FINANCIAL LEGACY BUILDERS

STEP #10
Alternative Investments

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WHAT ARE ALTERNATIVE INVESTMENTS?

Alternative investments are assets outside of traditional stocks, bonds, and cash.
They can offer diversification, potential for higher returns, and reduced correlation to public markets.

COMMON TYPES OF ALTERNATIVE INVESTMENTS

CRYPTOCURRENCIES

Digital assets that use blockchain technology. Highly volatile with high growth potential.

PRIVATE EQUITY

Investments in private companies or buyouts. Potential for high returns with higher risk and lower liquidity.

REAL ESTATE

Direct property ownership or real estate funds. Can provide income, appreciation, and inflation hedge.

PRECIOUS METALS

Investments in gold, silver, platinum, and other metals. Used as a store of value and inflation hedge.

COLLECTIBLES

Tangible assets like art, wine, coins, and rare items. Value driven by rarity, demand, and condition.

HEDGE FUNDS

Actively managed funds using advanced strategies to generate returns in various market conditions. Higher fees and risk.

COMMODITIES

Physical assets like oil, natural gas, agriculture, and metals. Often used as inflation protection and diversification.

PRIVATE CREDIT

Loans made to private companies or individuals. Can provide income opportunities with higher risk and lower liquidity.

WHY CONSIDER ALTERNATIVES?

- **Diversification** — Reduce reliance on traditional markets.
- **Potential for Higher Returns** — Access opportunities not available in public markets.
- **Lower Correlation** — May perform differently than stocks and bonds.
- **Inflation Protection** — Certain assets can help preserve purchasing power.
- **Income Generation** — Many alternatives offer potential for steady income streams.

Alternative investments are not right for everyone. They often carry higher risk, higher fees, and lower liquidity.
Understand your goals, risk tolerance, and time horizon before investing.

Work with a fiduciary advisor to determine what's right for your unique situation.

ALTERNATIVES CAN ADD VALUE. BUT THEY COME WITH EXTREME VOLATILITY.

Alternative investments can enhance a portfolio, but they are not risk-free. Understanding the risks is essential.

WHY CAUTION IS CRITICAL

HIGHER RISK
Alternatives often involve higher risk of loss compared to traditional assets.

EXTREME VOLATILITY
Prices can swing dramatically in short periods of time.

LOWER LIQUIDITY
Many alternatives are illiquid, meaning your money may be locked up for years.

COMPLEXITY & FEES
Harder to understand and often come with higher fees.

VALUATION UNCERTAINTY
Prices are not always transparent or marked to market daily.

LONGER TIME HORIZON
Most alternatives require patience and a long-term commitment.

EXAMPLE: PERFORMANCE CAN VARY WILDLY

10-YEAR PERIOD RETURN RANGE OF SELECT ALTERNATIVES (2006–2025)

EXAMPLES OF EXTREME VOLATILITY

BITCOIN
Returned over 1,200% in some years, but lost over 70% in others.

COMMODITIES (OIL)
Fell over 70% in 2008, then rallied over 100% within two years.

REAL ESTATE
Values dropped over 30% during the 2008 financial crisis.

PRIVATE EQUITY
Top quartile funds can outperform greatly, but many underperform public markets.

KEY TAKEAWAYS

- Alternatives can enhance diversification and return potential.
- They also come with higher risk, higher fees, and lower liquidity.
- Not every alternative is suitable for every investor.
- Proper due diligence, risk management, and a long-term mindset are essential.
- **Alternatives should be a smaller portion of a well-diversified portfolio.**

THE BOTTOM LINE

Alternative investments can be powerful tools—but they are not for the faint of heart.
They require a clear understanding of risk, time horizon, and your ability to weather extreme volatility.

Know your risk.
Stay diversified.
Invest with purpose.

AN INVESTMENT POLICY STATEMENT (IPS)

KEEPS YOU FOCUSED. PROTECTS YOUR FUTURE.

An IPS is a personalized, research-backed plan that guides investment decisions and helps you stay the course—especially when markets are uncertain.

WHAT IS AN IPS?

An Investment Policy Statement (IPS) is a written plan that defines your investment goals, risk tolerance, time horizon, asset allocation, and decision-making rules.

ITS PURPOSE

To create a disciplined framework that aligns your investments with your unique goals and values—and keeps emotions out of the decision-making process.

WHY AN IPS MATTERS

PROVIDES DIRECTION

Defines your goals, strategy, and benchmarks so every decision has a clear purpose.

MANAGES RISK

Establishes your risk tolerance and diversification plan to help protect against losses.

ENSURES DISCIPLINE

Creates rules for rebalancing and staying aligned—no matter what the market is doing.

REDUCES EMOTIONAL DECISIONS

Helps you avoid fear-driven selling and greed-driven buying during market swings.

IMPROVES LONG-TERM OUTCOMES

Research shows investors who follow a written plan are more likely to achieve their financial goals.

YOUR GUIDE THROUGH VOLATILITY

- Markets will rise and fall. Your IPS helps you stay focused on the long term.
- It reminds you of your plan when headlines create fear and uncertainty.
- It keeps you accountable to your goals, not your emotions.
- It is your oath to the plan you've created—so you don't derail your future.

KEY COMPONENTS OF AN IPS

- INVESTMENT GOALS
- RISK TOLERANCE & CAPACITY
- ASSET ALLOCATION & RANGES
- REBALANCING POLICY
- LIQUIDITY NEEDS
- TIME HORIZON
- REVIEW PROCESS
- RESPONSIBILITIES & DECISION RULES

YOUR IPS IS YOUR OATH. YOUR PLAN. YOUR FUTURE.

In uncertain times, your IPS is the research-backed commitment that keeps you grounded, confident, and on track.

Stay the course.
Trust the plan.
Achieve your goals.

ALTERNATIVES THAT WORK DIFFERENTLY.

PRECIOUS METALS & CRYPTOCAN HELP HEDGE DOWNTURNS.

Non-correlated assets can move independently of stocks, helping to reduce risk and protect your portfolio when traditional markets experience downturns.

WHAT DOES "NON-CORRELATED" MEAN?

Non-correlated assets do not move in the same direction as stocks. When stocks fall, these assets may hold value or even rise.

WHY IT MATTERS

- Reduces overall portfolio volatility
- Helps preserve capital during market stress
- Provides diversification beyond traditional assets
- Improves risk-adjusted returns over the long term

HISTORICAL PERFORMANCE DURING STOCK MARKET DOWNTURNS

Average Performance During Major Stock Market Declines

ASSET CLASS	2008 FINANCIAL CRISIS	2020 COVID CRASH	2022 INFLATION & RATE HIKES
S&P 500 (Stocks)	-37.0%	-33.9%	-18.1%
GOLD (Precious Metal)	+5.6%	+24.8%	+0.7%
CRYPTOCURRENCIES (Digital Asset)	+21.1%	+301.7%	-64.3%

Sources: S&P 500 Total Return Index, World Gold Council, CoinMarketCap
Past performance is not indicative of future results.

HOW THEY CAN HELP

PRECIOUS METALS (GOLD)

- Historically maintains value during economic stress and inflation
- Acts as a store of value
- Low correlation to stocks and bonds

CRYPTOCURRENCIES

- Decentralized, limited supply asset
- Emerging "digital gold" narrative
- Low historical correlation to traditional markets
- High volatility, high potential reward

CORRELATION TO STOCKS (S&P 500)

-1.0 | -0.5 | 0 | +0.5 | +1.0

NEGATIVE CORRELATION
Moves opposite to stocks

GOLD
-0.35 to -0.60

CRYPTOCURRENCIES
-0.10 to -0.30

NO CORRELATION
Moves independently of stocks

POSITIVE CORRELATION
Moves in the same direction as stocks

THE BOTTOM LINE

Incorporating non-correlated assets like precious metals and cryptocurrencies can help **hedge against market downturns**, **reduce volatility**, and **strengthen your portfolio** over time.

TRUE DIVERSIFICATION LOOKS LIKE THIS.

Diversification isn't owning more of the same.
It's owning different assets that behave differently.

WHAT TRUE DIVERSIFICATION IS

Build a portfolio of assets that don't move in the same direction at the same time.

This can reduce volatility, improve risk-adjusted returns, and help your portfolio weather any market environment.

THE 3 PILLARS OF A DIVERSIFIED PORTFOLIO

DIFFERENT ASSET CLASSES
Own a mix of stocks, bonds, real estate, commodities, cash, and alternatives.

DIFFERENT GEOGRAPHIES
Diversify across U.S. and international markets to reduce country-specific risk.

DIFFERENT TIME HORIZONS
Match investments to your short-term needs, long-term goals, and everything in between.

A WELL-DIVERSIFIED PORTFOLIO EXAMPLE

A mix of assets helps reduce reliance on any one investment or market.

U.S. STOCKS
20%
Growth and long-term returns

INTERNATIONAL STOCKS
15%
Global growth opportunities

BONDS
20%
Income and stability

CASH & CASH EQUIVALENTS
5%
Liquidity and short-term stability

REAL ESTATE
15%
Inflation hedge and income potential

COMMODITIES
5%
Inflation protection and diversification

ALTERNATIVE INVESTMENTS
20%
Diversifiers with low correlation to traditional markets

CORRELATION MATTERS

Correlation measures how assets move in relation to each other.

ASSET CLASS	US STOCKS	INT'L STOCKS	BONDS	GOLD	REAL ESTATE
US STOCKS	1.00	0.76	-0.32	-0.12	0.12
INT'L STOCKS	0.76	1.00	-0.26	-0.10	0.11
BONDS	-0.32	-0.26	1.00	0.45	0.34
GOLD	-0.12	-0.10	0.45	1.00	0.08
REAL ESTATE	0.12	0.11	0.34	0.08	1.00

- **Positive Correlation:** Assets tend to move in the same direction
- **Negative Correlation:** Assets tend to move in opposite directions
- **Low Correlation:** Assets move independently

THE BOTTOM LINE

True diversification is about combining assets that behave differently in different market environments to build a stronger, more resilient portfolio.

LOWER VOLATILITY
Smoother performance over time

IMPROVED RISK-ADJUSTED RETURNS
More return for the risk you take

GREATER RESILIENCE
Better prepared for market swings, uncertainty, and economic cycles

LONG-TERM SUCCESS
Helps you stay on track toward your goals through all market conditions

INVESTMENT COSTS MATTER. MOST INVESTORS UNDERPERFORM.

High costs and emotional decisions can quietly destroy returns over time.

The market isn't the problem—investor behavior is.

1. INVESTMENT COSTS: THE HIDDEN WEIGHT

Even small fees can have a massive impact over the long term.

THE POWER OF COSTS:

$500,000 INVESTED OVER 30 YEARS

7% AVERAGE ANNUAL RETURN (GROSS)

ANNUAL COST	ENDING VALUE AFTER 30 YEARS	LOSS DUE TO COSTS
0.10%	$1,870,611	—
1.00%	$1,002,681	-$867,930
2.00%	$677,081	-$1,193,530

Just a 1% increase in annual costs can reduce your wealth by nearly **$868,000** over 30 years.

TOTAL COSTS COME FROM MORE THAN JUST THE EXPENSE RATIO

FUND FEES
Expense ratios, management fees, and internal fund costs.

TRADING COSTS
Frequent buying and selling creates hidden friction.

TAXES
Taxes on dividends, interest, and capital gains.

ADVISOR FEES
Advisory fees compound just like any other cost.

BEHAVIORAL COSTS
Emotional decisions often have the highest cost of all.

Minimizing costs is one of the few controllable factors that can dramatically improve your long-term results.

2. WHY MOST INVESTORS UNDERPERFORM THE MARKET

Studies show the average investor earns far less than the market average.

20-YEAR ANNUALIZED RETURNS (2004–2023)

The average investor earned **4.2% less per year.**
That's the difference between doubling your money and barely growing it.

TOP REASONS INVESTORS UNDERPERFORM

CHASE PERFORMANCE
Buying high after strong returns, then selling before the rebound.

MARKET TIMING
Trying to predict the market often leads to missing the best days.

EMOTIONAL DECISIONS
Fear and greed drive impulsive decisions that hurt long-term results.

FOCUS ON THE SHORT TERM
Reacting to headlines instead of staying focused on long-term goals.

HIGHER COSTS
Higher fees and taxes leave less money working for you.

THE BOTTOM LINE

The market rewards discipline, patience, and low costs.
Control what you can. Avoid what you can't.

- Keep costs low
- Diversify broadly
- Stay invested
- Control emotions
- Focus on the long term

Do these things consistently, and the market will reward you over time.

Sources: DALBAR Quantitative Analysis of Investor Behavior (2024), JP Morgan Guide to the Markets (2024)

THE FOUNDATION COMES FIRST. THE FINISHING TOUCHES COME LAST.

BUILD THE RIGHT FOUNDATION, THEN TAKE IT TO THE NEXT LEVEL.

All investment options have a place—but in the grand scheme of financial success, alternatives are the final tier to worry about, not the first.

THE 10-STEP PATH TO FINANCIAL SUCCESS

WHY WE WAIT UNTIL THE END

STRONG FOUNDATION FIRST

Without a solid foundation, taking on higher risk or complex strategies can do more harm than good.

REDUCE RISK, INCREASE CONFIDENCE

Build stability, create protection, and manage debt so your money has the best chance to grow.

COMPOUNDING WORKS BEST EARLY

The earlier you build good habits and stay consistent, the more time your money has to grow.

THE FINAL TIER: LEVEL 9 & 10

Once your foundation is strong and your core strategy is in place, alternatives can help you:

- **DIVERSIFY BEYOND TRADITIONAL MARKETS**
  Reduce overall portfolio volatility and correlation to stocks and bonds.
- **PROTECT AGAINST DOWNSIDE RISK**
  Some alternatives have historically held value during market downturns.
- **ENHANCE LONG-TERM RETURNS**
  Add unique return drivers that can improve portfolio performance over time.

EXAMPLES OF ALTERNATIVES

PRECIOUS METALS	CRYPTOCURRENCIES	REAL ESTATE
PRIVATE EQUITY	PRIVATE CREDIT	COMMODITIES

***Note:** Alternatives may involve higher risk, lower liquidity, and higher fees. Not suitable for all investors.*

GET THE FIRST 9 RIGHT, AND YOU CAN WIN THE GAME OF LIFE.

The first 8 steps build the foundation. Step 9 creates the plan. Step 10 can take it all to the next level.

Do the fundamentals exceptionally well—and the rest becomes powerful.

Alternatives are not a starting point. They are a multiplier for everything you've built.

THE REAL, MEASURABLE VALUE OF A FINANCIAL PLANNER

Advisors don't just manage money—they add measurable value that compounds over time.

1. KEY WAYS ADVISORS ADD VALUE (With Real Impact)

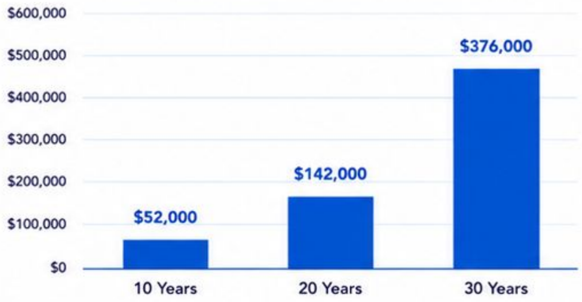
	POTENTIAL ANNUAL VALUE
TAX LOSS HARVESTING Offests capital gains and up to $3,000 of ordinary income per year ($1,500 if married filing separately).	**0.50% – 1.50%** of portfolio
REBALANCING DISCIPLINE Maintains target asset allocation and risk level; helps buy low, sell high automatically.	**0.35% – 0.75%** of portfolio
TACTICAL ASSET MANAGEMENT Adjusts exposure based on market conditions, valuations, and economic trends.	**0.50% – 1.50%** of portfolio
TAX-EFFICIENT WITHDRAWAL PLANNING Reduces taxes in retirement through smarter sequencing of accounts and asset location.	**0.50% – 1.00%** of portfolio
COST MINIMIZATION Identifies high fees, redundant costs, and inefficient investments.	**0.20% – 0.60%** of portfolio
BEHAVIORAL COACHING Keeps you invested during volatility; prevents costly emotional decisions.	**1.00% – 2.00%+** of portfolio

2. THE COMPOUNDING IMPACT OF ADVISOR VALUE

Even a modest annual improvement has a dramatic long-term effect.

ADDITIONAL WEALTH CREATED OVER TIME

Assumes 7% Gross Return | 1% Net Advisor Value Added Annually



3. ADVISOR VS. DIY: THE DATA

Studies consistently show advisors add value across market cycles.

ANNUAL VALUE OF AN ADVISOR (Based on Multiple Leading Studies)	
Vanguard (2020)	3.00%
Russell Investments (2019)	3.60%
Dalbar (2023)	2.30%
Buckingham Strategic Wealth (2021)	2.99%
AVERAGE ADDITIONAL ANNUAL VALUE	**2.97%**

4. WHAT THIS MEANS IN DOLLARS (Example: $500,000 Portfolio)

SOURCE OF VALUE	LOW RANGE (%)	HIGH RANGE (%)	LOW RANGE ($/YEAR)	HIGH RANGE ($/YEAR)
Tax Loss Harvesting	0.50%	1.50%	$2,500	$7,500
Rebalancing Discipline	0.35%	0.75%	$1,750	$3,750
Tactical Asset Management	0.50%	1.50%	$2,500	$7,500
Tax-Efficient Withdrawals	0.50%	1.00%	$2,500	$5,000
Cost Minimization	0.20%	0.60%	$1,000	$3,000
Behavioral Coaching	1.00%	2.00%+	$5,000	$10,000+
TOTAL POTENTIAL VALUE	**3.05%**	**7.35%+**	**$15,250**	**$36,750+**

5. THE BOTTOM LINE (No Fluff, Just Facts)

- Advisors add 2%—3%+ in annual value on average.
- This value compounds over time—creating hundreds of thousands of dollars in additional wealth.
- Much of this value comes from things most investors can't do consistently on their own.
- It's not about picking stocks—it's about process, discipline, taxes, risk, and behavior.
- Advisors help you keep more of what you earn and grow it faster.
- The real value isn't just in returns—it's in keeping your plan on track.

FINANCIAL LEGACY BUILDERS

Thank You