Bell Investment Advisors, Inc.

TheOpeningBell

Volume 19, No. 2/July 2009

Career Capital

Typically we use this newsletter to discuss investments or strategies that will help you to maximize the return on your assets to ensure a successful retirement plan. By "successful," we mean a retirement in which you maintain your desired income level, increase your income annually for inflation, and most importantly, never run out of money. Having the right stocks, bonds, and mutual funds will go a long way towards producing a successful retirement plan, but there exists another asset that can make a big difference as well: your career.

Career capital is often overlooked in one's investment portfolio; however, it shouldn't be, as your career has been your biggest asset over the course of your lifetime. Whatever your portfolio is worth currently, it is likely that the money you earned during your working years exceeds it by many multiples. And after decades spent working—acquiring specialized knowledge, skills, and expertise along the way—your career capital is likely at a high point in terms of value, something that is not likely true of your other investment assets.

In the latest edition of our Boomers-at-60 survey, 40% of respondents stated that they feel their retirement plan is off track. If these respondents want to avoid reducing their standard of living in retirement, they should know that the most effective way to get a retirement plan back on track is knowing the optimal time to retire, in other words, knowing how long one needs to keep one's career capital at work.

To illustrate, we ran retirement projections for a hypothetical couple, Mr. and Mrs. Boomer, through our Monte Carlo simulator, which despite its fancy name is just a computer program that runs retirement plans through thousands of scenarios based on historical data to determine a projected probability of success. According to our assumptions, the Boomers, both age 60, have a $1 million portfolio and would like to take out $100,000 in inflation-adjusted dollars beginning at age 65. They would like these income payments to last until age 100. They intend to keep their retirement assets in equity mutual funds, so we used the S&P 500 Index for historical return data while we used the Consumer Price Index for historical inflation data.

If we assume that their only savings is via Mr. Boomer's 401(k), to which he contributes the maximum each year, their retirement plan has a 45% chance of success—a figure that is much too low for any reasonable level of confidence. At this point in their lives, simply increasing their savings rate will not make that large of a difference to their plan's success rate. Even if they double their annual savings over the next five years by assuming that Mrs. Boomer goes back to work or that they make significant cuts to their budget, their success rate only increases to 51%. They can achieve the same success rate if Mr. Boomer delays his retirement just one year—no need for Mrs. Boomer to go back to work or for any decrease in their standard of living. And, obviously, it would be much easier for Mr. Boomer to stay at his current position for one additional year than to have Mrs. Boomer find employment in the current job market.

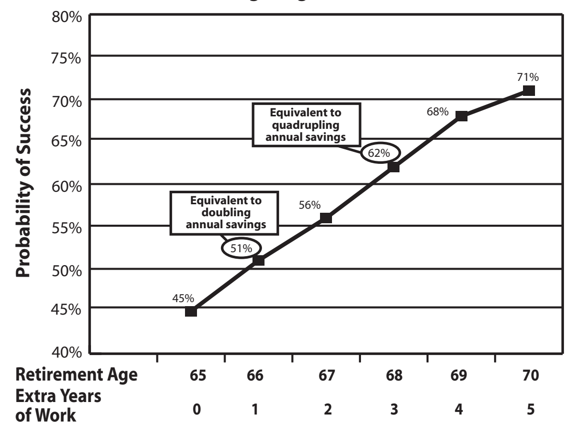
As you can see in the chart below, working longer—even just a few years—can significantly improve the probability that your retirement plan will succeed. Without any adjustment, Mr. and Mrs. Boomer have less than a 50% chance of meeting their retirement goals; the odds are that they will run out of money at some point during their lifetimes. That certainly qualifies their plan as "off track." However, by just working five more years at his current job, the couple increases their probability of success to over 70%—increasing their chances of succeeding by nearly 60%! And most importantly, they are able to achieve an "on track" retirement plan without any adjustment to their standard of living or savings rate.

Even if the Boomers quadrupled their annual savings over the next five years—an impossibility for most folks—they would achieve a success rate equivalent to that of working just three more years with no change in their savings rate. Working longer is more beneficial than simply saving more because it results in increased savings from extra years of retirement contributions *and* a decreased liability from fewer years of income payments from the investment portfolio.

The prospect of working a few more years certainly does not appeal to all, but before you write off the idea of working longer, please read the special article on page three from Bonnie Bell about our Career & Life Planning offer.

Additionally if you find yourself wondering what probability your retirement goals have of succeeding, please contact us to inquire about a *Retirement Outlook*. As we did with Mr. and Mrs. Boomer, we can employ the same rigorous Monte Carlo analysis to quantify how realistic your retirement plan is, and if it proves necessary, provide you with options to get it back on track. ■

Effect of Working Longer on a Retirement Plan



© 2009 Bell Investment Advisors, Inc.

1111 Broadway
Suite 2130
Oakland, CA
94607-4063
Phone 510.433.1066 Fax 510.433.1067 Toll Free 800.700.0089 info@bellinvest.com www.bellinvest.com

Account Performance Report through June 30, 2009

Since 1999 we have calculated the average and median returns of our clients' accounts. These performance figures are derived from actual accounts managed by Bell Investment Advisors. Here is a quick look at the latest results:

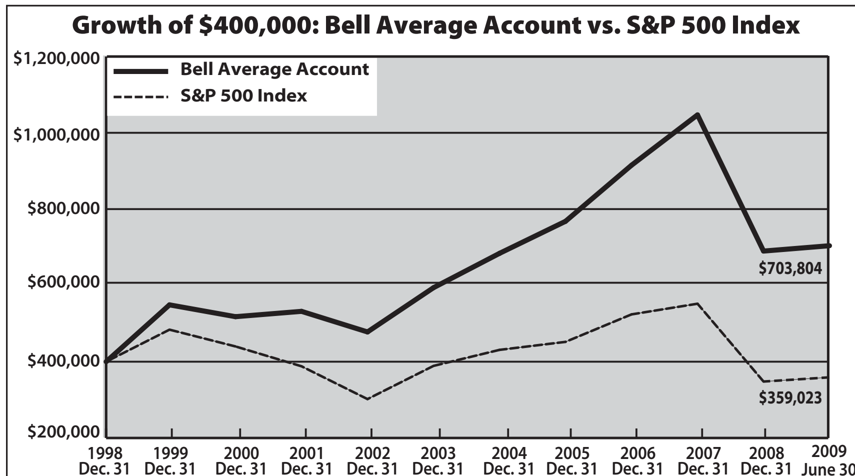
Matthew P. King, CFA

	2009	January 1999 to June 2009	
Index	Year-to-Date	Total Return	Annualized Return
Bell Average Account (1)	2.0%	75.9%	5.5%
Bell Median Account (1)	2.4%	74.6%	5.4%
Dow Jones Industrial Average (2)	-2.0%	15.6%	1.4%
S&P 500 Index (2)	3.2%	-10.2%	-1.0%
Nasdaq Composite (2)	16.4%	-16.3%	-1.7%
Russell 2000 Small Cap Index (2)	2.6%	38.2%	3.1%
MSCI EAFE Index (2)	8.4%	21.9%	1.9%

This table compares our average and median account performance compared to five of the major market indices. While you cannot invest directly in any of the indices listed above, it is interesting to note that the most popular index, the S&P 500—with more than $1.53 trillion indexed to it—lost 10.2% since the start of 1999.

Meanwhile, our Active Portfolio Enhancement® methodology has produced gains over 70% for our clients since 1999. Our advantage lies in our proactive approach versus the passive strategy of tracking a particular market index.

When you compare performance results, it is important to make note of what is, and is not, included in the stated returns. Our returns are reported net of all management fees, mutual fund expenses, and trading costs. Here, the bottom line is the bottom line.



You have seen our performance in terms of percentage return. Here is how our average account performance since 1999 compares to the S&P 500 Index in dollars and cents. The graph above shows the growth of a hypothetical $400,000 investment made in January 1999. ■

Notes: (1) These accounts include the effects of Bell's management fee, mutual fund expenses, Schwab transaction fees, short-term redemption fees, and cash holdings. (2) These returns do not include the effects of the items described in Note 1.

Disclosures:

Past performance is no guarantee of future results. Future returns may differ significantly due to materially different economic and market conditions. Returns assume the reinvestment of dividends and capital gain distributions. These investments involve risk and the possibility of loss—including principal. Mention of a security in this newsletter should not be taken as advice to buy or sell that security.

In regard to the Bell Average Account, the term "average" is defined as a simple average—not a weighted average. Only fee-paying clients who fully employ our Active Portfolio Enhancement strategy are included in the return calculation. Client accounts that hold individual securities or funds not recommended by Bell; employ fixed income, hedging, cash reserve, market timing, socially responsible, or any other strategy not representative of Active Portfolio Enhancement; or maintain cash allocations greater than ten percent of the portfolio are not included in the calculation. We believe that removing these accounts improves the stated results as Active Portfolio Enhancement has traditionally been our most successful strategy. Additionally, only client accounts that were managed for the full calendar year are included in that year's return calculation. Accounts opened mid-year are not included in that specific year's reported results. We do not believe this policy has any material effect on the stated results.

The "Growth of $400,000" graph represents a hypothetical investment of $400,000 made at the end of trading on December 31, 1998, and is based on the returns produced by the average Bell account and the S&P 500 Index, neither of which can be invested in directly.

The S&P 500 Index is an unmanaged, market-cap weighted index of large-cap stocks commonly used to represent the U.S. stock market. More information can be found at www.standardandpoors.com. The Dow Jones Industrial Average is an unmanaged, price-weighted index of 30 large-cap stocks. More information can be found at www.dowjones.com. The Nasdaq Composite is an unmanaged, market-cap weighted index of all-cap stocks listed on the Nasdaq Stock Market. More information can be found at www.nasdaq.com. The Russell 2000 Index is an unmanaged, market-cap weighted index of small-cap stocks. More information can be found at www.russell.com. The MSCI EAFE Index is an unmanaged, unhedged, market-cap weighted index of foreign stocks commonly used to represent developed stock markets outside the United States. More information can be found at www.mscibarra.com. None of these indices can be invested in directly. The composition and volatility of Bell's client accounts vary and may significantly deviate from these indices over time. ■

MAKING A GOOD LIFE HAPPEN

By Bonnie Bell, MA, M.Div.

If there is an upside to the downturn in the financial markets, it might be that it is forcing millions of people here and around the world to reconsider their careers and the meaning of their lives.

What is a *good life* anyway? You may have noticed that lots of people will tell you what they think a good life is for you, but you are the only one who can answer that question for yourself. It is the basic philosophical question.

It is the question that keeps asking itself from within even if we don't pay much attention to it. It asks us what we think about life over and over again as we encounter gains, losses, joys, sorrows, and when things don't go the way we want them to.

But it seems as if the culture in which we live has made a collective decision that the deep questions of life are best left to ponder in class or church or on retreat, but not in the midst of *real* life. There are no answers to be found anyway, it suggests, so why bother?

My husband Jim and I are seekers. We met at the Graduate Theological Union in Berkeley in a class called Psyche and Spirit. It turned out to be the kind of life-changing class a student always hopes for but doesn't really expect to find. We, along with a broad, varied stream of other seekers, swam around together in the Sea of Serious Questions during the years we were earning our degrees. Eventually, with our newfound insights, we took off in hundreds of different directions.

When Jim and I finally came up for air we had found each other and the raw materials for a meaningful life together. That was 30 years ago.

We embarked, bravely it now seems, on an unclear, unsteady path, with a deep desire to find work we loved and to create a good life on our terms. For us, that meant living and working in the midst of the world, not hidden away or set apart. And it meant bringing all of the important philosophical questions and answers with us, not leaving them on the seminary shelf.

It's a long story, but Jim eventually and unpredictably found his way in life as a Certified Financial Planner and Investment Manager, and I found my life's work as a Career & Life Coach. After some missteps and stumbling, we each started our own separate businesses. Over the years, however, we began to see that the work we were each doing separately actually belonged together. The clients we began referring to each other inadvertently taught us that.

In 2001, Finding Your Way Career Consulting became one with Bell Investment Advisors, Inc., then 11 years old. Now, almost 8 years later, we own and manage the business together.

For many years now, we have primarily been known for our unique investment strategy and notable performance results. But in light of the economic upheaval we have all experienced in the past year, we think it's time to talk about the rest of what we have been doing for our clients all along. It is more relevant now than ever.

We are the only wealth management firm we know of that offers Investment Management, Financial Planning *and* Career & Life Planning & Coaching all in one place. We are already well-equipped to meet the challenge of the "Planning Boom" that may be on its way.

Bonnie Bell, MA, M.Div.

While Career & Life Planning and Financial Planning require very different forms of education and training, they have in common the primary theme of helping people ask and answer the most relevant questions, to avoid the most common pitfalls, and to develop a realistic, workable plan of action.

Planners are actually like coaches. They don't just tell you what to do and then leave you to your own devices. Think about the most familiar kind of coach there is: the athletic coach. The best athletes are the ones with the coaches, and they work closely together to achieve top performance. That's the purpose of good financial and career planning and coaching.

With that in mind, it is actually odd that when it comes to the very serious business of life working out or not, that people tend to think they can figure it out all by themselves. The most high-performing people we know are humble; they know they need help, and they know how to find it. This is a mature thing to do.

After the stock market had pretty much tanked in the fall of last year, countless long-respected banks and companies had disintegrated, and Madoff had given new meaning to an old con game, I noticed a newspaper headline that said, "Where Were All the Grownups?" I didn't stop to read the article in passing, but I've been thinking about the headline ever since. Where *were* all the grown-ups? Wasn't anyone at the helm?

As a culture and as individuals, if we have learned anything from this massive folly, I hope it is that we seriously need to grow up. We need to pay attention to what we are doing and/or not doing. We need to take our mortgages, marriages, children, careers, and lives more seriously than ever. No one else is going to do it for us. We need to be at the helm. "Winging it" with our futures is not an option.

While for some people, working a couple of extra years might sound terrible; for others it's an exciting prospect. Most Baby Boomers, in fact, report that they don't want to retire—ever. They may not want to keep doing what they've been doing for the past 20 years, but they want to keep making a contribution, remain vital, and continue to

Continued on next page

Continued from inside

James F. Bell, CFP®

earn an income. (For a treasure trove of books and articles on Boomers in America, google Kenneth Dychtwald, author of *Age Wave*, the *Power Years*, and *With Purpose*.)

Huge numbers of Boomers are going to graduate school, starting new businesses, writing books, and completely changing careers. One of my clients, in fact, started his own alcohol distribution company when he was 74. Another, a retired English teacher, built a business around being a professional storyteller on the national circuit. She also has written and performed a critically acclaimed one-woman play about her life. If you are only in your fifties or sixties, you better get moving. You may have a few more decades ahead of you. What are you going to do with them?

At Bell, we want to be more upfront than ever that we are not just investment managers. We also work, day in and day out, to enrich our clients' lives through Financial Planning and Career & Life Planning. And as of this month, we have a new offer.

Jim and I are together offering the *Making a Good Life Happen* package to our current clients and to potential clients. Our intent is to help people move out of pain, fear and confusion, and into the positive action of making a good life happen. The package includes a hands-on process leading to a combination Retirement Outlook and Life Plan—for a reasonable fee.

Please call me directly if you are interested in thinking through what you want to do next, whether with your career or the rest of your life! Bonnie Bell, (510) 763-5671. ■

Bell
Investment
Advisors,
Inc.

1111 Broadway
Suite 2130
Oakland CA
94607-4063