

summaries



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What Triggers the Need for Advice?

With more than 480 client relationships, Sigma has the benefit of seeing a broad cross section of scenarios. Even though each scenario and client relationship is unique, the reason that the client advisor relationship exists is far more uniform. In almost all cases, our clients are looking for a trusted partner with the interest, time and resources to effectively manage the day-to-day details of their finances. Invariably, they also expect to receive a high level of service and expertise for the money that they pay.

Even though someone may not have the interest, time, or resources to manage their own finances, oftentimes it takes a certain event to drive them to seek out advice. Retirement always has been and continues to be the leader, but there are a handful of other circumstances that oftentimes trigger a need for advice. Below is a brief overview of six common scenarios that we thought may be interesting to share.

Job change - The first question that usually comes up with a job change is whether or not anything needs to be done with a retirement account from the former employer. Within a typical 401(k) or 403(b) plan, investment choices can be limited. By rolling over the balance to an IRA, there can be more investment flexibility, but the near limitless number of investment options can be overwhelming.

We also get inquiries from those who have received substantial promotions and the prospect of higher pay,

less free time and the potential for stock options or equity grants is reason enough to seek professional guidance.

Others choose to leave the security of the corporate world to pursue self-employment, which brings about its own set of questions to be answered. What is the best way to save for retirement when there is no longer a company sponsored 401(k)? Is a SEP IRA better than a SIMPLE IRA? How is the value of an illiquid family business preserved or realized by the family if something happens to the owner? Should the business be structured as an LLC, S-Corp, C-Corp or something else?

Elderly parents - The Sigma Summaries from February of 2012, titled "Intergenerational Planning" gave a great overview of the problems that many adult children are facing as their parents become more reliant on others in their day-to-day lives, which can include personal finances. Commonly, seniors who have self-managed their finances start to require assistance and their adult children need the peace of mind to know that nothing is falling through the cracks. Simplifying and consolidating accounts at multiple financial institutions, obtaining financial powers of attorney to safeguard against incapacitation, clarifying cost of care and determining how to fund it, or simply helping elderly clients and their adult children work through what can be an uncomfortable process have all become standard procedures at Sigma.

Inheritance - Many people tend to think of an inheritance as a "one in a million" chance that a long-

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lost relative leaves behind a secret fortune. In reality, this happens more than most people think. We come across situations where relatives who were prolific savers end up leaving meaningful sums to their heirs. Interestingly, those who are on the receiving end can be caught off guard when their mom or dad who lived in the same little house for 50 years and never made more than \$40,000 in a year leaves behind a small fortune. The immediate responsibility for such a large sum of money can be overwhelming.

Unforeseen illness or death - Unfortunately, there are unavoidable situations where the onset of an illness or an untimely death can drive an immediate need for advice. Sometimes the one who has historically taken care of the household finances can no longer serve in that capacity and the overriding concern is whether or not their family members are going to be ok. These are those situations where the one who was formally in charge needs a solid, accountable third party to rely upon.

Early dedication - Predictably so, roughly 80 percent of Sigma's clients are over the age of 50. However, we are starting to see demand for advice from those who willingly take charge of their financial situation from a much younger age. These are some of our most proactive clients who are continually engaged and willing to accept advice. They are tuned into maxing out their 401(k), they start 529 college savings accounts the minute that their first born comes along and they make sure that they have an adequate emergency fund for any unforeseen emergencies. These clients want a sounding board when making meaningful decisions like how much house they can afford, how much to put

down and whether a 15-year or 30-year mortgage makes more sense for the balance.

Discerning price paid for value received - One of the problems with the financial services industry today is the lack of transparency as it relates to fees. At some point, someone who has saved for their entire working career will decide to sit down and really think about what they've accumulated, the advice that they've been rendered, how much they are paying for that advice and whether or not a change is in order. This is nothing more than the assessment of price paid for value received. A closer look can leave someone feeling uneasy about their current financial roadmap and how much they are paying for it. We pride ourselves on being able to walk through complex situations and make an accurate assessment of what is owned, how much cost is being incurred and whether or not a change may make sense. In some cases there is nothing that needs to be changed and we are perfectly willing to share that conclusion. In other situations, the exercise can be quite revealing and we are able to assist in making a transition.

As the financial services industry changes over time, it has become more apparent to all of us at Sigma that the best value that we can provide to our clients is the ability to thoughtfully guide them through significant life events that seem unique to them, but are quite common to us. Today, a well-thought-out plan, complete transparency and a full willingness on the part of an advisor to accept responsibility for the advice rendered is not only a plus, but it is expected. What used to be an industry centered on the sole quest for investment outperformance and products being sold

for a commission is increasingly moving toward an advice-based model where the expected level of service, accountability, transparency and trust is higher than ever before. This is our goal for each client relationship, no matter what scenario triggers the need for advice.

Christopher W. Frayne, CFA, CFP®

As a reminder, 2013 is Sigma's 40th Anniversary year. In honor of this, each month our employees are sharing personal "Sigma Stories" with you. We hope you enjoy!

The Serendipitous Rewards of Volunteering

After graduating from Emory University in 1981, I returned home to Cleveland and began my career at a local bank. Eventually I became an analyst in the Trust Department following the basic material and aerospace industries. As one of country's premiere trust departments, the position provided great exposure to the investment business and direct access to Wall Street Analysts and Corporate Managements. Early on, two defining experiences greatly influenced my career. First was the gut wrenching market crash of October 1987, which I still remember like it was yesterday. The second event was much more obscure at the time yet it turned out to have a much larger impact on my career and my life.

Not long after joining the department my boss came to my desk and announced he had been elected President of the CFA Society of Cleveland, the local chapter of

our professional association, CFA Institute. It seemed strange for him to mention this out of the blue. As I congratulated him he started smiling. He was not there for compliments but rather to "suggest" I get to know my peers in the local investment community by becoming involved in the society. By chance the position of Membership Chair had yet to be filled, would I be interested in volunteering? I could not think of anything I'd rather not waste my time on! But, I liked my job and job security was important so I "volunteered".

In retrospect that brief conversation had more to do with the course of my career and arrival at Sigma than any other single event. About a year later, I left the bank to join a small investment management firm focused on Private Wealth. However, I remained active in the local society taking on a succession of leadership roles, ultimately becoming President. As a society officer I attended CFA Institute's leadership retreats twice a year. The retreats provided opportunities for interaction with investment professionals from across the globe who were passionate about the profession and who provided tremendous insights into the business. Over time, I took on senior leadership positions at CFA Institute and was elected to the Board of Governors. A senior leadership role in a global organization provided opportunities to meet leading investment practitioners from across the globe, many of whom I am privileged to call colleagues and friends. By no coincidence two of these individuals are at Sigma, Marisa Lenhard and Bob Bilkie.

During one of the first retreats I met three people who worked at firms of similar size to my firm, with clients

local independent personal accessible
interactive creative local independent personal
knowledgeable thoughtful ethical experienced

that had similar profiles to my clients. Over the years the four of us have maintained a close friendship and our professional alliance has proved invaluable. To this day we continue to seek out each other's insights about investment perspectives, business issues and unique client needs. Bob Bilkie is one of these people.

Long before I joined Sigma, Bob and I had frequent discussions about the business and investments. There was no question in my mind if we lived in the same city we'd be working at the same firm. The advancement of technology afforded me the chance to work with Bob and the team at Sigma. Six years after joining Sigma I remain in awe of my good fortune. I work at a firm with a culture based on principles and values designed

to foster and maintain an environment of client trust and successful client experiences. And, I get to work with caring, fun-loving, extremely talented people who focus on doing an excellent job for our clients each and every day. My colleagues are extraordinary people, as a group and individually.

When reflecting on my career I am truly grateful for all the opportunities afforded me along the way. I am also continually amazed at the serendipitous path to Sigma, which began 25+ years ago when my boss "suggested" I volunteer for something I had no interest in doing!

Denise M. Farkas, CFA

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