# Practice Profile

# IFG Philosophy and Practice Profile



**Jim Lorenzen, CFP®, AIF®**
Founding Principal
**THE INDEPENDENT FINANCIAL GROUP**
A Registered Investment Advisor
Financial Planning Wealth Management

**www.indfin.com**
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*A Registered Investment Advisor*
Financial Planning and Wealth Management Solutions since 1991

# IFG Philosophy and Practice Profile

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**The IFG Credo**

Every client deserves, and has the right to expect, an objective and unbiased advisor who is fully aligned with the client's goals, possesses a moral compass with strict standards of accountability, and who takes a straightforward, common sense collaborative approach, putting the client in control of a hassle-free process incorporating breakthrough technology and unparalleled flexibility… all with openness and transparency.

**Our Goal With Each Client**

Extraordinary service with no surprises, no excuses, and no worries, as well as independent thinking and lasting solutions to help clients achieve the security, stability, predictability, and peace of mind they seek.

Nothing contained in this material is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment to the individual reader. The general information provided should not be acted upon without obtaining specific legal, tax, and investment advice from an appropriate licensed professional.

# Welcome!

Jim Lorenzen, CFP®
Founding Principal

**FINANCIAL HEALTH and security are among the highest priorities people have in life.** But, the stakes have been raised by longer life expectancies which increase the impact of taxes and inflation over time. The advantage, of course, of independent advice should be obvious, particularly when it is focused on a fiduciary process rather than on product distribution.

For many people, the objective is simple: Financial security. That means predictability. Most of us want to make sure we'll have a rising income we'll never outlive so we can maintain our independence and lifestyle for the rest of our lives.

With many people living three decades in retirement, this has become a big issue even for those most others might consider wealthy! Lifestyles are relative. Where you live and how much you will need impacts the value of how much you have – money is worth only what it will purchase. It's a simple concept, of course; but, we have only one chance to get it right.

## Information is timely. Truth is timeless.

The media's stock-in-trade is prognostication, timing, and supposed insightful investment selection. It has to be new and fresh every day. But, truth is timeless. Truth doesn't change from day to day. Once you've told it, all you can do is air reruns. There's no audience for nightly reruns of the show that aired last week…. And the same program could have aired more than fifty years ago. If the gurus on television simply told the truth, it would sound something like this:

> ***"No one can predict the stock market and no one knows what's going to happen tomorrow. All we do know from history is if you don't quit, you will succeed." End of story. Show's over. Stay tuned for Chopper Dave."***

A quote worth remembering:

> ***"I have never met anyone who could predict the stock market."***
> ***- Warren Buffet***

## What really matters?

Whether you're building a house or a business; whether you're planning a road trip or your financial future, the key to achieving your ultimate goal is always the same: It begins with a plan.

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As you can imagine, not everyone does that. The result for too many, unfortunately, is an under-funded old age - not a pleasant thought. When you consider the huge national debt we face – about $20 trillion as I write this[1] - it becomes easy to believe that despite what we hear from politicians,

[1] This is the "official" debt number you see widely reported in the news. This figure represents only the current year's outlay and does not represent the total outstanding obligations which are far greater.

the money to fund these obligations will have to come from *somewhere* – and that source will likely be those who've worked hard and saved rather than those with no money. So, the golden question becomes, what will the income tax rates look like over the next 15-30 years? What will inflation be? An 8% return in a 40% (combined state and federal) tax bracket with 3.5% inflation means a real after-tax, inflation-adjusted return of only 1.3%. It doesn't leave much room for error, does it?

As we all know, most people fail to plan. And, many who do depend on off-the-shelf tools, websites, and software to create their own; but, at least they're planning – or trying to, even if the software may not ask all the right questions about an individual's unique situation.

## Planning adds value, but something else has been shown to add more!


Vanguard has a long-established reputation not only for its low expense funds, but also as a consumer advocate in the financial marketplace.

They wanted to know whether or not an advisor actually does add value or if it's just another layer of expense. According to recent unrelated research studies conducted by Vanguard, long known for consumer advocacy, and Envestnet, advisor value was calculated at around 3%, which would seem to validate the value of advice; however, there is a difference between mere advice and financial coaching.

## Coaching makes a difference.

Telling people what they should do is never as valuable as educating people on their options and letting them make informed decisions with full knowledge of the plusses and minuses. In the world of medicine, doctors call it "informed consent".

A plan adds value. Coaching enhances the value of the plan, which is why client education is the focal point of my practice. It may be the reason why my phone never rang during the 2009 market meltdown. Clients don't get nervous when they have a solid plan as their foundation - one they helped create – which means they know WHAT they are doing and WHY they're doing it.

## Life doesn't end in retirement.

I like financial author Nick Murray's inflation example: In 1980 a first-class postage stamp cost 15-cents. We'll use that as our proxy for inflation.

Suppose that 15-cents represented everything you had to buy, retiring in 1980 and your CDs and bonds paid you 30-cents. You'd be happy! Your CDs and bonds would have been paying you TWICE your living expenses! There's little doubt you would have felt safe and secure – and probably avoided that risky stock market.

**Let's look at 2010 – Thirty years later.**

Even if interest rates had stayed the same – and we both know the rates plummeted down to practically zero – your once wonderful 30-cent income wouldn't even buy a first-class stamp! The stamp – our proxy for inflation – now sells for 44-cents. Your cost of living went from 15 to 44 and your now insufficient income requires you to reduce your standard of living.

Just to put this all in perspective for you: The Consumer Price Index over the last 75 years has risen about 3% per year – while the dividend of the Standard & Poor's 500 Index – the cash it actually produces – has gone up at an annual rate of about 5-1/2%. Even in the `lost decade' of 2000-2009 when the S&P did, on net, less than nothing, ***its dividend doubled*** [*Source: Morningstar*].

## The Philosophy is the Message


**This message is simple. It isn't rocket science,** and most investors intuitively realize the truth of this message; yet, studies consistently show that investors not working with a professional advisor seldom, if ever, maintain updated plans or consistently follow a prudent process so critical to their long-term success.

## The Wealth Management Planning Process:

The following page depicts an overview of the general planning process. It may look a little complicated, but it really isn't.

Many people would follow only the path across the top of the page. The Advanced Planning track along the bottom of the graphic is shown as an overlay and used in cases involving advanced estate planning, charitable giving, special needs planning, and other issues beyond a basic retirement planning process where other professionals would be part of the client's team.

# Overview of the IFG Wealth Management Consultative Process

Example:

**DISCOVERY MEETING**

Complete discovery process

*One week*

**SITUATION ANALYSIS MEETING**

Gap Analysis & planning commitment

*Two weeks*

**INVESTMENT PLAN IMPLEMENTATION**

Implementation and Commitment Confirmation

*45 days*

**45-DAY FOLLOW-UP MEETING**

Organization and education for use of account tools and resources

*90 days*

**REGULAR PROGRESS MEETINGS**

Review of progress + implementation of advanced plan

**CREATE INITIAL DIAGNOSTIC**

Diagnostic of current situation, with gap analysis

**PLANNING PROCESS, PLAN CREATION & IPS**

Creation of written investment plan for implementation

**THE ADVANCED PLAN**

Comprehensive evaluation of the entire range of financial needs with our recommendations for moving forward

**The Advanced Plan*** includes optional estate and tax, planning.

** Applicable only for Advanced Planning Clients.*

**THE PROFESSIONAL NETWORK**

Team of carefully selected professionals, each with a high level of knowledge and skill in key legal and financial areas

**PROFESSIONAL NETWORK MEETING**

Team of specialists applies its expertise to evaluate all aspects of your financial situation and devise appropriate solutions for your review.

## The IFG Investment Model

In a nutshell, my practice process, developed over the last twenty years, embraces a conservative approach and industry best-practices standards. I work very hard to earn a place as my clients' `Personal CFO'. The process is built around consistency, transparency, and my clients' best interests.

- **Consistent approach** - The CFP Board-recommended planning process (next page) serves as the foundation.
- **Consistent discipline** - Easy to understand, implement, and follow. No chasing `hot' ideas.
- **Consistent strategy** - Low-cost diversification among asset classes and styles designed to help reduce the bumps in the road.
- **Consistent management** – Passive and institutional-level active management, low-cost active and passive investments consistent with your plan guidelines.
- **Consistent tax-managed strategy integration**

### IFG Characteristics

**Independent advice from a qualified advisor**
Financial Planning: *CERTIFIED FINANCIAL PLANNER®* professional
Investment advice: *ACCREDITED INVESTMENT FIDUCIARY®.*
Insurance: Non-captive independent agent (California license #0C00742.

**Independent major "brand-name" custodians - IFG does not take custody of client assets at any time.**

**Independent due-diligence: 2 layers**
**(a)** independent third-party due-diligence at the institutional level plus - not related to the managers and institutions they cover.
**(b)** at the advisory/client level utilizing a 'best interests' fiduciary standard vs. a suitability standard. Note: The Independent Financial Group is a Registered Investment Advisor bound to a fiduciary standard of client care.

**Independent third-party institutional reporting:** Unrelated to the managers they cover.

**Independent investment selection and management** - unrelated to the parties conducting due-diligence.

**State-of-the-art industry-leading technology** - independent and unaffiliated with institutional custodians or investment providers. Our planning platform, created by PIEtech, enhances the client-advisor collaborative effort and provides an easy/intuitive client interface. One of the reasons IFG can collaborate with clients in Florida as easily as with clients in California.

## The Three (common sense) Components

1. The creation of a sound financial plan and an investment policy statement (IPS).
2. Adoption of a disciplined management process that adheres to the IPS without chasing fads.
3. Regular and continuing objective and independent oversight, reporting, and communications, accompanied by regularly scheduled reviews and coaching sessions.

**Hallmarks of the IFG investment process are as follows:**

- **Invest in things you understand**. Avoid the things you don't.
- **Minimize expenses.** IFG's interests are aligned with our client's.
- **Quality is key**: Both in process and in the selection of investments and investment managers.
- **Discipline**: We follow, and expect managers to follow, an investment discipline with strict adherence to the client's Investment Policy Statement (IPS).
- **Education and coaching**

## The Advisory Process


**The Steps:**

You wouldn't think about beginning construction on a house without a blueprint; yet that's exactly what many investors do with their financial future!

**Your plan isn't 'handed-down' to you. You will be actively involved in this process.**

The IFG planning and advisory process is consistent with the *Certified Financial Planner™* Board guidelines.

1. **Data Collection, Review, and Situation/Gap Analysis**

   Prescription without diagnosis is called malpractice. In order to function in your best interest, we must know what your best interest is. It begins with learning about you.

   We begin by assembling your financial information and reviewing your short and long-term goals – how do you want to live the rest of your life – and what kind of journey you want to experience (risk). The next step is to conduct a 'diagnostic' to see what you own and how much embedded risk you currently have – and to see if your current strategy is consistent with the future you envision.

2. **Data Review and Construction of an Action Plan**

   We then review our findings with you and discuss alternative approaches for fulfilling the Action Plan. The final result is an Investment Policy Statement (IPS) that becomes our master blueprint.

> ***"When values are clear, decisions are easy."***
> *- Roy Disney*

3. **Review/Refinement of Action Plan**

   We then conduct our search, screening, and selection process to arrive at the investment/manager mix designed to fulfill your objectives in a manner consistent with your profile, gap analysis, and plan criteria. Investment/management screening is conducted according to your IPS with two layers of independent due-diligence. You are involved in the collaboration throughout this entire process. Planning fees are quoted on a defined-project basis depending on size, scope, and complexity of the required plan.

4. **Plan Implementation**

   Once you've approved the plan and selections have been finalized, implementation is largely an administrative process. We prepare and process the appropriate paperwork, facilitate asset transfers to the selected independent asset custodian (discussed later), set-up monitoring procedures, and coordinate efforts with your accountant, attorney, and other advisors as necessary.

5. **Monitoring with Reviews and Revisions**

   In addition to regularly scheduled review meetings, plan performance is monitored continuously and you can expect communication from IFG throughout the year, including performance, updates, newsletters, etc. Complete information is also available 24/7 via the "Clients Only" portal of our website, [www.indfin.com](http://www.indfin.com)

## The Evolution of Planning

**Some Historical Perspective**


For generations, investors have grappled with the question, "How much risk am I willing to take?" This classic investment strategy is at work in 401(k) plans across the country.

Administrators hand out one version or another of a tool called the "Risk Quiz." You answer a handful of questions about your investment time horizon and willingness to take risks, and then, based on your score, you are assigned an asset allocation (60/40 equities to bonds or 80/20, etc.).

The risk-based approach to investing was created to help pension plan administrators oversee large pools of nontaxable assets. The strategy was designed to create a well-diversified, generally-conservative investment portfolio that does not underperform a given benchmark index. It is a strategy that works well for corporations because they have an investment time horizon that stretches on to infinity—and a board of directors who will be disappointed if the quarterly investment returns don't compare favorably to the benchmark.

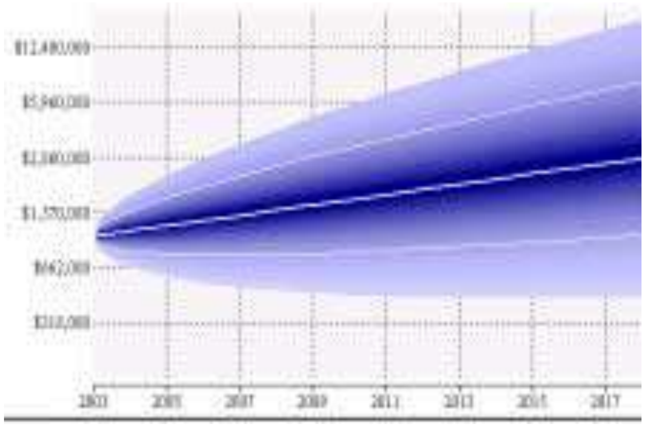
**The risk-based strategy was adopted for the public as interest in investing grew, but it is an imperfect fit.** Risk assessment is still a component, to be sure, but most investors have specific goals, such as actual retirement date or funding a child's education. These goals require a specific amount of money at a specific point in time—regardless of the performance of any benchmark index. To help investors achieve their goals, some financial services firms have developed an investment approach called goals-based planning.

## Goals-Based Planning

While risk-based planning is based on the unlikely assumption that your investments will deliver a specific rate of return with no fluctuation[i], goals-based planning is a more comprehensive approach that's built on your financial picture that deals with a broader range of questions: When will I be able to retire? How much will I need to save to make it happen? How much will I need to retire? How much extra will I need for an affluent retirement? What will be the future financial impact buying cars every 3, 5, or 7 years or of taking 1, 2, 3, or more trips each year in retirement?

## Wealth Accumulation Probability Analysis

It would be nice if everything in life was certain, but goal planning is really about managing risks and calculating probabilities. The state-of-the-art technology we use helps identify possible upside and downside scenarios.



**Top Line** - Represents a 10% chance of what the dollar value of a portfolio might be, at the end of the investment time horizon, i.e., this dollar value or more.

**Median Line -** Represents the 50th percentile of the probability distribution. On average, this is the dollar amount a portfolio might be expected to generate over the specified time horizon.

**Bottom Line -** Represents the 10% chance that the dollar value of a portfolio will be this value or less.

## IFG's Custodial Relationships*


An asset custodian is an institution which takes physical custody of investment assets. Client accounts are always maintained at an independent third-party custodian in the client's name(s). IFG does not take custody of client assets at any point, nor is IFG affiliated with any custododian. Further IFG does not accept compensation from any investment custodian or provider. Most often, due to technological interface and broad spectrum access, IFG has utilized the services of Pershing (Bank of New York Mellon).

**Pershing – Division of Bank of New York Mellon**

**Financial Strength and Asset Safety -** Pershing is well capitalized with nearly $831 billion in assets under custody (as of September 30, 2010) and Pershing is the industry's largest global business solutions provider, with more customers who clear through them than with any other firm. Clients' accounts at Pershing LLC are protected by the Securities Investor Protection Corporation (SIPC) up to $500,000 of which $100,000 can be cash; and excess account protection is provided at the highest level available in the industry, which Pershing provides through Lloyd's of London, one of the world's best known insurance brands.

**Parent Company Stability - The Bank of New York Mellon -**The Bank of New York Mellon ranks among the top large-cap financial services companies and is a global financial services company focused on helping clients manage and service their financial assets. The Bank of New York Mellon has approximately $24.4 trillion in assets under custody and administration (as of September 30, 2010) and was selected by the U.S. Government to provide the administration for the TARP program.

**An Introduction to The Bank of New York -** Unlike other major banks, The Bank of New York is primarily a provider of global and domestic custody services, not a retail bank. The Bank is a major force in the mutual fund processing business and has a long history in the financial services arena.   Highlights from The Bank's 200+ year history include:

• The Bank of New York was founded by Alexander Hamilton in 1784
• It is the oldest bank in the United States
• It is one of the oldest banks in the world
• The Bank came into existence before the adoption of the U.S. Constitution
• It is one of the few companies in the U.S. that has been in business for more than 200 years
• The Bank made the first loan to the United States Government -- $200,000 in 1789
• The Bank's headquarters are located at One Wall Street, New York, NY
• In 1792, The Bank's stock was the first stock traded on the New York Stock Exchange
• The Bank is one of the largest financial holding companies in the United States
• Global expansion began with an office in London in 1966
• The Bank now has a presence in 33 countries

*  The choice of asset custodian for a given client is based on a match between the custodian's service capabilities and the individual client's needs.  IFG receives no compensation or incentives of any description from any service provider that is chosen.

## Online Convenience

Yes, face-time is important; but increasingly many prefer online convenience, you'll find state-of-the-art technology here.  Technology today, including online meetings, allows IFG to serve clients in Florida as well as California.

If you like online convenience, your financial plan will always be available to you 24/7 via direct connection with one of the most highly regarded planning platforms throughout the entire investment and planning industry, hosted by PIE Technologies.   You'll be able to save it, print it, download it, and even conduct your own 'what-if' scenarios.   Naturally, during the planning process, we'll be able to collaborate in real-time, as we talk by phone, or conduct live on-line meetings.

Your investment portfolio and all holdings, sophisticated performance, and related tax information will also be available to you 24/7 with everything updated as of the previous night's closing on a direct, safe and secure connection direct with your custodian.
Taxable accounts can also enjoy tax management advantages.


**You will have all the advantages of utilizing the custodial services of a major Wall Street firm while working with an INDEPENDENT *Certified Financial Planner®* professional  and a Registered Investment Advisor who is an *Accredited Investment Fiduciary®* advisor working only for you.**

## Your Personal CFO:

**Jim Lorenzen, CFP®, AIF®**

### EDUCATION

- Emory & Henry (Virginia), B.A., Economics
- The American College – Financial planning curriculum for CFP®
- Center for Fiduciary Studies in association with the Joseph M. Katz Graduate School of Business, University of Pittsburgh – *ACCREDITED INVESTMENT FIDUCIARY*™ (AIF®)

### CAREER

- U.S. Army - Vietnam Veteran
- Worked in commercial and consumer finance, rising from entry level to EVP in charge of U.S. and Canadian offices.
- Founded, built, and sold five businesses in the publishing industry
- International speaking and management consultant; headline speaker at more than 500 conventions throughout the U.S., Canada, and the U.K. Contributing author to more than 25 national and international publications.
- Wealth management consulting since 1991 serving a selected national clientele. Interviewed for American Airlines *Sky Radio*, heard on more than 19,000 AA flights. Articles published by the Profit Sharing Council of America and the *Journal of Compensation and Benefits*, as well as in numerous publications, including The Wall Street Journal and SmartMoney magazine.

## What is a *CERTIFIED FINANCIAL PLANNER*™?

To earn the CFP® certification from the CFP Board, candidates must meet requirements for education, work experience, and ethics. To fulfill the educational requirement, candidates must have a bachelor's degree or higher from an accredited college or university and also master a list of nearly 100 topics on integrated financial planning through a CFP Board-Registered program. Topics cover major planning areas, such as:

- General Principles of Finance and Financial Planning
- Insurance Planning
- Employee Benefits Planning
- Investment and Securities Planning
- State and Federal Income Tax Planning
- Estate Tax, Gift Tax, and Transfer Tax Planning
- Asset Protection Planning
- Retirement Planning
- Estate Planning

The time it takes to complete the requirements depends heavily on the candidates study schedule – two to three years is not uncommon. There are more than 300 colleges and universities offering a CFP Board-Registered course of study within their graduate MBA programs. Upon completion, CFP candidates must pass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a ten-hour, 2-day, exam, conducted twice each year on the same dates at specific selected testing locations across the United States.

## IFG's Privacy Policy

**Your relationship with The Independent Financial Group is based on trust and confidence.**

To fulfill its responsibilities to you, IFG requires that you provide current and accurate financial and personal information.

You deserve to expect that your information will be protected you in a manner that is safe, secure, professional, and in full compliance with all regulatory guidelines.

IFG is fully committed to protecting your privacy and to safeguarding that information.

### Safeguarding Customer Documents

During regular business hours access to customer records is monitored so that only those with approval may access the files. During hours in which the company is not in operation, the customer records will be locked.

No individual who is not so authorized shall obtain or seek to obtain personal and financial customer information. No individual with authorization to access personal and financial customer information shall share that information in any manner without the specific consent of a firm principal.

Failure to observe The Independent Financial Group's procedures regarding customer and consumer privacy will result in discipline and may lead to termination.

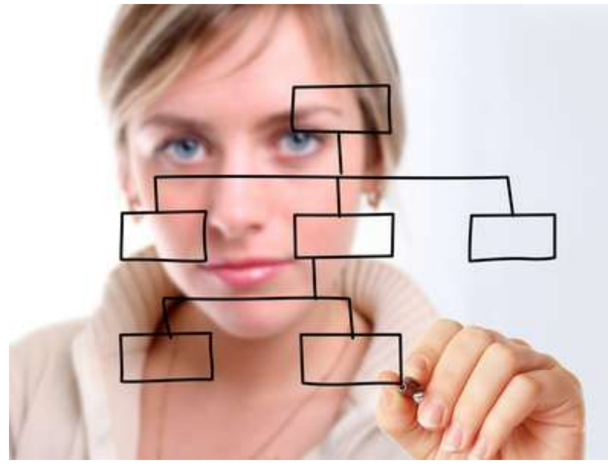
### Sharing Nonpublic Personal and Financial Information

The Independent Financial Group is committed to the protection and privacy of its clients' personal and financial information. The IFG will not share such information with any nonaffiliated third party except:

- When necessary to complete a transaction in the account, such as with the clearing firm or account custodians
- When required to maintain or service the account
- To resolve customer disputes
- When requested by a fiduciary or beneficiary on the account
- To rating agencies rating, or to the client's attorneys or accountants,
- When required by a regulatory agency, or for other reasons required or permitted by law
- In connection with a sale or merger of The Independent Financial Group's business.
- In any circumstance that has the customer's instruction or consent.

Jim Lorenzen
Founding Principal

## IFG's Code of Accountability



1. IFG clients are the most important people to my practice. They deserve a timely response to all inquiries or contacts.

2. IFG. clients are not dependent on me—I am dependent on them. Being an independent advisor, I work for the client. Acting in partnership with my clients as a 'Personal CFO', all other service providers (managers, reporting entities, custodians, etc.) work for us. Accountability flows up to the client.

3. IFG clients are not an interruption of my work; they are the purpose of it. I am not doing them a favor handling their inquiries; they are doing me a favor by giving me an opportunity to earn their business.

4. IFG clients are not to be argued with. My objective is to help clients as their 'Personal CFO' and act as their advocate in the financial marketplace.

5. IFG will hold in the strictest confidence, and consider as privileged, all business and personal information pertaining to our clients' affairs.

6. In order to provide clients with an optimal level of service, IFG expects them to be continually forthcoming with all relevant financial information.

7. If you are displeased with any element of my service, I expect the courtesy of timely notification so that I can address the issue.

8. If all of my clients' expectations are met and they are satisfied with my service I anticipate that my clients will refer others whom they feel can benefit from my services (i.e., coworkers, friends, family).

### Compliance Information

Independent wealth management services since 1991 proud of a spotless compliance record. You can see for yourself by searching James M. Lorenzen or The Independent Financial Group at www.adviserinfo.sec.gov.

FPA FINANCIAL PLANNING ASSOCIATION PROUD MEMBER

Jim Lorenzen, CFP®, AIF®
Founding Principal
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A REGISTERED INVESTMENT ADVISOR
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