MEIRA
Formerly The Lubitz Financial Group

The Value of Advice: Our Investment Management Approach and Disciplines

How We Are Different: We believe in investing with a purpose. This means, your investment portfolio should be designed to give you the greatest probability of attaining your financial goals with the lowest possible risk. **Your portfolio is designed with *your* required rate of long-term return** as the foundation, with your individual risk tolerance preference as an important—but not the sole—determining consideration.

Our investment philosophy is based on these foundational principles:

- **You should be compensated for the level of risk you assume.** The higher risk you take, the higher return you should expect. At the same time, most investors should not take on more risk than is needed to achieve their goals.
- **All investments present risks.** While we can't eliminate all risks, there are smart ways to help diversify and minimize them.
- **"Diversification is the only free lunch in investing."** There is a reason this is a famous quote by Nobel Prize laureate Harry Markowitz. We diversify not only across asset classes or markets but also diversify across risk exposures.
- **Strategic asset allocation is the largest driver of your future returns.** That is, the amount of money you invest in stocks, bonds, real estate or other alternatives determines 70%-80% of your investment results. The selection of your strategy or the individual securities within each market drives the minority of returns. Thus, most of our efforts are spent in making the right asset allocation decisions and we don't typically invest in individual securities.
- **The investing world is full of opportunities.** We believe that expanding the investment opportunity set as much as possible increases the probability of successful outcomes. This means having a globally diversified portfolio.
- **Markets are generally efficient over time and unpredictable over the short-term.** We believe it is nearly impossible to predict immediate price movements. Yet, there are some less known markets or sectors where mispricing may occur during short periods of time and there is the potential for sophisticated investors to exploit these opportunities.
- **An evidence-based and disciplined investment process minimizes investor biases.** We research and study each of our investment processes to reduce our client's and our own investment biases and improve investment success.

- **There are dimensions of the market or investment styles that have historically provided excess returns**. Research has shown that investing styles such as "value", "quality", "dividends", and "size" (small companies) have provided higher returns than just buying the "passive" market index. We will utilize and combine a number of these strategies in whole or in part, as appropriate, throughout our portfolios.
- **Total return investing drives income as well as capital appreciation**. We believe an income (or yield) only focus may increase risks and taxes. Income is derived from a portfolio's total return (dividends, interest, and capital gains).
- **Minimize and carefully manage investment costs.** Investment costs are one of the few things we can control in investing. However, there will be occasions where unique investment strategies may be worth paying a little more given its return and diversification potential.
- **We optimize and personalize portfolios** through disciplined rebalancing, tax loss harvesting, low portfolio turnover, and strategic placement for tax minimization.

The Role and Use of the Investment Policy Statement

The Investment Policy Statement (IPS) is a document that guides all our investment decisions and actions. Our President, Linda Lubitz Boone, CFP®, is a nationally known author of a book on the topic: *Creating an Investment Policy Statement: Guidelines & Templates*. We create a unique IPS for every client for whom we manage their investments. Think of it like a GPS for your investment goals. It's a written statement of your long-term investment objectives to help guide us through tumultuous markets with having a pre-determined action plan. This can help avoid making emotional decisions about the current state of markets.

Asset Allocation is a Central Theme

Asset allocation is the policy decision that determines how much of your portfolio will be invested in the major asset classes of stocks, bond, real estate, alternative investment strategies, and money market funds. In addition to these major categories, we believe it is important to diversify among the investment management styles (value, growth, quality, dividends, size) as well as across industries and geographic regions. Our sophisticated approach can result in more than 14 asset classes from approximately 55 countries worldwide. With this extensive diversification you have the opportunity to benefit from the gains in more segments and can help take the emotion out of trying to be in the right place at the right time.

Alternative Investment Strategies

We believe investing in non-traditional investment strategies can increase portfolio diversification by adding return, reducing risk, or both. The overall goal of these alternative strategies is to provide risk and return exposures to areas that do not depend on the economic cycle (like stocks) to provide returns. We strive to provide access to unique alternative investments that the typical investor may not be aware of or have the ability to invest otherwise. These may include, for example, hedge fund strategies, option strategies, managed futures, volatility-based funds, reinsurance, macro trading, or cryptocurrency.

Implementation of Investment Strategy

Our selection of specific investments supports the asset allocation process. Each investment represents either a broad index approach to a particular market (often the lowest cost option) or a narrow sector of the stock, fixed income (bond) markets, or a unique alternative investment strategy. We combine both passive (index based) and actively managed investments depending upon a variety of factors. By combining a variety of such investments into your overall portfolio allocation, we achieve a well-diversified portfolio with broad market exposures and specialized management styles and/or market sectors. We primarily use ETF's and institutional mutual funds, and we complement these with interval fund investments, direct real estate (REIT) offerings, and special private investments when appropriate such as opportunity zone (QOZ) real estate development funds.

Manager Selection and Monitoring

In those situations when we believe specialized investment managers can enhance portfolio returns, we will use them. Although the incremental returns from security selection are smaller than returns derived from the asset allocation decision[1] manager selection and monitoring are an important element in our investment process. Managers who specialize are most likely to offer advantageous returns through a focus on their particular market as experts. Where markets are most efficient, we will use passively managed index funds to reduce management costs. Our investment approach is not tied to any "proprietary" investment in which we receive compensation. We are paid ONLY by our clients. As a Fiduciary, our recommendations must be in YOUR best interest.

Strategic Asset Allocation, Risk Management and Tax Efficiency

Each quarter, we compare your portfolio's actual allocation to your target allocation percentage. If a variance exceeds the pre-established limit, we rebalance your portfolio to control your exposure to risk. Since we believe that all investments are subject to cycles, this process of re-balancing offers a systematic and disciplined means to help us sell when investment categories have been in favor and to buy when they have been out of favor. Consistently buying low and selling high enhances return while further helping to manage risk.

Most of our clients are in the higher tiers of income taxation, so tax efficiency is an important determinate of each client's portfolio construction. Our value-added approach includes the following disciplines:

- Tax Loss Harvesting
- Capital Gains Management
- Asset Class Location—owning investments in accounts matched to optimal tax treatment
- Tax Savings Optimization
- Roth/Pre-tax and Post-tax Securities Location
- Roth Conversion Analysis
- Medicare Premiums & Income Analysis
- Qualified Charitable Distribution (QCD) strategies

Ongoing Portfolio Management

Markets and our lives change constantly. While our clients' goals don't change very often, it's important to calibrate portfolios to the ever-changing investing, economic and tax landscape. As your personal circumstances change, your plan may need to be modified as well. We leverage technology to help us track and adjust your portfolio when needed. We monitor every investment strategy regularly and will replace or add investment strategies as appropriate. We research and evaluate new asset classes and investment vehicles on an ongoing basis to help add value to portfolios.

[1] CFA Institute | Financial Analysts Journal, 01 Jan. 1995, Volume 51, Issue 1 *Determinants of Portfolio Performance* https://www.cfainstitute.org/research/financial-analysts-journal/1995/determinants-of-portfolio-performance