas, whether they're about your finances, your life's vision, or just to touch base. How can we be of service to you?

# Why should I do business with Rockbridge?

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That's a fair question. It's hard to find an advisor who offers all the investment advisor services we've described above, but we'd be flat-out lying if we claimed to be the only one. So, beyond our robust services, we believe we're an appealing choice because of who we are and what we believe as individuals. Your relationship with Rockbridge is:

*Fiduciary* — As your fiduciary advisor and a Registered Investment Advisor firm, we're legally obligated to advise strictly and exclusively in your highest interest, period. You'd think that would be a given, but think again. "Advisors" who are brokers or agents may be operating under the less-rigorous suitability standard. That means they can recommend a product that may cost you more (with higher commissions for them) as long as it's merely suitable for your portfolio.

*Fee-only* — Our sole compensation comes from clearly disclosed fees that are a percentage of the wealth we manage for you. The way we figure it, if we reject all commissions or other forms

of outside compensation, we'll never have to worry about being tempted by them. You are the only person who compensates us for our advice to you, and we think that's in your best interest.

*Right-sized* — In terms of advisor selection, you can be an ocean-bound guppy or a whale in a paddling pool. Our business model is sized to best serve clients with wealth in the range of \$500,000 to \$5 million, as big fish in our right-sized pond. Over the years, we've built a balanced team of investment advisors, financial and retirement planners, service support, and office administration to fully address without exceeding our clients' needs.

## Fees, schmees. Can't I do this myself?

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Yes, you can, sort of. Good, basic investing isn't rocket science. But even so, most people don't do it nearly as well on their own.

To cite the hard evidence, since 1994, financial market research firm DALBAR has released an annual update on its Qualitative Analysis of Investor Behavior (QAIB), indicating that investors significantly underperform the very investments they hold. According to the most [recent QAIB](#), covering 20 years of data through 2010, investors earned just under 4 percent compared to S&P 500 returns of just over 9 percent. That's a lot of wealth left on the table.

DALBAR and many other studies demonstrate that investors' inability to capture available returns is a self-inflicted wound that results from over-active trading. In the absence of careful planning and disciplined, long-term strategy, our natural tendencies are to react to emotions rather than adhere to strategy, which results in buying and selling at the wrong times, for the wrong reasons. Among our greatest advisor roles is to ensure that you stick to your well-built plan over time and across volatile markets. This may sound like no big deal. But the evidence is clear that individual investors lack the resolve to go it alone.

But let's say *you* have what it takes to stay the course with basic investing. There are still numerous ways we can add substantial value. To name a few, we can:

- Assess your existing investments and let you know of any concerns, such as hidden costs or inefficient activities. Suggest and explain appropriate, more cost-effective alternatives.
- Refine how and where your assets are allocated to create a risk/reward profile that makes sense for you. Maintain or update your allocations as the market and your goals evolve.
- Intelligently divide your investments between your taxable and tax-sheltered accounts, to minimize the damaging impact of taxes across your portfolio.
- Provide access to [Dimensional Fund Advisor](#) funds, which we believe represent a step up from basic index investing, and are only available via the guidance of an investment advisor.
- Coordinate your investment activities within the context of your overall wealth management needs, including insurance, estate planning, charitable intents and other related concerns.
- Provide ongoing counsel and education as new opportunities or new challenges arise.

In short, most investors aren't investing for fun; they're investing for their life. In that context, wise fund selection is merely part of a much greater whole that warrants objective, advisory oversight. It warrants Rockbridge Investment Management.

## Isn't the stock market too risky for my retirement investments?

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The short answer is, it depends. First, it helps to understand different kinds of investment risk:

1. **“Idiosyncratic” risk** — This is a fancy term for the risk inherent to individual securities. For example, Apple stock at least temporarily plummeted when the company's charismatic leader Steve Jobs retired, but of course this was a risk exclusive to Apple. By **diversifying** (using low-cost mutual funds to capture the broad returns of stock asset classes instead of trying to capture the returns of individual stocks) we can spread your financial eggs across multiple baskets and effectively eliminate this form of risk from the equation.
2. **Market risk (volatility)** — Stock market risk in the form of volatility can cause the short-term value of your investments to move up and down, sometimes dramatically and often unpredictably. But because “short-term” volatility can last longer than those facing retirement can comfortably afford, it's prudent to be wary of taking on more than is necessary. However, this is key: *You can expect these same stock market risks to generate long-term wealth for you within your well-diversified portfolio.* Nobody likes the uncertainty inherent in market risk, but even in retirement, your financial goals may well include the need to build in a measure of it, to maintain or build wealth.
3. **Spending power risk** — On the flip side of market risk, there's the risk of being *out* of the market. It seems logical to assume that a flight to quality makes you “safer,” but a problem with this assumption is that risk-free investments lose spending power over time. In other words, if your dollar isn't earning market returns, it eventually buys you less than it used to: \$1 in 1980 bought you more than \$1 today. So even in retirement, market investing helps you manage spending power risk.

So, we would suggest that the question isn't whether the stock market is “too risky,” but rather whether you're managing your investment risks according to your retirement goals. We advise taking on market risk in proportion to your financial goals, and offsetting it with fixed income assets to dampen the volatility and meet your income needs. How much of each? This is where an informed advisor can make a huge difference in helping you find the right mix for you.

# How are you going to protect my money if there's another economic meltdown?

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The best time to “react” to an economic meltdown is long before it happens. To manage your wealth through good times and bad, we emphasize *planning* and *preparation* as the foundation upon which to build.

When investors face bad economic (or other) news, the typical response is to sell stocks and flee to Treasuries or similar “safe harbor” holdings. Charts and graphs show the massive outflows in dramatic relief. Unfortunately, what’s really happening is that they are selling low (when stock prices are plummeting) and buying high (when Treasury rates are unattractive). When the coast looks clear, they perform the reverse, effectively buying high and selling low.

We would argue investors are engaging in this self-destructive behavior because they have not prepared for the downturn. Having a customized investment plan, preferably in writing, is like having a well-practiced fire drill in place. Instead of being left fearful and reactionary, you know what to do when the time comes. Your plan should specify desired asset allocations among risky and less-risky investments, as well as a rebalancing strategy for staying true to your goals amidst ever-changing market conditions. Then, when the markets turn frightful, we encourage you to rely on your plan, devised during calmer times, to see you through.

By the way, even for those already in the grips of a market downturn, it’s never too late to form a prudent plan for your next steps. Regardless of market conditions, we help investors assess their existing circumstances and set realistic goals for moving forward with improved confidence.

# Why can I expect your way of managing money to work well for me?

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Perhaps our biggest point of distinction is that all of our services, strategies and advice are centered on ensuring that your unique goals, challenges and opportunities are the driving force behind your financial activities.

Too often, financial decisions are made in a void of understanding the “why” behind the wealth: How do you feel about your financial circumstances today? Where do you hope to end up? What are the challenges you face in getting there? What are your interests and who are your valued relationships?

We begin by exploring these critical questions with you. And we remain in touch with you throughout our relationship to ensure we’re apprised of the most current answers. Only then do

we suggest sensible financial tactics and manage targeted portfolios to help you make your way toward your most desired life goals.

What other tough questions can we answer for you? [Let's continue the conversation.](#)

**[www.rockbridgeinvest.com](http://www.rockbridgeinvest.com)**