

MO·Ē·NÑO  
~TO FORTIFY, PROTECT

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*Is Your Financial Advisor One of the Best?*

February 2018 Has Given You Great Insight

*Three Key Questions  
you can use to judge  
your financial advisor  
or banker.*

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How did your Financial Advisor perform on your behalf since the market turmoil the beginning of February?

Were they prepared?

Our firm, Moenio, evaluates financial advisors for our clients. Whether a client wishes to find an advisor or evaluate their current advisor, we do the research and check on performance, fees, investment products utilized, and 13 other areas that are important in finding and working with the best financial advisors, bankers, and brokers.

**We have one simple goal for those retaining our services: make certain our clients are working with the best financial advisors.**

What does this mean to you?

Having interviewed and worked with thousands of advisors the past 20+ years, we know what the best financial advisors deliver for their clients.

*The market movement the last two weeks has provided a great opportunity to tell whether your financial advisor or banker **actually is** one of the best.*

**Let us explain.**

If you read top financial publications these last six months, there were plenty of warning signs about the potential for a market correction;

***Investors hedge against sharp stock market correction.***

Financial Times, August 1, 2017

***How big is the risk of another Black Monday equities crash?***

Financial Times, October 17, 2017

***A Onetime Super Bull is Getting Worried About the Stock Market.***

Wall Street Journal, December 27, 2017

***The Stock Market Has Been Magical. It Can't Last.***

New York Times, August 19, 2017

For us, the biggest question was:

***Did your Financial Advisor take heed of the warning signs and shock-proof your portfolio?***

Let’s begin by stating the obvious: In defense of financial advisors, bankers, and brokers, they were not going to leave the market and try to make a “timing” play. This does not make sense, and if you take into account the oldest marketing chart available, it is just downright foolish.

Putnam Investments provides a great chart we share [here](#).

From 12/31/2002 – 12/31/2017 (from 2003 – 2017) your returns would be:

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Invested fully in the S&P 500	9.92%
Missed 10 best days	5.03%
Missed 20 best days	2.09%
Missed 30 best days	<b>(-0.43%)</b>

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The moral of the story here is: don’t try to time the markets; being in the market is the right bet.

So, what separates the best advisors -- those Top 5% -- during periods we are witnessing right now?

We list three key principles you can utilize right now to evaluate how effective your financial advisor has been the past two weeks if not the past six months.



## 1) *Has your advisor been “tweaking” your asset allocation?*

We are in the midst of the second longest running bull market. Another 3+ years and we would eclipse the longest running bull market.

Financial Advisors know this market is in the late innings. Whether the seventh or ninth inning, it does not matter. It is getting late in the game. With that in mind, what should your financial advisor have done on your behalf?

*It has to do with small incremental changes in the portfolio.*

Rather than sticking with the same allocation held the last year or two, the best financial advisors are making tactical shifts, taking into account the “potential” for market volatility.

### A few examples:

An advisor has the ability to shift the allocation based on their outlook. There are multiple levers in the portfolio to increase return while taking on more risk, or to decrease return while lessening risk. Each of these moves is based on “their” outlook, or their firm’s outlook coupled with “your very specific needs and risk-tolerances.” If the advisor or firm consider the markets to be in the later stages, they could adjust the portfolio accordingly.

An example we like to share is from 2008.

We are not stating today is, or is not, the same as 2008, this is just an example of how shifting a portfolio can have an impact.

The below are the returns in 2008 from being invested in the Large Cap space.

Rather than being in Large Cap Growth, some advisors felt the market was in the later stages, so they shifted to Large Cap Value:

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Morningstar Large Cap Value was down	-36.11%
Morningstar Large Cap Growth was down	-41.87%
S&P 500 was down	-37.00%

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There was a difference in 2008 of 5.76% if an investor was in Large Cap Value versus Large Cap Growth

Another example is shifting the portfolio's small cap investment from Growth to Value.

Morningstar Small Cap Value	-31.67%
Morningstar Small Cap Growth	-39.92%

There was a difference in 2008 of 8.25% by shifting from Small Cap Growth to Small Cap Value

The better financial advisors and banker are incrementally shifting the asset allocation of portfolios rather than trying to continually ride the market up, they recognize a correction could be possible, but they don't want to time the market. They still want their clients fully invested.

This is one area we consider when asking ourselves, *“Is this financial advisor one of the Best?”*

## 2) Planning for Situational Changes

There are few certainties in the markets, but one of them never changes: “The stock market will go down.” A pretty simple statement, but one that has stood the test of time since the markets began over a century ago.

*Since 1928, the S&P 500 has had 96 corrections.*

That is a little more than one a year if we do the math. Of those corrections, the median correction is down -16.4%. That is just the median, so we know there are periods of deeper corrections, and less.

If we know the market must go down at some point and it has happened 96 times since 1928, what intelligence can we pull from this simple data? To us it means – Planning for situational changes.

*“And when his chance came,  
he was prepared to make the most of it,”  
– Sun Tzu*

*We have been asking financial advisors the past two weeks:*



***The best financial advisors had a plan.***

- They knew the market has corrected 96 times since 1928.
- They knew the median pullback was -16.4%
- They realized we were overdue for a pullback but to be fair, they could never predict “when” it was going to happen. But they had a plan.

**3) Communication**

The last point is the easiest, communication. Did it happen?



*This was the setting for the Dow Jones starting February 2nd. Down substantially, then down again. But, up and then up some more ending with a down.*

The question we ask our client's is simple: How did your financial advisor communicate with you over this period of time?

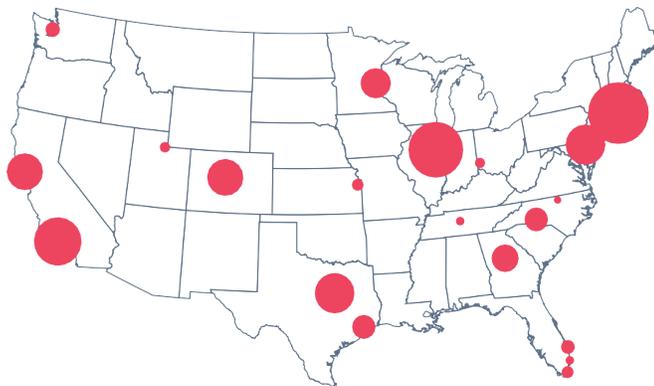
The financial advisor probably had no reason to contact you for investment purposes. The communication was basic – we are fine, we have done all the planning we need, and we were prepared for this to happen.

The best financial advisors were proactively reaching out to their clients with a purpose; calm the nerves of those clients who might be concerned, or, for those clients who potentially did not understand what was happening, let them know how the markets were reacting and reassure them in case others started talking about how horrible the last two weeks had been.

***Communication and being proactive is a key aspect to how we judge and evaluate financial advisors.***

As an investor who is utilizing a Financial Advisor, Banker or Broker, recognize the simple facts:

There are over 600,000 registered investment advisors in the United States.  
Of those 600,000, close to 300,000 are actively working with clients every day.  
Is your Advisor one of those in the Top 5%?  
**The three points we shared should help you answer the question.**



*Who are we?* \_\_\_\_\_

We are **MOENIO** - a client advocacy firm working on behalf of our clients to make certain they work with, or will work with, a great financial advisor.

With over 600,000 registered advisors in the United States, how do you know the advisor you might choose is one of the best?

*We have four core areas clients entrust us to help:*

1. \_\_\_\_\_

**EVALUATE** your current financial advisor in 16+ areas; fee's being charged, investment returns, investment products being used, background check on the advisor and firm, to name a few.

2. \_\_\_\_\_

**FIND** a great financial advisor with a customized search based on your needs and goals but making certain the advisor delivers good, risk-based returns for a fair fee.

3. \_\_\_\_\_

**PERFORMANCE GUARD** is focused on providing periodic check-ups on your investments and returns. We give you comfort in knowing your investments are being managed correctly with the right risk-adjusted returns you've agreed to and want from your advisor.

4. \_\_\_\_\_

**ADVISOR BACKGROUND CHECK** helps you understand who you are working with currently or who you might hire; do they have the right experience, client complaints or fines, are they truthful in what they said about education, credentials, and background? We verify this information on behalf of our clients.

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*Your interest is our sole interest.*