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New Year's Investment Resolutions

It's that time of year when many of us think about establishing one or more New Year's resolutions. This often means committing to improving one's lifestyle by losing weight, exercising more, or drinking less. Some investors could probably benefit from resolutions targeting their financial health as well. Just as many individuals endanger their well-being with bad habits, numerous investors suffer from ill-advised practices that are detrimental to their wealth. Perhaps a set of New Year's investment resolutions, along with an advisor capable of helping investors adhere to them, will lead to a more prosperous future.

Everybody wants to be healthier, and many people want to be wealthier, but it's just not that easy. Most of us are creatures of habit and discover that making permanent changes in our behavior is surprisingly difficult. We need every possible mental crutch at our disposal to help us adhere to a new regimen; hence we establish mental road signs, such as New Year's resolutions, as behavioral aids.

To make matters worse, our commitment to change is sometimes tested by examples of those who ignore prudent behavior to their apparent advantage and those who follow it to their apparent detriment. Winston Churchill lived to age 90, fortified by an ample supply of champagne and cigars, while author and jogging enthusiast Jim Fixx died of a heart attack at age 52. In the financial world, the investor who sunk every penny into Apple shares ten years ago watched her investment multiply over forty-fold while a globally diversified equity portfolio lost money. These isolated examples may test our faith but should not encourage us to abandon a proven set of prescriptions; continuing to apply them will still improve our odds.

So, for those who find making such promises useful, here are ten investment-related resolutions that will hopefully result in better long-term wealth:

1. I will not confuse entertainment with advice. I will acknowledge that the financial media is in the entertainment business and their message can compromise my long-term focus and discipline, leading me to make poor investment decisions. If necessary I will turn off CNBC and turn on ESPN.
2. I will stop searching for tomorrow's star money manager, as there are no gurus. Capitalism will be my guru because with capitalism there is a positive expected return on capital, and it is there for the taking. And for me to succeed, someone else doesn't have to fail.
3. I will not invest based on a forecast – whether it is mine or anyone else's. I will recognize that the urge to form an opinion will never go away, but I won't act on it because no one can repeatedly predict the future. It is, by definition, uncertain.
4. I will keep a long-term perspective and appropriately consider my investment horizon (i.e., how long my portfolio is to be invested) when determining my performance horizon (i.e., the time frame I use to evaluate results).
5. I will continue to invest new capital and work my plan because it is time in the market – and not timing the market – that matters.
6. I will adhere to my plan and continue to rebalance (i.e., systematically

- buying more of what hasn't done well recently) rather than "unbalance" (i.e., buying more of what's hot).
7. I will not focus my portfolio in a few securities, or even a few asset classes, as diversification remains the closest thing to a free lunch.
8. I will ensure my portfolio is appropriate for my goals and objectives while only taking risks worth taking.
9. I will manage my emotions by learning about and acknowledging the biases and cognitive errors that influence my behavior.
10. I will keep my cost of investing reasonable.

Most of us find it hard to follow a sensible diet or a sensible investment strategy 100% of the time. If you must stray when managing your wealth or well-being, moderation is the key. Chocolate cake is OK, as long as it's not for dinner every night. Speculating on a stock or two is all right as well, as long as you don't do it with your investment capital.

Finally, just as successful athletes rely on coaches and trainers to help them achieve their goals, most investors can probably benefit from having a "financial coach" to remind them about their New Year's resolutions and keep them on track toward a more prosperous future.

Thanks to Brad Steiman, Vice President, Dimensional Fund Advisors

2011 ANNUAL RETURN

(Including Dividends)

S&P 500®:	2.11%
Russell 2000®:	-4.18%
MSCI® EAFE Equity:	-11.73%

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. Investing involves risk. The S&P 500® Index is an unmanaged index comprised of the stock prices of the 500 stocks with the largest market capitalizations traded in the United States. The Russell 2000® Index is a market capitalization-weighted index that is designed to measure the performance of approximately 2,000 companies with market caps of less than \$3 billion, and is representative of the US small capitalization securities market. The Morgan Stanley Capital International (MSCI®) Europe, Australasia, Far East Index (EAFE) is an unmanaged market capitalization-weighted index designed to represent the performance of developed stock markets outside the United States and Canada. These indices do not reflect the deduction of any fees or expenses.

THE DESCENDANTS: CRITICALLY ACCLAIMED FILM OR CASE STUDY IN MULTI-GENERATIONAL WEALTH TRANSFER

by Brian King, CFP®, CPA, Director of Financial Planning

On the recommendation of several clients, my wife and I went to see The Descendants on New Year's Day. The film was released in December, and follows a family living in Hawaii as they cope with tragic circumstances. I'll do my best not to spoil the film for anyone but I did want to share a relevant side story.

Matt King, played by George Clooney, is a descendant of Hawaiian royalty and missionaries. The family owns a significant tract of land on the island of Kauai which has been passed down through numerous generations. As the movie

begins we learn that the land is now owned by a trust. Matt and his cousins are the beneficiaries of the trust and Matt also serves as the sole trustee. Due to Hawaii's laws governing trusts (I challenge you to find another major motion picture that references the rule against perpetuities), the trust must terminate in seven years time.

As the sole trustee Matt is faced with the difficult decision of how to wind down the trust in an orderly fashion. Basically, he has two options. He can decide to sell the land to a developer and distribute the proceeds amongst his cousins or he can keep the land and figure out how to maintain it for future generations. As you might imagine his cousins, and the citizens of Hawaii, have a significant interest in his decision.

Matt lived by his father's philosophy that "You give your children enough to do something, but not enough to do nothing." Matt preserved his inheritance from the trust by living off his salary. Matt and his children do not need the land proceeds to secure their financial future. Interestingly, Matt's father-in-law, played by Robert Forster, feels that he should have used more of his inheritance to benefit his family. He feels that this might have prevented or alleviated many of the problems Matt's family deals with throughout the course of the movie.

Many of Matt's cousins have spent most of their inheritance. They are looking to the potential proceeds from the land to fund their lifestyle. Others want the land to be preserved.

It would appear that Matt makes up his mind on his last visit to the land with his family. He reminisces about camping trips on the beach with his wife and older daughter. When Scottie, his younger daughter played by Amara Miller, points out that she has never had the opportunity to camp on the beach you can see the wheels begin to turn in Matt's head. A few days later Matt announces to his family that he has decided not to sell the land. He is going to figure out a way to maintain and protect the land because it was what they were meant to do. Some cousins are happy, others threaten lawsuits, but Matt seems confident in his decision.

The story of Matt's decision to keep the land is only part of the overall plot of The Descendants but I think it sheds some light on an area of financial planning that is sometimes overlooked. As advisors and clients we often focus on the math of financial planning (rates of return, estate taxes, etc.) While the math is important, the impact of financial planning decisions can be felt for generations to come. If future generations of your family are not educated about the plans you have made and your reasons for making them, the math can go out the window in a hurry.

If you attended our Speaker Series event last year with Nathan Dungan of Share Save Spend, you know that more than 90% of inherited wealth evaporates after the third generation. Often the missing links that prevent this erosion of wealth are education and communication. If Matt, and his cousins, understood the intentions of previous generations would Matt have been as conflicted in his decision to keep the land? Would he have enjoyed some of his inheritance? Would his cousins not have squandered theirs?

SPECIAL NEWS...BREAKING NEWS FROM PLANCORP

We have learned that our President, Chris Kerckhoff, has been selected as a recipient of the St. Louis Business Journal's "40 under 40" award. This prestigious award recognizes those that are making a mark on our community as exceptional professionals and as exceptional community contributors. Chris will be featured along with the other recipients in the January 27th issue of the St. Louis Business Journal.

We are very proud of Chris, please join us in congratulating him on this achievement.

CLIENT SERVICE REPRESENTATIVES – HERE TO HELP

Much of the work of maintaining your brokerage accounts is done behind the scenes. As a result, you might have had little contact with Plancorp's Client Service Representatives (CSRs), Katie Buckner and Joni Green. Working closely with the Wealth Management Team (Katie with Brian King, Kyle and Tom; Joni with Brian Wiedermann, Chad and Ryan), they are responsible for ensuring that Charles Schwab, Fidelity Investments and TD Ameritrade have accurate and current information about the owners of the accounts, including address, Social Security numbers and birthdays. This is typically captured at the start of your relationship with Plancorp, but we may periodically ask that you provide us with updated information if needed to comply with the stringent security regulations of the custodians. Katie and Joni can also help you directly with a number of other tasks. They are often easier to contact by phone than the Wealth Managers, and can be your first point of contact for such services as:

- Change of mailing or email address
- Cashiering functions, such as moving money between accounts (including wire transfers) or issuing a check to yourself or a third party
- Clerical functions, such as enabling check writing on an account, printing and issuing blank checks, or turning off paper statements in favor of electronic delivery

We would like for you to meet Katie or Joni at your next review meeting.

And a special note about requests to trade securities in your account...

Our policy requires that we receive trade instructions directly from our clients. We are therefore unable to execute trade instructions left on voice mail or sent via fax or email. Please contact any member of the Wealth Management Team if you have a special trade request. To allow adequate time for processing your request, we ask that all instructions be received prior to 1 PM. Any request received thereafter will be processed on a best-effort basis, but may not be completed until the next business day.

RETIREMENT PLAN COMPLIANCE TESTING

by Susan Conrad, AIF® Vice President Retirement Plan Advisors

What will 2011 reveal?

It is once again time for employers sponsoring retirement plans to turn their attention toward compliance testing.

Every year specific testing is conducted on employee census data. Plans that do not pass testing have limited options for the current year but through plan design can prevent the same issues in the future. A couple of examples are provided below.

- Owners or officers from plans that do not pass 401(k) testing will have to receive 401(k) contribution refunds or make a special employer contribution. This can be avoided by amending the plan to add Safe Harbor provisions. Minimum contributions are required but this feature will eliminate 401(k) testing.
- If employees are interested in saving more money, contribution amounts can be increased beyond normal maximums through custom plan designs. Numerous options are available based upon plan type and employee demographics.

Effective plan design is essential to overall plan health. If a plan is not operating efficiently or allowing participants to maximize savings, the plan design should be reviewed. We customize plans and investment structures for clients to help them achieve their goals. Contact Plancorp Retirement Plan Advisors if you would like to know more about how your retirement plan can be optimized.