Q: Is now a good time to invest?

A: Yes. As the adage goes: “The best time to invest was 20 years ago; the second best time is now.” It is impossible to predict the direction of markets in the short-term. If you have long-term financial goals, it is wise to invest in order to make progress toward those goals. We urge our clients not to get caught up in short-term momentum or what has happened recently, and focus on the long-term future.

Q: What do you expect for stock and bond returns?

A: We do not produce any forecasts regarding the direction of markets. Historically, over long periods of time such as 15-20 years, stocks tend to outperform bonds, but with greater volatility. Likewise, small cap and value stocks have tended to outperform the broad stock market over long periods with more volatility.

Q: How have your returns been?

A: It depends on the investor. Returns are the result of how much risk you are willing to take. Those who have taken on more risk – a higher allocation to stocks – generally have higher long-term returns than those who take on less risk. Those higher returns come with more volatility. For example, during the financial crisis, risky investors had to endure lower troughs than those who held a more balanced portfolio (i.e., a higher allocation to bonds, cash, and gold).

Every investor has unique circumstances, and therefore every investor has a unique portfolio. Market returns have been quite favorable over the last several years, and the investments we use have effectively captured these positive market conditions at a low cost.

Q: How much do you charge?

Fees are an explicit obstacle for investors seeking to meet financial objectives. We aim to minimize this obstacle, and we are fully transparent regarding our fees.

We charge an advisory fee that is calculated based on the combined assets under management (AUM) of the household. For example, the fee on $1 million is 0.56% per year, or $1,406 per quarter. Separate and apart from our advisory fees, the mutual funds and ETFs (collectively “funds”) we might use charge a separate fee (which is detailed in the respective fund prospectus). The average fee assessed by the funds is about 0.30%. Finally, there are transaction costs for all trades. These costs are relatively low and have a limited impact on overall returns. Importantly, AIS does not control those fees nor do we receive any portion of them.

As fiduciaries, we place our clients’ interests first and foremost. Our objective is to utilize the funds that we deem to provide the best value for clients and to make trades only when in their best interests.

Please review our sheet “Overview of Fees” for more information.

Q: Can I exclude certain asset classes from my portfolio?

A: Yes. We do not require than any investor holds any particular asset class, but it is important to understand why we recommend certain asset classes. The asset classes we recommend are selected based on their historical data and how they relate to one another.

For example, our clients typically hold a share of gold in portfolios because it has historically provided protection during economic crises. We include real estate (REITs) because they have shown robust historical returns that are uncorrelated with other asset classes. Both of these asset classes serve a specific purpose beyond just maximizing returns.

Likewise, we include fixed income in portfolios because it reduces the volatility of the overall portfolio. Our primary goal is to provide the discipline to stay the course through market peaks and troughs. We have found that investors are much more likely to stay the course when stock market fluctuations are offset by the steadier returns from fixed income (bonds). We encourage even the most risk-tolerant investors to hold at least some bonds, despite their lower expected returns. Clients who insist upon selling during a market pullback are probably “under-allocated” to bonds.

Q: Why do you include international stocks, bonds, and real estate?

A: As is true of any asset class, the returns of international markets are unpredictable. Exposure to these markets provides greater diversification and another lever to control risk and return when forming a portfolio.

Q: Is AIS active or passive?

We see “passive versus active” as a spectrum of possibilities as opposed to an “either/or” question. A strictly “passive” investor would buy every possible investment in the universe, which would result in more fixed income than stocks and a roughly equal split between U.S. and international stocks. Our typical portfolios, on the other hand, favor stocks over bonds for long-term growth, and are over-weighted toward U.S. stocks. Our “tilts” toward small cap and value move us further from a “passive” portfolio.

Despite these “active” tilts, we do not try to predict returns. We make no attempt to “time the market” or “pick” stocks. We tend to prefer investment vehicles that are relatively more “passive” in their approaches. Passive investment vehicles are able to provide broad market coverage at a lower cost than actively managed funds. However, the DFA funds we primarily use are not beholden to an index and have several trading advantages over strictly passive index funds.

We are responsive to changes in investor circumstances. We think of this as “situationally active.” When your *life* changes, we will analyze your holdings and alter your allocation plan if necessary.

The bottom line is that we are disciplined. We tend to hold investor portfolios unchanged for many years, and we would be considered “passive” as compared with many other investment advisors. This discipline has paid off historically as investors have avoided the urge to sell during markets downturns and potentially miss the subsequent recovery.

Q: Can I do it myself?

A: Probably. Much of the value we add comes through the discipline to stay the course through the ups and downs of markets. Many investors may be able to maintain this discipline without our help.

In addition to discipline, we add value by: 1) offering DFA funds, which are only available through a select group of approved investment advisers; 2.) providing financial planning analysis to help develop a prudent portfolio structure; 3.) managing accounts in a tax-efficient manner; and 4.) providing comprehensive asset management across accounts to ease the burden of managing separate accounts.