



Wealth Coaches

more of what matters to you

What's Important To You?

A couple quarters ago we began discussing with you some of the various topics that we come across in working on your financial plans. We are sharing with you how these various topics can impact your planning and your daily life. This quarter Mike Komara shares with you our firm's view on wealth.

Wealth and the Purposeful Life

By: Michael B Komara

Many of us will recall the catchy television commercial that asked, "How do you spell relief?" Viewers would see the words Alka-seltzer appear on the screen and hear the jingle, "Pop, pop, fizz, fizz, oh what a *relief* it is." The makers of this indigestion product wanted us to associate relief with Alka-seltzer. They did a good job of planting that thought in our subconscious mind because anyone who saw that commercial probably still remembers it today.

Now I have what I believe is a more important question to ask, "How do you spell wealth?" What does wealth mean to *you*? How you and I answer that question makes all the difference in the world. How we define wealth will change the way we look at people, time, opportunities, money, etc. It could mean the difference between having limited or unlimited options in our life - between abundant or limited resources. Ultimately it could make the difference between experiencing a life of rewards or a life of regrets.

At MKD Wealth Coaches we believe wealth is spelled 7F Life. It's not uncommon for people to take a narrow view of wealth and say wealth is spelled m-o-n-e-y. We believe that money or finances is an important part of the equation, but it's only a part. We believe wealth, true and complete wealth, extends beyond our finances to include Fun, Fitness, Family, Friends, Firm (our work), and Faith. We're convinced that a person cannot experience their wealthiest life without integrating these 7 into their life in ways that are healthy and meaningful to them.

In this edition of MKD Life (the new name for our quarterly newsletter), we want to touch on the high points of each of these 7 and then, in subsequent issues, take some time to develop each.

Fun

There are plenty of stoics that think fun is frivolous or a waste of valuable time. With apologies to The Grinch, Scrooge and Oscar the Grouch, we submit they are wrong. Fun is not optional in a successful, well balanced life. Fun is a unique catalyst that produces essential by-products like better health, heightened awareness, relational attraction and stress relief. It's what keeps marriages together, keeps employees productive, and keeps society at large from imploding. As we'll see, fun is important, but not automatic.

Fitness

With age and life experiences we eventually discover that being "fit" means more than simply keeping the extra pounds off or getting regular check-ups. Being fit means a person has the emotional maturity, intellectual capacity, and physical stamina to respond appropriately in any situation they face. It's developing the mental toughness, physical strength and spiritual insight that enables us to stay steady when the world around is shaking. In short, it's being prepared – prepared to take on a challenge, to hold up under duress, and make right choices.

Family

Just because we have a biological family doesn't automatically mean we are going to experience the *benefits* of family. We know that there can be a variety of factors and dysfunctions at home that keep someone from experiencing the benefits of family. Who do you think of when you think of family? Apart from the nuclear family where "membership" is most often established by bloodlines – family can have a much larger definition. In a broader and deeper sense, family encompasses those who share connectedness, commitment and cause. Being a part of a dynamic family can be a tremendous source of inspiration and strength.

Friends

There's a Swedish proverb that says, "Friendship doubles the joy and divides the grief in half." How true! Living in authentic relationships with people who know us well and still accept us as we are is a tremendous gift. The truth is, good friends walk in when everyone else walks out. They tell it like it is – with love, even when it's uncomfortable to hear. They are real. They make us a better person. How do we cultivate such valuable friendships? We'll take a look at that in an upcoming issue.

Firm (your work)

It's estimated that we will spend approximately 93,000 hours of our life at work.

Doesn't it make sense to spend that time doing something we love? We *must* find work that is fulfilling and rewarding – for us and for others.

Being plugged into work that is in-line with who we are and what we are passionate about brings a deep sense of satisfaction and fulfillment. We're able to bring contagious energy and creative ideas to our work place. We're able to grow to new and exciting heights. There's a simple blueprint for finding a successful career or "retirement" occupation that we'll explore.

Finances

Money, what is it good for? It's the electricity that sparks innovation. It's the energy that puts people and products in motion. It's the key that opens doors to opportunities. Money can improve quality of life. It can provide for our personal needs and be shared with those less fortunate. It can even benefit generations long after we are gone. It is a powerful resource. The extent to which we enjoy it depends upon how well we implement the Four Pillars of Financial Success: Making It, Growing It, Keeping It and Distributing It.

Faith

Faith is at the core of these seven vital areas and gives meaning and purpose to all of our other activities. Does your life have a hidden "root" that's the source of your inner strength? Do you have a lifeline that carries essential, life-sustaining ingredients like love, joy, peace, patience, kindness, goodness, and self-control? When economic, relational, or medical "storms" hit your life – and they will hit us all – what do you have to hold on to? What do you reach for to steady yourself? The truth is, we all have faith in something. The question is, who or what do we believe in? The focus or object of our faith is critical because it either expands or limits the resources we have to draw upon...and the power we can tap into. More later...

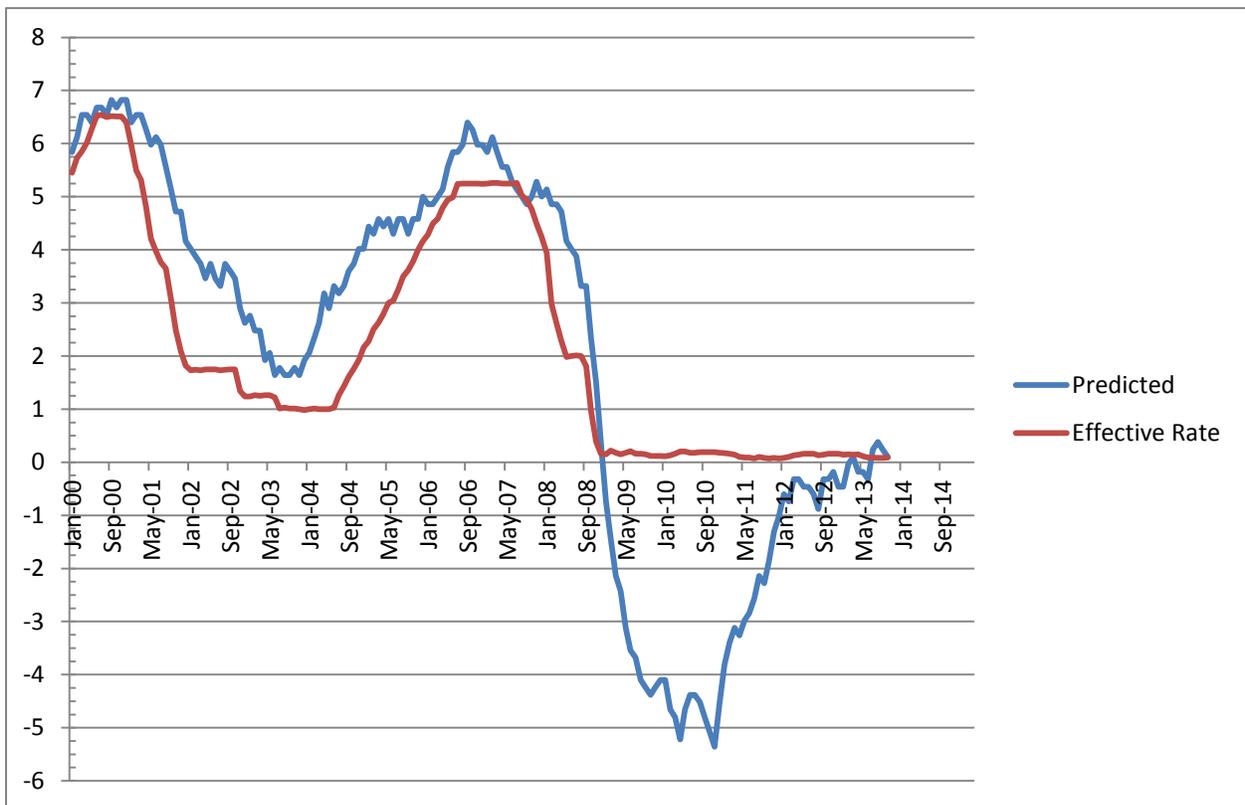
The cool thing about the 7F Life is that it is a purposeful life, a principled life, a creative life, a relational life, a truly human life, an integrated life, and a freeing life. It enables us to experience our wealthiest life.

Market and Methodology Reviews

By: Steve Goodman

Domestic equities continue to climb the proverbial "wall of worry", as the Fed recanted much of the hint at quantitative easing (QE) taper made in June. As we monitor a modified [Taylor](#) rule, (which attempts to predict the Fed Funds rate), the currently low interest rate environment is justified by the economic data.

The chart below shows the relationship between projected and actual rates. While not perfect (think of it as a compass rather than a GPS unit), it gives good guidance to the level and direction of short-term interest rates. In late 2008, the Fed had no other option to QE, as even Ben Bernanke could not make interest rates negative (though the ECB is currently trying this very feat!). Current interest rates are in line with the economic data, though as the economy improves, the easy liquidity provided by the Federal Reserve must end. Everyone knows this information, making the knee-jerk reaction by the markets somewhat silly.



Methodology Reviews

Protect

Objective – Risk averse, seeks modest returns utilizing active risk management. Performance was positive for the quarter as short and intermediate-term interest rates decreased slightly. We reduced interest rate exposure in again in July by adding another new manager that utilizes a balanced total return and capital preservation approach.

Protect and Advance

Objective – Protect equity and fixed income capital during periods of uncertainty and advance during periods of growth utilizing a trend following approach.

RIS Market Strategy was positive for the quarter though slightly below its benchmark, while not being fully invested. An overweight to domestic markets and minimal exposure to emerging markets for the quarter were the main contributors to performance.

RIS Bond Strategy was slightly negative for the quarter, spending the entire three months in a cash position. The rebound in bond prices in September was the main contributor to underperforming the benchmark. We will take that versus the additional bond price decreases experienced during July and August.

RIS Tax Managed Bond Strategy spent the entire quarter holding cash positions as the volatility in municipals has remained high. Performance was flat though being in cash avoided a comparable -1.32% return experienced by the benchmark for the quarter.

Advance and Protect

Objective – Seeks capital appreciation by investing in global equity, fixed income, and alternative markets. Utilizes exit techniques and inverse positions for risk management. The strategy was positive for the quarter and remains positive year to date. A leveraged overweight to domestic equities helped the overall performance, while exposure to an all-asset manager, with some exposure to fixed income products, dampened the performance.

Engage

Objective - Portfolio is allocated towards global equity and fixed income, tactically shifting equity exposure between a 70% maximum and a minimum of 30%. The strategy finished positive for the quarter and ahead of the benchmark. For the equity portion of the portfolios, holding the maximum 70% weighting with an overweight to domestic equities were the key drivers to performance. For the fixed

income portion, performance was hurt by the overall interest rate environment, though mitigated somewhat by high yield exposure and the minimum fixed income weighting.

Passive

Objective - The Passive strategy is a broadly diversified buy and hold portfolio including domestic equities, international equities, domestic bonds, and commodities. Risk management is obtained through diversification.

The strategy was positive on the quarter. Domestic, foreign developed and emerging market equities had the largest positive contributions to performance. The Gold and commodity exposure were the largest detractors to performance. The fixed income portion of the portfolios was flat to negative.