Family Financial Partners
GROWING WEALTH, FOR GENERATIONS

Investment Philosophy

Protect, Protect, Protect

Before you choose to work with a financial professional, it is important to understand their investment philosophy. This philosophy should act as a set of guiding principles whose threads are carefully woven through all of their client relationships.

The basis of our philosophy is the fact that many people only save and invest money for one reason—to spend it. Whether the plan is to spend their funds during retirement, for their kid's college, for a new home, for charity, inheritance, or a rainy day—many people save and invest to spend. If the money that is intended to be spent is not available when it is needed, then a problem exists. Enter the need to protect your hard-earned assets.

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Before we can protect something, we must know what we are trying to protect it against. At Family Financial Partners, we work hard to protect people against three common bad things that happen to money.

First, we have to protect from low interest rates. We are currently smack in the middle of a low interest rate environment. Over the years, we have seen 1 year CD rates drop from around 7 percent to somewhere around 2 percent.* As important as CD's are in providing principal stability, dramatic reductions in short-term fixed interest rates can have a devastating effect on immediate income.

The basis of our philosophy is the fact that many people only save and invest money for one reason—to spend it. Whether the plan is to spend their funds during retirement, to pay for their children's college, for a new home, for charity, inheritance, or a rainy day—many people save and invest simply to spend. If the money intended to be spent isn't available when it's needed, that creates a problem. Enter: the need to protect your hard-earned assets.

On the other hand, we also have to protect against rising interest rates. During the last interest rate cycle, we saw 17 interest rate increases over a three-year period. Rising interest rates can have a dramatic downward effect on the prices of longer-term, more rate-stable, fixed-interest investments like corporate or municipal bonds. In 2006, we saw the most prolonged period of rate increases since 1994—which many consider the worst bond market in history. As important as intermediate-term and long-term fixed-interest investments can be in providing dependable income, we have to protect from their potential price-volatility.

Perhaps the most important risk we must protect against is inflation. Inflation, also known as the devaluation of the dollar, is one of the greatest risks our money faces. Inflation acts like a piranha, steadily and tirelessly devouring the buying power of our hard-earned money. There are many ways of calculating both the current and historic average inflation rate, but suffice it to say that the stuff we buy—gas, milk, eggs, rice, coffee and postage stamps—cost us more every year. If part of our money isn't working hard enough to outpace the effects of inflation and provide a source of rising income, then there may be trouble looming on the horizon.

We also protect against a fourth danger—loss of income as a result of death or disability—but we'll cover that in more detail later.

How well protected are your assets and income? Our financial planning analysis is a good way to find out. To schedule your initial financial planning meeting, please call our office at 800.677.7981 or 859.219.1006.

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"CD Rates by Bankrate.com." Bankrate.com. Web. <http://www.bankrate.com/ads/rates.aspx?ic_id=br3int_popup&location=CDsandInvestments&pagetype=home>.
Market Watch - Wall Street Journal. 25 Aug. 2006. Web. <http://blogs.marketwatch.com/greenberg/2006/08/a_7_cd/>.

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