



# DAVENPORT WATTS & DRAKE

## INVESTMENT ADVISORS, LLC



*Investments • Financial Plans • 401(k) Plans*

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## DAVENPORT WATTS & DRAKE

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## FINANCIAL PEACE OF MIND

The Davenport Watts & Drake (DWD) team works with individuals and businesses to develop an individual comprehensive financial plan for that client. The plan includes an inventory of financial information, clearly defined goals, and recommendations as to how to reach those goals. The plan includes risk assessment, asset allocation, establishing education, retirement and investment goals, and business planning for individuals and owners. An important part of planning is the process of dialogue, discovery and understanding that takes place in developing the plan. The plan must be individual in nature so as to become the roadmap for ongoing guidance and future service to the client.

Planning is similar to taking a trip. For example when you plan for retirement, you need to know (1) where you are, (2) where you want to go, and (3) how you get there.

- (1) Where are you? Knowing where you are involves listing your assets and your liabilities (i.e. a Balance Sheet) along with any income flows you may have in the future, such as retirement benefits and social security.
- (2) Where do you want to go? What will retirement look like? Will you downsize your home, sell other assets, or buy new assets? After determining what your retirement will look like, you will estimate what your expenses will be. What kind of income will you need to have the retirement you desire?
- (3) How do you get there? We can help you estimate how much you will need to add to your investments and how much they will grow (a reasonable assumption is a return of 4%) in order to ensure you will be able to have the retirement you desire.

This is a very simple explanation of the process involved in preparing a sound financial plan. We have helped many of our clients with each step and would be excited to help you. It is a step toward our goal of helping you achieve financial peace of mind.

*Focusing on your future...*

### INVESTING PERSPECTIVES:

There are certain advantages and disadvantages to investing in different types of accounts. You certainly don't want to pass up the tax advantages of a retirement account, but it can seem like a hassle to have your investments divided between several different buckets. At Davenport Watts & Drake, we try to make the most of each type of account, allocating to each account the assets that can best take advantage of the special characteristics of that type of account. Let's explore those differences:

**Nonqualified Investment Account:** A nonqualified investment account offers no tax advantage to the gains earned within it. Since all realized gains, interest, and dividends are taxable in the year incurred, assets that generate *tax advantaged* income are best positioned in regular brokerage accounts. *Tax advantaged* income includes long-term capital gains, qualified dividends and municipal bond interest income.

**Traditional IRA:** In contrast, all distributions from a regular IRA are taxed at ordinary income tax rates when the distributions are taken. There would be little benefit to putting *tax advantaged investments* in a traditional IRA so the best fit would be fixed income investments. These investments include bonds, bond funds, and money market accounts. When distributions start being taken in later years, it is possible that an individual's tax bracket would have decreased by this time due to retirement.

**Roth IRA:** Contributions are made to a Roth IRA with after tax dollars. The taxes on this money have been paid and most earnings can be withdrawn at a later date without any additional taxation. Therefore, it is best to allocate investments to this account that will have substantial growth and/or will generate short term capital gains. For example, some growth mutual funds have a high turnover rate and generate short term gains that are taxed at ordinary rates.

Having multiple accounts does not have to be confusing or complex. There are other types of accounts that may have additional qualities. By managing income taxes in these accounts you could increase after tax returns significantly over the long run. It is a balancing act and well worth the effort.

### 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

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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