



# DAVENPORT WATTS & DRAKE

## INVESTMENT ADVISORS, LLC



*Investments • Financial Plans • 401(k) Plans*

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## FINANCIAL PEACE OF MIND

From time to time, when the current economic news is dismal and the pundits are all a twitter, clients ask us about various articles they read that predict the sky is falling, that the only safe place to be is gold, or that they should abandon all equities. We can certainly understand why such articles make clients worry. Sometimes they make us take a deep breath as well. However, neither the one who penned the negative article, nor DWD really knows with any certainty what the future holds. We're sorry if that makes clients uncomfortable, but it is the honest truth. Short term economic forecasting is totally unreliable, and if you look very hard at almost any point in time you can find an article pretty much predicting anything along the spectrum from doomsday to buy, buy, buy!

Davenport Watts & Drake's (DWD's) investment approach is in view of the long term. We can look back over history and see that equities (stocks) significantly outperform fixed income investments (bonds) over the long term. We know that fixed income investments protect against volatility (up and down swings). We know that diversification decreases risk, and we believe that active fund managers can outperform the general market in difficult times. We have put together an investment plan for most clients that include both equities to provide growth and fixed income to protect for needs that might arise in the short term. We invest in the potential of good strong companies and mutual funds with the belief that certain principals or market fundamentals will prevail in the long term. If the investment is a good investment, market storms may come and go, but the investment will make it through.

DWD uses a service called Litman Gregory Advisor Intelligence as the basis for our portfolio design. Litman Gergory provides us with research, insight, and basic portfolio models based upon risk tolerance. Then we tailor the appropriate portfolio to the needs of our individual clients. Litman Gregory goes through an extensive process to create their model portfolios, and we are happy to share information about that process with clients. Having faith in the process, having an understanding of the process, and believing that there is a well thought out reason for doing what you are doing often helps to calm client fears when the waters get choppy.

*Focusing on your future...*

## INVESTING PERSPECTIVE

There are many who would suggest that, in a digitally-wired world in which information travels at light speed to all corners, the investment playing field has been leveled between individual investors and the institutions. In reality, however, the information overload can do more to fuel the irrational behavior of investors than it can to provide any sort of advantage. Absent an investment philosophy that guides their decisions and keeps them focused on their own investment, investors are more likely to succumb to the mentality of the herd which can take them over a cliff.

The same can be said for new, tech-driven automated investment models which can create an overreliance on lab-generated investment decisions that can lull investors into a blinding complacency. The problem with many automated models is that they tend to be based on risk calculations that imply knowledge of future uncertainties, which is impossible. They also tend to assume investors will act rationally, which has been disproven time after time. But investors, who are grounded by a foundational investment philosophy, don't have to rely on flawed investment models or the rationality of other investors.

Successful, long-term investors recognize that media noise only impacts short-term outcomes and that robo-investing doesn't reflect real world realities. Instead, long-term investors are able to remain purposefully focused on their investment philosophy, which doesn't have to be intricate or involved. In fact, conciseness is an indication of stronger conviction.

Your investment philosophy guides your investment plan. The following philosophy statement clearly summarizes a focused long-term plan:

Diversify broadly. Stay invested. Systematically rebalance.  
Minimize investment expenses and taxes. Repeat.

Once a diversified portfolio is constructed, rebalancing as needed will keep it aligned with the plan. Staying invested could be a little more difficult because it requires discipline and patience. However, having a well-conceived investment philosophy and plan will provide conviction to keep you focused on what's important and to eliminate second-guessing.

## ABOUT OUR FIRM:

Davenport Watts & Drake is a fee-only financial services firm offering asset management and financial consulting services to businesses, families and individuals. Our desire is to work with a select group of these businesses, families and individuals as part of their financial team, helping them with the many decisions throughout their lives which will affect the financial future of themselves and their families. The team has a common vision of a client-centered financial consulting firm that treats our clients as we would want to be treated.

## CORE STRATEGIES:

- Asset Allocation
- Asset Diversification
- Periodic Rebalancing
- Long-term Perspective
- Minimize Income Taxes

## INVESTMENT SERVICES:

- Portfolio Management
- Individual Retirement Accounts
- Company Retirement Plans
- Personal Financial Plans

## INVESTMENT CUSTODIANS:

- Fidelity Investments
- John Hancock

“Sound investing is simple but not necessarily easy to do.”

— Warren Buffett

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