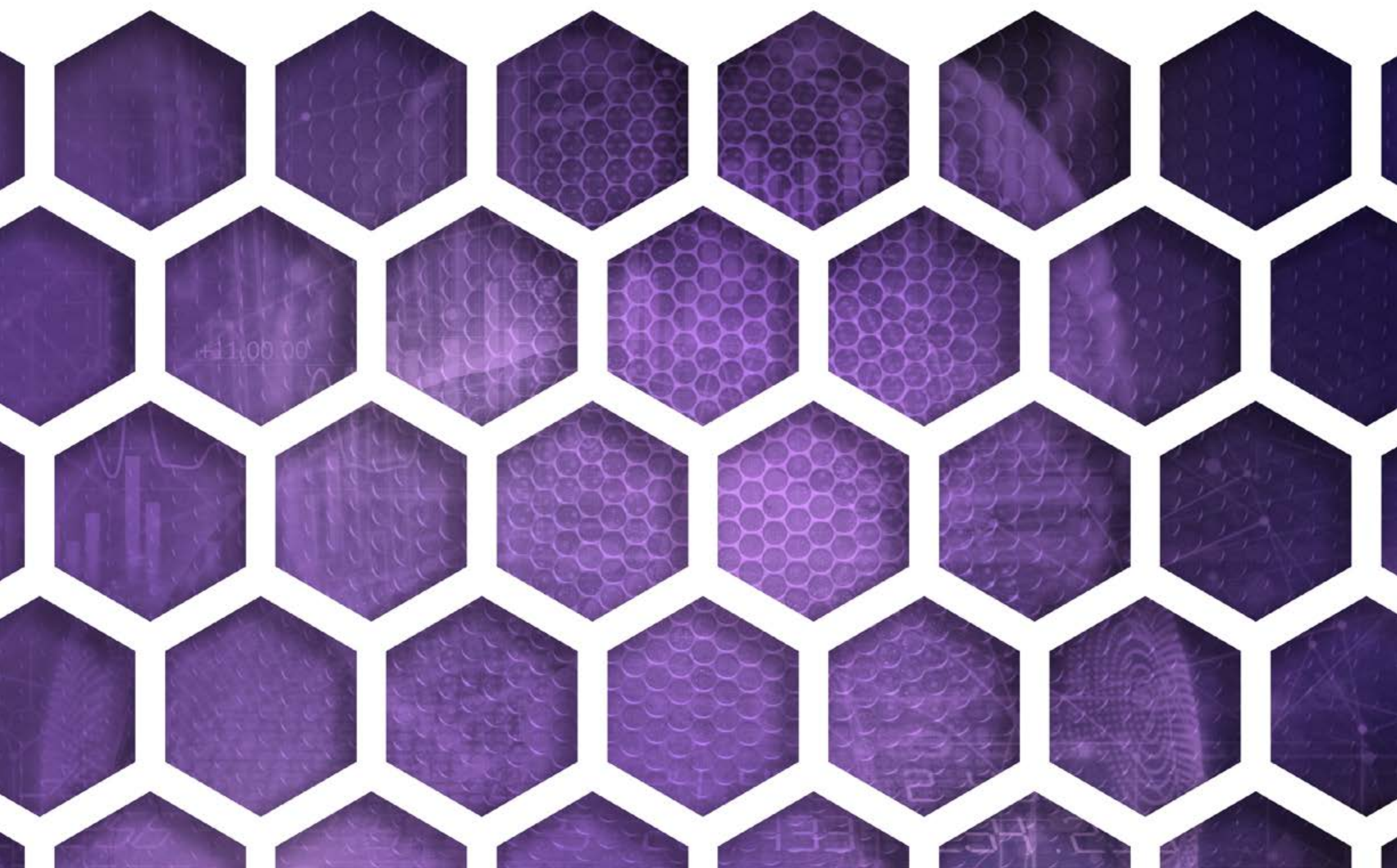
Flexible Plan Investments, Ltd.
Your partner in active wealth management since 1981

Active Management

It's not about mutual funds ... it's about managing risk



What exactly is “active management”?

There is a great deal of confusion surrounding the term “active management,” and with good reason. The phrase “active management” no longer conveys what was originally intended.

Once it was contrasted with the “buy-and-hope investing strategy.” Today, “active management” conveys a brand of investing practiced by traditional mutual funds. It is contrasted with “passive investing.” Yet, in reality, there is little difference. The two have blended to the point where you cannot discern which is which.

Traditional mutual fund investing is governed by an investment committee that usually follows a bottom-up approach to investing. They may actively search for candidates for their buys and sells, but once they buy, it’s often a long time before they sell. And what they buy is constrained by the limitations of their strictly defined prospectus.

In the same way, a passive investing approach usually follows the strict confines of a predefined index. But it doesn’t buy and hold that either. Each year or so, changes are made to the index when an investment management committee deems it wise. Sound familiar?

It’s pretty much the same approach, isn’t it? Yet one is called “active” and the other “passive.”

To top it off, the passive investing crowd has pulled off a bit of sleight of hand. They now index active manager methodologies and then call them passive because they follow a set of predefined rules! Despite using active management rules, the ETF providers marketing them call them “passive.”

Of course, there are now “active” ETFs. How are they managed? Since most come from mutual fund managers, they mirror their “actively managed” mutual funds.

If this all sounds a bit circular, like the great snake consuming its own tail, it’s because that’s the state of the industry.

Dynamic risk management

A wealth manager should do more … go beyond "active" and "passive." He or she should monitor and select investment strategies with a view to their volatility, in addition to their return.

Flexible Plan Investments' approach to doing more is to base its investment philosophy on **"dynamic risk management."**

What is dynamic risk management?

- Focusing on controlling portfolio risk based on a client's risk tolerance.
- Having the flexibility to alter course based on market conditions such as changing economic regimes or market technicals.
- Carefully monitoring and grooming portfolios rather than sticking with a holding just because it came with an index.
- Being unconstrained by a restrictive prospectus and allowed to explore opportunities wherever they arise.

Dynamic management is not about exceeding a specific benchmark or "beating the market." It seeks favorable risk-adjusted returns in any market environment, generally employing sophisticated algorithms and models to capture gains and protect against losses in a wide variety of sectors, asset classes, and geographies.

It is about managing risk, finding new ways to diversify, and smoothing out the long-term volatility typically found in any asset class. When it comes to evaluating returns, dynamic risk managers generally will not compare to the S&P 500 or global total market indexes, but are far more interested in risk-adjusted returns and meeting their clients' portfolio objectives.

***

Ready to learn more about dynamic risk management? Read the following articles about the benefits of "active management" as we define it, written by well-respected financial journalists and practitioners, as well as interviews with financial advisors who have become successful "dynamic risk managers."

To find out how you can become a successful dynamic risk manager yourself, contact your Flexible Plan business consultant at 800-347-3539, option 2.

1

Active management 101

Is the "market math" in your clients' favor? Learn the top 5 reasons to consider dynamic risk management.

VIEW ARTICLE

2

10 reasons investors need active management in retirement

It's hard to calculate how long today's retirees might live, but the one thing they want to know is that their money will not run out before they do. Answering in the affirmative requires combining capital preservation with the opportunity for capital appreciation. While no investor or investment management style can predict the future, everyone requires the flexibility to respond to opportunity. Here are 10 reasons dynamic risk management can offer that opportunity.

VIEW ARTICLE

3

Advisors prefer active management

Advisors have an increasingly complex array of portfolio alternatives, strategic tools, and third-party solutions at their disposal. "Active management" remains a vitally important component of meeting client needs and objectives for a majority of advisors, particularly in addressing the core client concerns of managing risk and preserving capital over the long term.

VIEW ARTICLE

4

Investors looking for answers

Investors are demanding more risk management for their investments, representing an increasingly growing market for dynamically risk-managed investment strategies.

VIEW ARTICLE

5

How do you anticipate the unexpected?

The next significant market downturn may be impossible to predict as to cause, severity, and timing, but it is a fair assumption that there will be another one. True diversification and dynamically risk-managed strategies are excellent ways to protect portfolios from the "expected" arrival of the "totally unexpected."

VIEW ARTICLE

6

Looking forward, giving back

John Bussa begins his work with clients by developing a deep understanding of their risk tolerance. To address their needs for risk management and a holistic financial plan, he uses a variety of tools, including dynamically risk-managed investment solutions and strategic alternatives such as tactical equity strategies, non-traded REITs, equity-indexed annuities, and alternative asset classes.

VIEW ARTICLE

7

Asset protection calls for active management

When it comes to investing, Joe Wirbick is not shy about his convictions. His call to action is loud and clear: asset protection, asset protection, asset protection. Using third-party managers and educating his clients about dynamically risk-managed investment strategies is first in his arsenal of defense.

VIEW ARTICLE