

Cherry Tree Wealth Management

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CHERRY TREE WEALTH INSIGHTS:

*Published by Keith Tuft, President of Cherry Tree Wealth Management, LLC,
with insights on investing and wealth management.*

INVESTING QUOTE OF THE MONTH:

*“The most extraordinary people in the world today don’t have a career. They have a mission.”
–Vishen Lakhiani (author and CEO).*



OUR MISSION IN LIFE

Our mission is to save people FROM the financial services industry, and FROM themselves, one family at a time. We help our clients achieve financial independence, reach their financial goals, and maximize their happiness.

Why do we want to save people FROM the financial services industry? Because many firms and advisors are set up to maximize their own profits, and not necessarily to always act in the best interest of their clients. The business model and high profitability of many financial services firms is based on the false premise that they can pick hot stocks and investment funds that will “beat the market.” They cannot. Stockbroker advisors (those who work for brokerage firms, banks, and insurance companies) are riddled with conflicts of interest with their own clients. They often use expensive and sub-par investment funds and products because those are the ones that pay the advisor and their firm the most. Some expensive (and profitable for them) investment products that stockbroker advisors often like to use are actively managed mutual funds, in-house mutual funds, hedge funds, private equity funds, variable annuities, whole/universal life insurance, structured products, and private real estate funds.



When we get new clients from other advisors we get to see the investments that the other firms were using when they transfer the assets to us. We are constantly surprised at how horrible some of the investments are that are still being used in the industry today. A few months ago, a client transferred money to us which had numerous expensive funds with high turnover and poor structure and performance. One fund held by the client at the other firm was the Rydex Inverse Government Bond Strategy Fund (RYJUX). This fund has an annual expense ratio of 3.72%, portfolio turnover of 908% per year, only 27 holdings, and performance that was 4% per year behind the average bond fund over the past three years. The performance of this fund over the past five years has been -7.2% per year. How is this fund still in business? We should start a list of the horrible funds we see that other advisors are still using for a “stockbroker recommended hall of shame.”

As fee-based registered investment advisors, we are fiduciaries for our clients and must always act in the best interest of our clients (stockbroker advisors are not fiduciaries). Since we are paid a small percentage of the assets we manage (no commissions), and we are only paid by our clients (and not from fund firms), we have far fewer conflicts of interest with our clients. We don’t have our own trading desk (conflict), we don’t offer margin or other

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loans to clients (conflict), we don't get paid by certain fund companies to put their funds on our platform (conflict), and we don't have our own brand of funds to sell (conflict). Our advisors don't win a trip to Hawaii if they can sell ten clients some expensive lousy structured product that our brokerage firm is offering this month.

Our incentive is the same as our client, we both make more money when the client portfolio grows, and we make less money when it declines. We generally use ETF and index-based funds that are among the lowest cost available, and funds with very low portfolio turnover (more tax efficient). Our favorite investment products are low cost, simple, transparent, tax-efficient, liquid, and diversified. The financial services industry hates our investment approach, because they don't make any money from our clients and our simple low-cost funds keep outperforming their complicated and expensive investments.

Our mission is not what we do, or how we do it, but WHY we do it.

Why do we try to save people FROM themselves? Some people do their own investing and financial planning. Most are not very good at it, and they typically make many common behavioral finance mistakes. Investors (and many of their advisors) are driven by the human emotions of fear and greed. Humans are all hard-wired to be lousy investors by nature. This causes people to buy high and sell low over and over again. They chase performance. They project the current 3-year trend of everything (up or down) out to infinity. They try to "time the market." They try to pick hot stocks/funds. They are not diversified. They take too much, or too little risk.

A study by Dalbar, Inc. showed that the average investor in equity funds only earned about HALF as much as the stock market over the past 10 year and 30 years. Actual investor returns have lagged way behind investment returns available in the market due to the behavior gap. In addition, most people have never had a financial plan run for their family out to age 90 when doing their own investing. We help our clients avoid these costly behavioral finance mistakes.

Our mission is to save as many people as possible from the financial services industry, and from themselves. It is personally very rewarding when we can get people on track with our business model, investment strategy, and financial planning services. We believe it greatly increases the odds that they will become financially independent, meet their financial goals, and maximize their happiness over the rest of their lives. Nobody is going to reach their financial goals with funds that charge 3.72% per year and have 908% annual turnover.

Cherry Tree Wealth Management, LLC (CTW) provides unique wealth management services for a select group of client families to help give them peace of mind. Author Keith Tuft, (President of CTW) has over 25 years of successful investment management experience as a Wall Street Analyst, Mutual Fund Portfolio Manager, Director of Equity Research for a major mutual fund firm, Hedge Fund Portfolio Manager, and Wealth Management Advisor. Please FORWARD this e-mail to friends/relatives/business associates that you think may have an interest. Please see our website at <http://www.cherrytree.com>.



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