

WHAT WALL STREET DOESN'T WANT YOU TO KNOW



Bill Losey, CFP®, CSA "America's Retirement Strategist"



Bill Losey, CFP®, CSA, "America's Retirement Strategist", has nearly 20 years experience in the financial services industry and is a Certified Financial Planner™ practitioner, a Certified Senior Advisor and Certified RSP-Trained Retirement Coach. He publishes [Retirement Intelligence](#), a complimentary weekly e-newsletter that reaches over 3,000 subscribers worldwide.

As a qualified professional in the areas of retirement strategies and investment alternatives, Bill has been interviewed on the CBS Radio Network, CNN, FOX's "Hannity & Colmes", Bloomberg Business Radio, RNN-TV, and over 100 radio stations nationwide. He is a former guest host of "Money Matters", a daily personal finance radio program simulcast throughout NY, NJ and CT, and formerly a financial commentator for RNN-TV and guest host of the "Issues on Aging" radio program in PA. Bill is frequently quoted in the press, and has appeared in *Financial Planning* magazine, *Inside Information* and *Senior Market Advisor* magazine. He writes regularly for *Violet for Women*, *Boom News* and *The Chronicle of Higher Education*. Bill's first book, [101 Stock Market Guarantees](#), was published in 2004.

In his leisure time, Billy, as his friends call him, is an age-group athlete who competes in triathlons, marathons and road races *very slowly*. When he's not bringing up the rear of some race, Bill loves to sing. He is an accomplished singer and has performed the National Anthem at Madison Square Garden, the Pepsi Arena and other sporting venues. His love of singing and knowledge of money, combined with his witty sense of humor and desire to fight financial illiteracy, come full circle with his development of hilarious financial-related song parodies found at www.PerfectHarMoney.com.

Bill is a graduate of Marist College and obtained his certification in financial planning from The College for Financial Planning in Denver. He is a member of the Financial Planning Association, the Society of Certified Senior Advisors, the National Ethics Bureau and the Saratoga Chamber of Commerce. Active in his community, Bill has previously served on a number of church committees and has volunteered his time to help raise money for Special Olympics, March of Dimes, Make-A-Wish Foundation and the American Heart Association. He has been married for nearly 20 years to his first wife Tori. Together they have 3 sons, 2 dogs, 1 hamster and 6 fish.

Begin Transcript

Bill: Today is Sunday, December 10, 2006. Good evening and thanks so much for joining us on tonight's teleseminar. It's entitled "What Wall Street Doesn't Want You to Know." My name is Bill Losey and I'm a certified financial planner/practitioner, a certified senior advisor and an RSP-trained retirement coach.

My company is an independent, registered investment advisory firm located in Wilton, New York just outside historic Saratoga Springs in upstate New York. For those of you who wonder exactly where that is, we are three to three and a half hours north of New York City and about three hours south of Montreal, Canada.

My firm caters to discerning individuals nationwide who demand objective financial and retirement planning advice, fee-based investment management services, attention to detail and impeccable service.

Tonight's teleseminar will run approximately 45 to 60 minutes, depending on the number of questions you may have. I will take questions halfway through the presentation and again at the end. As an alternative you can submit your questions via email at any time during the call at Bill@MyRetirementSuccess.com.

I also encourage everybody to stay on the line tonight for the entire call. Later on I'll have a special offer for everybody which literally could save you thousands of dollars every year on your investment costs.

Without further ado, let's get started. There are thousands and thousands of investments out there. There are investments called spiders and vipers, corporate bonds, government bond funds, muni bonds, futures, ETFs and value, growth and blend funds.

As you may already know, putting together an investment portfolio is hardly user friendly. What we will talk about is one, how you can build an investment portfolio you can understand and two, how you pay for that.

At my firm, Bill Losey Retirement Solutions, one of the services that we offer our clients to help them become better investors is what I refer to as an investment methodology called Skill-Weighted Portfolio™.

It's a fairly simple concept but the results are quite significant. They are more cost-efficient investing, clearer, more realistic performance expectations so you'll stay invested longer and the potential for enhanced performance.

I want to focus on a couple words that I always hear when people talk about investing or when I meet with prospective clients. The phrases that I always hear are "beat the market" or "beat the stock market." What does that really mean to you?

What I've found based upon my nearly 18 years in the business is that most people try to compare their own investment performance against an index such as the S&P 500.

In order to know what this phrase really means I think there's something really important that you have to understand. In reality there are two different U.S. stock markets. We will take a look at both of them tonight.

I'm going to mention some companies such as Colgate, Walt Disney, IBM, AT&T, DuPont, Boeing, Dow and GM. I'm sure all of you recognize these names. We use their products and services all the time. We see their ads and TV commercials all the time.

We read and hear about them in the news all the time. These companies are what are referred to as “corporate giants.” They’re part of what we call the “high profile market.”

I also encourage you to take some notes tonight during the presentation.

I want to take a look at some other companies such as Midway, Sunrise, Ocular Sciences, Monaco Coach Corporation and Saint Mary’s Land and Exploration Company. How many of those do you recognize? Probably not many if you’re like me.

These companies all happen to be rather substantial, successful companies. They’re just not in the same league as the giants I mentioned earlier. Companies like Saint Mary’s Land and Exploration Company are part of what I call the “low profile market.”

We’re going to spend some time talking about these different markets. Then a little bit later I’ll reveal the secret that Wall Street doesn’t want you to know.

Let’s compare how the two markets look side-by-side. The high profile market is made up of very large, blue chip type companies. We refer their stocks as “large cap” stocks or large capitalization.

All that means is that it reflects the huge, total value of all of the outstanding stock of a particular company, typically anywhere from \$10 to \$300 billion in the case of a General Electric.

On the other side of the ledger, the low profile market is made up of relatively smaller companies. We call their stocks “small cap” and “mid cap.”

Because of their size and reach the high profile companies are very well known. The low profile companies are considerably less well known. High profile stocks are widely

owned by investors. This includes many individual investors such as you and me. You may not even know you own them in your mutual funds.

The low profile stocks are narrowly held. That just means they're less likely to be owned by the average investor.

You always hear people talking about performance, so let's compare the high profile versus the low profile markets. In preparation for tonight's teleseminar I looked over the last 80 years. I lumped together all of the companies that were historically part of the high profile market.

On average, an investment in the high profile market grew at about a 10.4% annual rate.

What about the low profile market? Over this same time frame, stocks of smaller companies performed a lot better, at 12.7%.

You might wonder, "Bill, why not just invest in the smaller companies since they've done so much better?" There's a very good reason for it.

First of all, there are never any guarantees that history will repeat itself. Even more importantly you need to recognize that while the low profile market has given investors a higher return than the high profile market, the "ride" or volatility is not the same. There's a direct correlation between risk and reward.

If you take a look at large caps and small caps, they definitely have different performance and a different ride. The value of a large company's stock fluctuates up and down, but smaller companies' stocks have typically given a much rougher ride. They're a lot more volatile over shorter periods of time.

Small companies' stocks tend to rise and fall in value more dramatically month-to-month and even day-to-day and year-

to-year. This type of volatility is quite upsetting for a lot of people, especially when it's your money. That's especially true if you're retired and are no longer earning any money.

If you take a step back and look at the big picture, what you'll see is that over a long period of time the day-to-day volatility looks inconsequential compared to the overall growth.

In my opinion, despite the extra volatility of small cap stocks, there is really a good reason why you'll want to invest in both. It all has to do with building your wealth.

At first glance it might not seem that there's much of a difference between the 10.4% that I said large companies' stocks have historically earned and the 12.7% that smaller companies' stocks have earned. Over time this differential of a little more than 2% has an absolutely tremendous impact on the relative amount of wealth that these two stock markets generate over the long term.

Over the last 80 years at a 10.4% return on the large cap stocks in the high profile market a \$1,000 investment would have grown to over \$2.5 million, which is really quite impressive.

However, the 12.7% growth of small cap stocks would have transformed that same \$1,000 into nearly \$13 million, which is more than five times as much.

The big question is, "What do you do?" In my opinion it makes sense to invest in both. You do not want to invest in both markets the same way.

I believe that the high profile stock market has proven over time to be a very hard market to beat. It makes more sense to join this market rather than to try to beat it.

There are two basic reasons for this. One reason is something called "market efficiency," a concept that might be

new to you. The other is cost, which is a concept you know very well.

Let me explain what market efficiency is. Going back to the high profile market, large company stocks like Colgate, Coca Cola and DuPont are some of the largest 200 stocks in the entire country. Each of these companies is valued at somewhere between \$10 and \$300 billion.

In this high profile market all of the giant companies are continually picked over. They're endlessly studied by Wall Street analysts, the financial and news media and millions of investors. This is why financial experts often say that the large cap area or high profile market is what's called an "efficient market."

Economists define an efficient market as one in which all the relevant information on each company is readily and widely available. It's already been factored into each stock's price.

In this large cap arena it is virtually impossible for anyone, even professional analysts and investment managers, to gain an edge in picking which stocks will rise faster and produce a bigger reward for investors.

When it comes to large cap stocks it is extremely difficult for any particular mutual fund manager to outperform all the other large cap managers or even beat the market.

Here's the bottom line. They all act on exactly the same information at precisely the same time. It's very hard for portfolio managers to add value in the large cap or high profile market.

I also want you to remember I said that costs were also a factor. After certain fees and costs are taken into account most managers can't even meet the market, much less beat it.

I want to give you some quick math on what my research brought out for large cap mutual fund expenses. Every year the manager charges some fees for managing the fund. The average cost for a large cap fund is about 1.5% of all of the dollars in the fund.

Transaction costs are another cost which you probably don't see because they're buried deep in the prospectus. All mutual funds have transaction costs. Those costs include the costs of buying and selling the stocks or bonds in the fund. Those costs are estimated to average about .9%.

Right off the bat this gives a mutual fund manager a 2.4% handicap to make up before they even get started. This is one of the main reasons why you hear portfolio managers and active management don't outperform certain benchmarks.

Let me bottom line this for you when we talk about costs and how they matter. If a large cap stock earns 10% in 2006, a mutual fund manager has to earn about 12.5% just to break even with the stock market.

That is one of the reasons that fees seem to be in the news more than ever, especially now that the stock market returns have really come back down to earth from the bull market of the 1990s. You've probably seen all sorts of headlines like, "There's no way to justify these fees," and "Mutual fund fees under scrutiny by the SEC and NASD." It gets a lot of press.

Let's recap so far. Because of market efficiency and costs I believe that in the large cap area it's a waste of time to try to beat the market, but over the long term, the high profile, large cap market is a good market to join. In my professional opinion if you're going to invest in this market the best way to own it is to join it by owning an index or index fund.

I'm sure some of you are familiar with that term, but some others may not be. If you read the newspaper fairly regularly, listen to the radio, watch TV or the news at night, you've

probably heard about these indexes, the S&P 500 and the Dow Jones.

What that means is they're essentially a representative grouping of stocks. Some are relatively small groupings and others represent an entire stock market. The Dow Jones Industrial average is based on 30 actively traded blue chip stocks, primarily of industrial-type companies.

Then there's the S&P 500 Index. That includes the entire high profile stock market in the U.S. That's a representative sample of the 500 largest companies in leading industries in the U.S. economy.

There's a special type of mutual fund called an "index fund" that exists for one reason only. That's simply to invest in a particular index, group or basket of stocks. What that means is that the index fund will mimic the index by investing in all of its stocks.

Index funds generally have two big advantages. One is it enables you to use even a relatively small investment of cash to hold all of the stocks on an entire market. That gives you instant diversification.

Two is it also can keep costs low since the management activities the portfolio managers have to take care of are minimal. Remember, the manager of an index fund is not being asked to analyze the stocks and pick any winners.

The person is asked just to buy and hold some particular group of stocks, such as all the stocks of the S&P 500. They don't have to actively manage it. This allows the management fees and trading expenses to be kept to a minimum.

I believe that when it comes to large cap stocks, the best way to invest is to own an index fund. I don't think you should take my word for it. You've probably heard of a guy

named Warren Buffet. He is considered by many to be the most successful investor of all time.

He has been quoted as saying, "Most investors will find that the best way to own common stocks is through an index fund that charges minimal fees." He also said, "Those following this path are sure to beat the net results delivered by the great majority of investment professionals."

There's another guy named John Bogle, the founder of Vanguard Investments. He is a big believer in the superiority of the S&P 500 Index. He's said that over the past 50 years the average large growth and income mutual fund provided less than half of the market's accumulation.

This is one of the main things I wanted to talk about tonight and where we got our title, "What Wall Street Doesn't Want You To Know." In the financial industry there's a raging debate of whether active portfolio management is better than passive management. By passive management I refer to indexing investments.

In certain asset classes or sectors like the large cap area, indexing works because of market efficiency and costs. That's where indexing does work. In other sectors, such as small cap, it doesn't work as well.

The reality is this is not an "all or nothing" proposition of active management or passive management. You want to have a combination of both. That is what Wall Street does not want you to know.

You should be investing your money just like the institutions do. They have a combination of both passively managed index and actively managed funds. We will talk more about this as the night continues.

During my research I looked at the last 20 years. I found that the S&P 500 Index has beaten the average large cap mutual fund by about 2.5% per year. If you consider the effect of

compounding, what you see is that over these last 20 years a \$10,000 investment in the average large cap mutual fund would have grown to about \$81,000, which is pretty good.

That same \$10,000 invested in an index fund, particularly the S&P 500 Index, would have grown to about \$127,000. That's \$46,000 more in your pocket, for vacations, cars, retirement, long-term care or whatever it is that you need.

You don't need to take my word for it. There are tons of books and hundreds of articles by leading financial experts and media personnel who all share what I refer to as our "efficient market index philosophy" when it comes to this market.

Does anyone have any questions?

Colleen: How does an individual go about doing this for themselves?

Bill: How does an individual go about investing in an index?

Colleen: Yes.

Bill: We will talk more about that in a little while, but the reality is this. You could pick up virtually any newspaper or financial magazine or even go to Google. Type in "index investing" or "index funds," you will find there are literally hundreds of them.

What you have to do is find one that matches up with what you're trying to achieve. Then you buy the index fund or an "exchange traded fund." We'll talk about those in a little while, too.

In case you have any questions about what we do, our website is www.MyRetirementSuccess.com. I will take questions again at the end of the call. As an alternative you can submit your questions at any time during the call to Bill@MyRetirementSuccess.com.

I also want to encourage you to stay on the call until the end. I have a special offer just for those of you on the call that could literally save you thousands of dollars every year in your investment and management fee expenses.

We've spent most of the presentation so far talking about large cap stocks and the high profile market. Now I will talk about the other U.S. stock market. That's what I refer to as the low profile market.

This was where I mentioned companies like Midway, Ocular Sciences, Black Box and Saint Mary's Land and Exploration Company. There are strong reasons to invest in this low profile market as well as in the high profile market. This market really has historically generated the highest long-term returns.

I mentioned earlier how a \$1,000 investment grew to almost \$13 million dollars compared to \$2.5 million in the high profile market over the last 80-year history. The small cap arena is the area where there's also greater short-term volatility. You typically don't want to have a larger percentage of your money in this sector.

When I talk about this market I think it's useful to consider how companies grow from small to big.

Company growth is typically described in four phases. Phase 1 is the entrepreneurial phase. Phase 2 is the emerging phase. Phase 3 is the established phase. Then Phase 4 is the mature phase. I think they're fairly self-explanatory.

During the early stages of growth, especially in that entrepreneurial stage, a company's total stock is worth relatively little. These companies fit into what's called the "small stock" category.

This leads to an important concept. Every large company started out as a small company. That's fairly simple to understand.

It's in this early growth phase, when companies are still small, that they experience the most accelerated and rapid growth.

Clearly, one of the investment advantages of small stock investing is the opportunity to capture this growth spurt when growth is really accelerated. This is also why the potential returns are so much greater than those of the high-profile market.

You've probably heard in the past of a gentleman by the name of Peter Lynch. For those of you who don't recognize the name, back in the '70s and '80s, Peter Lynch managed something called the Fidelity Magellan Fund. At that point, it was considered to be the best performing mutual fund of all time.

He said that when it came to the general superiority of small company investing, it was better to buy small stocks in small companies than large-cap virtually all the time.

One of the main reasons is that there are exceptional cases where this accelerated growth, especially of particular companies, is really meteoric.

The one company that comes to everybody's mind, when they hear about small companies exploding, is Microsoft.

Think back to March 1986 when Microsoft went public. If you had a \$1,000 investment in that initial public offering, less than a dozen years later, your \$1,000 would have grown to nearly \$300,000.

That is one of the advantages of getting into a company when they're small and experiencing that accelerated growth.

A caveat to that is very important to remember. Even though every large company starts out as a small company, not

every small company becomes a large one. That's the investment challenge.

Every large company starts out as a small company stock. Not every small company becomes a large company.

For every Microsoft, there are legions and legions of entrepreneurial and emerging companies that never become large companies. Some never even make it to the established phase of company growth.

This small-cap market, the low-profile market, is where it takes expertise, diligence and time to find the ones that will survive and grow. It's really easy to see why.

While there are only about 200 to 500 bona fide large-cap stocks, there are over 9,000 small and medium company stocks that make up the low-profile market.

Given the size and multitude of these companies, it is only natural that each of these companies in the low-profile market receives much less attention.

Fewer people know about these companies. Fewer analysts cover these companies. More importantly, fewer investors are likely to own them.

Those three characteristics are what I refer to as the hallmarks of an "inefficient market." An inefficient market is a market in which all of the relevant information on each stock is not readily and widely available.

This is one sector where professionals such as myself and active portfolio managers have the potential to beat the market through hard work and intelligence. In my professional opinion, that's why you want to invest in both of these different markets.

You want to invest in them differently. You can't beat the efficient high-profile market. I've been to many conferences

and heard many debates. Not many people can do it. You want to join this type of market. You want to join it by owning an index.

The inefficient low-profile market is where a talented manager has the potential to beat the market. This is where you should hire a pro.

What we do at my firm, to help our clients do this easily and in a way that they can understand, is offer them the opportunity to use something called a Skill-Weighted Portfolio™.

There are three main benefits of a Skill-Weighted Portfolio™.

One benefit is more cost-efficient investing.

The second is clearer performance expectations, so you'll remain invested longer.

Thirdly, there's always the potential for enhanced performance.

Let me talk about the premise behind the Skill-Weighted Portfolio™. This will also fall into the special offer for those of you on the call tonight.

The skill-weighted method of investing that I employ at my firm on behalf of my clients is based on three clear, sensible premises.

- 1) Market efficiency matters. How much value active portfolio management can add to your investment really depends on market efficiency. Large company stocks derive little or no value from active management. Why? It's an efficient market. All of the information on those companies is readily and widely available. It's very hard for a portfolio manager to deliver value.

- 2) Cost matters. The fees you pay for investment management should and can be correlated to managerial value that you can actually receive.
- 3) Realistic expectations matter. When you know what to expect over the short and long term, you tend to be more comfortable and you're able to remain invested longer.

Basing your investment on these three premises can lead to the potential for enhanced performance.

Here is what the big dilemma is. Most investors today are not invested and not following these premises. Most investors have no real idea what they're invested in. Most investors have no idea what they actually pay in real dollars and cents.

Most investors use what I refer to as a "conventional" portfolio structure. If you have ever met with an advisor, planner or broker, or you do this on your own and are reading a financial publication, a conventional portfolio structure is typically represented by a pie chart that shows all of the specific types of assets that you own.

Imagine a big pie chart with 10 different colors. Each of the colors represents a different investment or asset class. For example, you might have large-cap, mid-cap, small-cap, bonds, international stocks and cash.

How you structure your investment portfolio can be every bit as important as the investments you actually put in the investment portfolio.

What I want you to do, whether you're a do-it-yourselfer or work with an advisor, is to change from the conventional portfolio structure to what I refer to as a "simpler three-tier structure of a Skill-Weighted Portfolio™."

Whether you do this on your own, with an advisor or choose to work with me and my firm, these three tiers are called the

“efficient market core,” the “active ring” and the “alpha rim.” I will go over each of those over the next couple of minutes.

Based on the name of the efficient market core, you probably have figured out that this three-tier structure is based on market efficiency.

The efficient market core would hold investments in the highly efficient, high-profile market. Here, you would own large-cap stocks.

The next tier of the portfolio would hold investments in the less efficient, low-profile market. Here, you would own small company stocks.

The third tier of the investment portfolio would be something called the “alpha rim.” The alpha rim is a fancy phrase that is reserved for certain types of special opportunities.

One of the big things people hear more and more about are opportunities in countries like India or China. You may want to invest in a mutual fund that focuses on one of those countries.

It's possible that you could be hearing about sectors like gold, alternative energy or financial stocks. This is where you can own certain types of sector funds.

Based upon the first premise, where managerial value depends on the market efficiency, each of these three tiers can be built with the appropriate type of financial management.

In the efficient market core, indexed investments are the most appropriate. In this efficient market core, an index investment allows you to inexpensively join a particular market rather than try to beat that market. In this tier, your goal is to earn whatever the market return is.

These index investments are available in three forms. You have index mutual funds, which we talked about earlier. I also mentioned something called an “exchange-traded fund,” or ETF. There is also a hybrid type of investment called an “enhanced index fund.”

There are three ways that you can own indexed investments in that first tier of management.

The next tier is the active ring. This is where you would hold investments in the inefficient, low-profile market. This tier is really appropriate for active managers who can use their skill, education and experience to try to beat the market. Your goal in this sector is to earn above-market return.

The alpha rim is for special opportunities where you can utilize managers with highly specialized skills to exploit highly specialized opportunities. This can be in certain sectors or in certain countries.

Here's the bottom line. When you match the management of your portfolio to the market efficiency in this way, the result is very clear. Managerial fees in each tier naturally become correlated to the ability of the manager to add value. This is just as the premise says that it should.

Let me get back to the basics on this one. In the efficient market core, index funds, exchange-traded funds and enhanced index funds are essentially unmanaged. The fees are appropriately very low.

The active ring is where managers of mutual fund and managed accounts have the potential to add significant value. Moderate fees should be expected.

In the alpha rim, managers are expected to add a very high degree of value. Here, the fees are naturally the highest.

This three-tiered structure offers another big advantage. It conveys clearer, more realistic, long-term performance expectations.

In the indexed, efficient market core, there is essentially the same performance as in the broadly held stock market. That's very simple.

In the actively managed active ring, your goal is long-term performance that is above market. You should also expect greater volatility over shorter periods of time. Risk and return are correlated.

In the alpha rim, you should expect long-term returns that are significantly better and somewhat independent of the overall market.

If you know what to expect over the short term and also over longer periods of time, you might just end up being a more patient investor. That is one of the keys to successful investing. It is something we can have separate teleseminar on at another time.

Let me explain how this works in practice. I want you to imagine a conventional investment portfolio. You have a colored pie chart in front of you with seven or eight different colors. Each represents a different type of asset class. For example, large-cap, mid-cap, small-cap and maybe a China, fixed income and some more international bonds.

I recently had a prospective client come to see me. The woman had a portfolio of investments spread over two different brokerage firms. The total of her two different accounts was close to \$1 million in value. In the traditional view, I saw the lovely pie chart that her advisor gave her.

What I do at my firm is offer a service. This is the special offer for you folks tonight. We offer a service called the "investment audit."

I transformed this woman's portfolio into a table that resembled something very similar to a Microsoft Excel spreadsheet. The report revealed the investments by asset class. More importantly, for this woman, it revealed the fees she was paying for the management of the portfolio.

Going from left to right, we listed the investment, what type of account it was and how much was actually invested in that investment.

When I input that into this portfolio package, it quantifies what fees you're paying on a percentage basis and then quantifies that fee on a dollar basis.

This woman was rather surprised to learn that she was currently paying close to \$21,000 a year in fees. In her mind, this raised a really big question. Was she receiving value for the fees she was paying? Was she really getting her money's worth?

That is what the skill-weighted method will show us when we do an investment audit. We actually color-coded the table for this person. We showed her the different types of management that were currently being used to manage all of the investments in her portfolio.

We said, "These investments are yellow, which means they're index investments. These investments are color-coded in green because they're active investments. These investments are blue because they're highly specialized alpha investments."

When we generate a report for a person, what really jumps out is the first part that shows those investments in the high-profile market. This is where we should see a lot of yellow or indexed investments.

In this woman's case, we didn't see any yellow. We saw a lot of green. This meant that she paid for management where she did not get any value.

The next thing we said to her was, “You could simply rejigger your current portfolio with your current advisor. Place all of your high-profile market investments into cost-efficient index investments and place low-profile market investments in your active ring. You could put one special opportunity investment like a sector fund into the alpha rim.

“Based upon this restructuring and rejiggering using index funds, exchange-traded funds and enhanced indexing funds, which would permit more appropriate and cost-effective management, your total annual fee might be less than \$10,000.”

The lady almost fell off her chair. In essence, we said, “If you rejiggered your investments, you could save about \$1,000 per month.”

Over time, employing this Skill-Weighted Portfolio™, whether you do it on your own, with somebody else or choose to work with our firm, allows you significant annual savings every year. This can compound into a dramatic performance advantage over time.

What Wall Street doesn't want you to know is that active management doesn't always work. Passive management doesn't always work. You need a combination of both.

It is my hope that when you hang up the phone tonight, you will walk away with that. It's not either/or. It always will be a combination of the two.

This is one way that institutions such as college endowments and large companies manage their pension funds and 401Ks. This is exactly the same way that they do it. It's exactly the way that you should do it.

To summarize, the advantages of using a Skill-Weighted Portfolio™ are these.

- 1) Fairer, more cost-efficient investing.
- 2) Clearer, more realistic performance expectations and the potential for enhanced performance.

Does anybody have any questions so far about anything we've talked about?

Fran: Bill, we're talking about investing in large-cap or the second tier. What about fixed income? Would you put a fixed product like bonds in your portfolio also?

Bill: Absolutely. You brought up a good point.

Tonight's presentation was really focusing on two different US stock markets. In my practice, when I refer to the high-profile market, that would also incorporate fixed income.

A great example in the large-cap and fixed income area is government bonds. All of the information is widely and readily available. These are sectors where you won't get value for active management. Hence, these are two sectors where you should be using index funds, exchange-traded funds or even enhanced index funds.

We offer a service called the "investment audit." The premise behind this investment audit and the skill-weighted methodology is that most people have no idea what they've invested in.

They have no idea what they're paying their brokers, planners and advisors for, in dollars and cents. Even if you're a do-it-yourselfer, you may have no idea what you're paying.

In our practice, we employ a methodology called a Skill-Weighted Portfolio™. It's based on those three key premises that I mentioned before.

- 1) Different asset classes require different levels of managerial talent.

- 2) The fees should and can be correlated to the ability of a portfolio manager to add value.
- 3) Performance can be enhanced when you use this method of portfolio construction.

In my practice, we offer something called a Personal Investment Audit. If you choose to do an investment audit with us, the report that we generate for you will indicate how your portfolio is actually broken out and allocated by different types of investment or asset class.

We will actually quantify the risk and the return potential of your investments. Most importantly, we'll actually quantify what you're paying on a percentage and dollar basis for portfolio management.

You can see in different colors if these fees are correlated to the ability of the portfolio managers to add value.

We normally offer this Personal Investment Audit service at a flat fee of \$297. We are extending a special offer to all of you on the call tonight of \$97.

What I need from you is to contact my office by this Tuesday the 12th by 5:00 p.m. Eastern. If you indicate an interest in doing this, we'll set up a time to talk on the phone to gather the appropriate information.

This \$97 investment on your part and one hour of your time could potentially save you \$500 to \$10,000 per year in investment fees and expenses, depending upon the size of your portfolio.

If you are interested in taking advantage of this special offer just for teleseminar attendees tonight, it's a \$97 one-time fee and one hour of your time. You can call our office or email us to indicate your interest by 5:00 p.m. this Tuesday the 12th.

Thank you so much for joining us. I hope you learned something tonight and found it was time well spent.

I want to encourage you, if you are tuning in for the first time and not a regular subscriber to our newsletter, *Retirement Intelligence*, to please sign up for it.

Retirement Intelligence is our free weekly e-newsletter. Each issue has tips, tools and techniques to enhance your health, wealth and happiness. You can start your complimentary subscription at our website, www.MyRetirementSuccess.com.

If you would like to talk directly to me about your situation and how I can help you, or would like to take advantage of this special \$97 Personal Investment Audit offer, I encourage you to call my office toll-free. The telephone number is 1(866)786-2521. Of course, I can always be reached by email. My email address is Bill@MyRetirementSuccess.com

This is Bill Losey saying so long for now. Until next time, take care of yourselves and have a great night. Thanks for joining me.

End Transcript

DISCLAIMER

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