We Call This Strategy the Total Reserve™ Strategy

A financial plan is a roadmap to achieving the financial goals that support your life goals. Too often, short-term financial fluctuations in the market, major repairs in homes, job layoffs, and medical emergencies de-rail the achievement of your long-term financial plan. This means that either money is not being saved as planned, or the investment accounts experience untimely withdrawals instead of planned additions- a double whammy.

Purpose of your Total Reserve™ Account:

- Have money set aside in cash of financial emergency during retirement
- Have money set aside in case of lay-off or medical emergency
- Have money set aside for major repairs to home, cars, and other major assets
- Protect invested principal in a down market from being liquidated to cover emergency or living expenses while the value of holdings is lower than their intrinsic value[1].

Benefits and Risks of using a Total Reserve™ Strategy:

+ Cash is on hand to cover major unplanned events
+ Peace of mind knowing that you have assets set aside for major expenses, career changes, and market fluctuations.
+ Can be more aggressive with your primary portfolio because you have the reserves in place.
+ Able to continue current lifestyle, even during bear markets with less initial spending adjustments.
+ Compensates for short-term market volatility so that you do not need to sell securities below expected long-term intrinsic value.

[1] No investment strategy can guarantee a profit or protect from a loss in a declining market. All investments are subject to the risk of loss.

– Use of the Reserve Account™ means a greater amount of cash is on hand and not invested in securities that could provide a potentially higher long-run return. A majority of the balance is not invested in volatile securities that can fall in value, putting your principal at risk as well as your lifestyle during a bear market period.

Why Choose Such a Strategy?

Through the use of a reserve account, your other long-term investment portfolios can continue to be fully invested through market fluctuations because you are able to use the Total Reserve™ account for your planned spending and emergency needs. Periodically, as the market and spending allows, the Total Reserve™ account is replenished from portfolio profits.

We understand that creating the Total Reserve™ account may not be easy at first since it requires dedicated and disciplined savings through a sacrifice of personal consumption and consolidations of accounts. As you begin to save the money, we encourage automatic payments to reduce consumer debt to manageable levels as you achieve your Total Reserve™ balance. For these reasons, we help you craft your personal spending plan and utilize as many automatic processes to achieve your investment targets in accordance with your established financial plan.

The Total Reserve™ account has 2 components:

1. Emergency Reserve equal to 6 months of after-tax planned spending
2. Cash Reserves equal to 18 months of planned "Need & Want" spending, less 18 months of income from fixed and guaranteed income streams like social security and pensions.

How do we Fund and Manage the Total Reserve™ Account?

We encourage the use of a **Capital Access Brokerage account** with check writing and debit card access to hold your Total Reserve™ balance. We invest the required funds in a combination of cash, money markets and short-term low duration bond funds with all dividends being paid to cash. As needed, we use municipal bond funds to reduce income tax liability[i]. We may also use long-term options and puts to give some elements of downside protection.

[i] **IMPORTANT DISCLOSURES**: A money market fund is a type of mutual fund that is required by law to invest in low-risk securities. These funds have relatively low risks compared to other mutual funds and pay dividends that generally reflect short-term interest rates. Unlike a "money market deposit account" at a bank, money market funds are not federally insured. Money market funds typically invest in government securities, certificates of deposits, commercial paper of companies, and other highly liquid and low-risk securities. They attempt to keep their net asset value (NAV) at a constant $1.00 per share—only the yield goes up and down. But a money market's per share NAV may fall below $1.00 if the investments perform poorly. While investor losses in money market funds have been rare, they are possible.

Short-term bond mutual funds invest in bonds and other cash equivalent investments seeking to provide low but stable interest rate-based returns and some potential capital gain income. Such mutual funds are still subject to the same common risks as interest rate, duration, liquidity, credit, and inflation.

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