



DAVENPORT WATTS & DRAKE

INVESTMENT ADVISORS, LLC



Investments • Financial Plans • 401(k) Plans

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FINANCIAL PEACE OF MIND

Risk refers to the possibility of an adverse deviation from a desired outcome. Risk avoidance, risk transfer, risk sharing, and risk reduction are all methods for managing risk. Risk management is a scientific process with the object of choosing efficiently among the methods.

Insurance is a device for managing risk. Through the use of insurance, an individual gains protection by substituting a small premium to insure against an unlikely but potentially catastrophic loss. If such a catastrophic loss were to occur, insurance would cover the financial loss, subject to deductibles, coinsurance, and policy limits.

In general, financial planning attempts to minimize the impact of risks that could cause catastrophic loss, through risk management methods. Long term care and life insurance are important considerations and part of the financial peace of mind that we want for all of our clients. However, the insurance market and products available are not standardized and are continually changing. The choices are complicated and expertise can be very helpful when making a decision.

For example, life insurance can be whole life, variable life, or universal life. Each has different advantages and disadvantages. When considering long-term care, policies provide benefits for either a defined period of time or for a specific amount of dollars. Types of coverage include custodial care, intermediate care, and skilled nursing home care. Other types of coverage include home health care, assisted living, adult day care, and hospice. The options are designed for the advantage of the purchaser if chosen wisely.

Davenport Watts & Drake (DWD) is determined to provide you with current information and the expertise necessary for you to make the best insurance choices for you and your family. In order to do this, DWD has partnered with agents that we trust, and we are confident they can help you make the best choices possible for your financial peace of mind. If you already have an insurance agent that you know and trust, we would be happy to work with them. Regardless of the agent, please consider insurance as an important risk management tool of financial planning.

Focusing on your future...

INVESTING PERSPECTIVES:

Portfolio management is a blend of art and science. Past performance is useful, but simply picking the funds that performed best in the past is not a good way to build a portfolio for the future. That's why our portfolios reflect a well thought out and disciplined approach to both asset allocation and fund selection. Once portfolios are constructed, our active portfolio management process emphasizes shifting allocations only when compelling tactical opportunities are identified.

Financial markets are quite efficient—most assets are priced fairly most of the time. This means that most of the time it is difficult to “outsmart” the market. However, the market does, occasionally, offer investors exceptional opportunities. Capturing a portion of the return from these opportunities can result in market-beating performance over a cycle. Warren Buffett puts it well when he refers to the manic/depressive nature of “Mr. Market.” Despite all the information that investors have at their fingertips, *irrational greed and fear occasionally drive the market for financial assets*. It isn't the norm, but it happens.

There are three primary steps to our asset allocation for our four model portfolio types:

1. First, we establish a neutral allocation for each portfolio type.
2. We shift our asset allocation away from neutral only when there are “fat-pitch” opportunities when one asset class is extremely over or undervalued.
3. Finally, scenario analysis tests the portfolios' exposure to various downside risks.

Our management style means taking action only when the odds of success are very high. Fundamentally, we are long-term investors looking for value in both the equity and debt markets throughout the world. After identifying tactical asset-class opportunities, we execute our strategy using the best funds we can buy. Portfolio management is a dynamic process, calling for constant attention and the occasional minor adjustments to enhance returns as well as to control risk.

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ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as a part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

By federal law, as of 1/1/2013, funds in a noninterest-bearing transaction account will no longer receive unlimited Federal Deposit Insurance Coverage, but will be FDIC-insured to the legal maximum of \$250,000. Please let us know if you have questions about how this may affect you.

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