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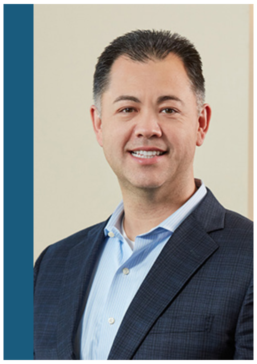
EVALUATING PORTFOLIO PERFORMANCE



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Director of Strategic Advisor Program

Intuitively, evaluating financial performance seems very simple and straightforward. Yet, many investors get it completely wrong by not considering all of the necessary factors, and this can lead to dire financial consequences. A proper evaluation, like any good analysis, requires a comprehensive and honest assessment that can help determine if your current strategy and approach needs either a minor adjustment or a full-blown overhaul.

Performance is your rate of return after accounting for *risk*, *fees*, and *taxes*. Please take the time to memorize this formula, because it may someday absolutely save your portfolio's life. This should intuitively make the most sense because the rate of return you seek must account for the level of risk you endured, all the costs of executing your strategy, and of course, the resulting tax bill. What's left is your truest rate of return. If you agree with everything so far, keep reading. If anybody tells you otherwise, start running!

Any deviation from our agreed-upon evaluation methodology reduces the quality and completeness of your review, which if used as a basis for future portfolio changes, might do far more harm than good. For example, you may be offered a product with terms like "low risk" or "guaranteed," but may fail to mention items like "surrender charges" and "illiquid." Or you might be shown another product that suggests "tremendous tax savings" and "easy access to capital." In both cases, a salesperson may not have mentioned the upfront commissions or the high expense ratios. These are just two examples of how a simple deviation from our methodology can steer you towards dangerous waters.

It's important to mention that it doesn't require a slick salesperson to make a terrible investment decision. Sometimes we do this ourselves! Maybe we take on too much risk and pay for it later when the market tanks. And to make things worse, we sell at the bottom of the market. Or instead of risk, we are so fee-averse that we'll do anything to avoid paying fees. Although this approach is well-intended, the short-term cost savings of not seeking professional help when it's clearly needed can instead be very expensive. Because unless someone has the *time*, *desire*, and *expertise* to create a plan and execute it consistently, they might just be shooting themselves in the foot

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to save a buck. Even a slight nod at the wheel, a missed rebalancing trade, or making that emotional trading mistake can have catastrophic ramifications. The opportunity costs of these mistakes can dwarf in comparison to paying for professional help.

Performance should always be evaluated on a risk-, fee- and tax-adjusted basis (Did I say that already?!), and with a matching portfolio strategy. We need a plan that considers investment, tax and legacy goals. Once a plan is established, it should be used as a baseline for the initial investment selection. From here, prudent and punctual portfolio adjustments are made as we deal with the inevitable stock market ups and downs, including the occasional geopolitical issue and global pandemic. If you haven't noticed already, it's all about finding ways to slightly increase the odds, adding incremental layers of efficiency and effectiveness, and striving for a more consistent and appropriate level of performance that's aligned with our overall financial plan.

A review of our portfolio's performance and the likelihood of sustainable success is very similar to understanding how a casino operates. It's highly likely that casinos fare well because they strive for the best rate of return on a risk-, fee-, and tax-adjusted basis. They know the odds of every single table game and slot machine, and because they have a very good idea of how much you will gamble away during your say, they are willing to give you a free room with food and drinks up to a certain dollar amount. And if you compare this to the odds of a gambler in the casino, even if this person happens to be the greatest Blackjack player ever, the odds are still in the casinos favor. The point to all this is: your portfolio strategy needs the same type of complete and comprehensive plan as a foundation for the initial investment selection and ongoing maintenance, as you also strive for the best rate of return on a risk-, fee-, and tax-adjusted basis. To accept anything less, or be swayed into something that deviates from our methodology, might come with a significant cost. Simply put: it's not a bet you want to make.

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