

VIGIL Strategies

Taking you where you want to be

President's Message

One of my favorite ads on TV right now – and there aren't many! – has a man with his shirt off in his kitchen, a butter knife poised at his rib cage. He is on the phone talking with his doctor, who instructs him to “make the incision between the 2nd and 3rd rib...” The man says to his doctor “Shouldn't you be doing this?!”

There is great value in the assistance of a trained and experienced professional. This is easily recognizable in the medical arena. But many fail to recognize the same value in the financial arena. Yet, the vast majority of investors are no more equipped to properly sort through, locate, analyze and cost-effectively acquire proper investments than that man with the butter knife is to do his own chest surgery.

Because the Vigil method of delivering financial advice is so unlike the methods used by most other financial advisors – we provide professional financial guidance and advocacy in exchange for a professional fee, which is our entire compensation – our competitors like to cast doubt on our practice of charging fees for our financial advocacy services. Among my favorites are “Why should I pay a fee when I

can do this myself for free?” or “Your fees are too high.” My response is, “Really? Compared to what?”

Studies show that the average investor, handling investments on their own, will underperform the market an average of 60%!! This is due to lack of research, understanding and/or attention, combined with paying too much for the products they purchase, thinking they will be able to outwit the market and other consequences of overestimating their actual ability. Great, so that person didn't pay any fees. But was this course of action “free”? Hardly. On an investment portfolio of \$100,000, if the market had an average year's return (like 2004) of about 12%, you should have made about \$12,000. If the average investor underperforms the market by 60%, he/she would have made 5%, or \$5,000, last year. So while no fees are paid for professional advice, self-investing cost \$7,000 in lost return. This does not include less obvious costs such as the time spent on financial issues and extra capital gain taxes that may have been paid due to inattention to this detail. If such an investor had paid a professional a 6.5% fee to get market returns, he/she would have had more money, would have had more time to do the things they liked and probably would have paid less in taxes because of better tax planning. The normal professional management fee, which is a tiny fraction of 6.5%, is a terrific bargain!

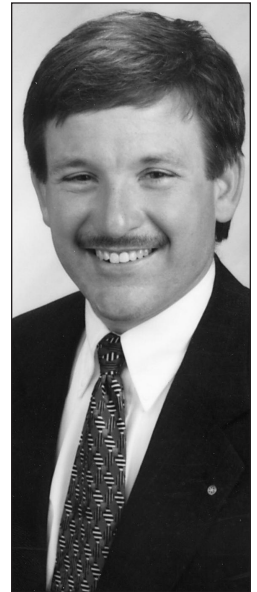
For the purpose of the return discussion above, remember we are talking here about the return *on the total portfolio!* Getting market returns or better than market returns on one or two investment decisions is not uncommon. But getting market returns on your total portfolio is not the average experience. When you look at what your

entire portfolio gained or lost, including all winners and losers are you an average investor?

If you break your leg, are you going to think for one minute “God, I'm in pain, but maybe I shouldn't go to the doctor because I could save money on my own?” Of course not. If

you've been underperforming the market like the average investor discussed above, you have the financial equivalent of a broken leg. You need to get to the doctor!

Perhaps you think, “there are cheaper alternatives than Vigil.” Is that really true? The annual cost of most brokerage arrangements is estimated at 2½ to 3% of a portfolio. Of course, you may not be able to easily see that cost. Part of it may be a fee (because many brokers have started to charge fees to make their services look more like Fee Only professionals) but that isn't the end of the story. There may be transaction costs. There are markups on bonds and stocks that are sold to you out of the broker's inventory. There may be additional compensation from mutual funds – even so-called no load mutual funds – to encourage the brokers to recommend those funds to you over others. The ways you can be nicked and dimed is endless and adds up. But don't expect your broker to discuss these fees or present you with an itemized list of these charges. In fact, many will deny mark-ups or downplay their significance.



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Granted, there are many good honest brokers. I have the pleasure of knowing several. However, in the final analysis, their service and delivery model is inherently different. They are essentially salespeople who have licenses which allow them to sell you securities. They need you to buy from them. They profit handsomely for advising you to buy what they sell. This is quite different from obtaining advice from a knowledgeable, objective professional who can look at *all* possible options and advise you on the best investments for your situation.

There is great similarity between brokers offering financial advice and drug companies that market their drugs directly to the consumer. We don't understand all the pros and cons of a drug, and yet we run in and ask our doctor for a prescription based upon the limited information provided by a company

who has a vested interest in getting us to buy what they have to sell. Later we learn these drugs aren't so good after all. Drugs ought to be marketed to knowledgeable professionals – our physicians – who, with proper training and experience to understand the benefits and detriments to the drugs, can determine if they are appropriate for us. Likewise, investment products should be delivered this same way; they are when you deal with a Fee Only advisor, but not when you deal with a broker.

Results don't lie. When you are looking for help with your financial affairs, find someone who has consistently provided returns for clients that equal or exceed market returns over the long run. Remember, most people (even so-called professionals) are average investors that can't match or beat market returns. Many brokerage firms can't come close to market returns because the hidden costs are too much to overcome. Many large institutional advisors can't come close to market returns because the hidden

compensation they receive – either because they create the product themselves or because the product creator pays them to gain their “recommendation” – results in inferior products with below-market returns. In fact, costs and fees are the reason 70-80% institutional managers do not outperform the market. Regardless of whether you can see everything you are actually paying or not, whether the costs are clearly disclosed, completely hidden, or some of each the bottom line are the results. If you can find someone with a long track record of at or above-market returns, you have found a real jewel. Pay them what they are worth or risk being an average investor with average results.



Tom Batterman

President

Vigil Trust & Financial Advocacy

Independent Trust Companies Provide Distinct Advantages over Other Corporate Trust Options

Choosing who will serve as trustee of your trust is an important decision that deserves careful consideration. The trustee you select must have the skill, perspective and judgment, as well as the time, to adequately perform a wide range of duties. Since the trustee is responsible for carrying out the terms of your trust, you should have implicit faith in whomever you choose.

For these reasons, among others, many people are rightly convinced that a hiring trust company to perform these duties makes the most sense. However, “trust companies” are not really part of everyday conversation and most people are unaware as to the distinction between an independent trust company like Vigil Trust and Financial Advocacy and other options like bank trust departments or an individual named as trustee. There are several significant distinctions and it is worth your while to understand these before naming your trustee.

Objectivity - Independent trust companies administer assets under its control objectively

and without the emotion that may be present if a family member is asked to serve in the capacity of trustee. This objectivity can avoid costly legal battles and can ensure that each beneficiary is treated fairly. Also, since independent trust companies are compensated for service rather than by a product, you can be assured that investment decisions will be based on the actual needs of the client. This is arguably the most significant difference that exists between independent trust companies and other options.

Safety - An independent trust company must undergo a high level of regulatory oversight, and must establish and maintain policies and safeguards to avoid the misappropriation of client funds and provide for the proper management of a client's account. Client funds cannot be commingled with the capital of the independent trust company. Regulators require that dual controls be maintained over client assets. All independent trust companies must maintain insurance to protect clients from losses due to inappropriate actions of employees.

Professional Expertise - Independent trust companies are staffed by individuals experienced in the management of assets as well as knowledgeable about the laws that have been established to administer these assets. Vigil Trust and Financial Advocacy boasts financial and estate planners, investment managers, and administrators who are trained and skilled in the administration of a wide variety of accounts and are licensed attorneys. Most individual trustees do not have this kind of expertise or experience.

Perpetual Administration - An independent trust company is an organization of professionals. While individuals within that organization may change from time to time, the trust company will continue to be there to service the needs of our clients. The organization is not dependent upon any one individual. Rather, the trust company will draw upon the collective resources of all employees to ensure that clients' needs will be met.



Does Your Portfolio Include Hogs, Gold Bars and Soybeans? It Should.

Natural gas, aluminum, soybeans and hog bellies aren't the hottest topics around the office water cooler.

Most individual investors would rather talk about stocks and bonds. But don't discount those pork bellies. Commodities, which include agricultural products like wheat and cattle, energy products like oil and gas, and metals like aluminum and gold, can diversify a portfolio and act as a hedge against inflation. Yet, despite this benefit, commodities have typically been ignored by individual investors. This is because the average investor, and even many a small retirement plan, doesn't have enough money to go out and buy a room full of gold bars or a pen full of pigs and still maintain a diversified portfolio. So, instead of taking advantage of the increased diversification commodities can offer, investors shy away from the volatile reputation of commodities and tend to place their assets in stocks and bonds which have traditionally been easier to invest in.


With stocks and bonds investors own the right to come future cash flow. Commodities are a little different. Since commodities are tangible, investors essentially own physical assets that can be used for "something." A gallon of gas can be bought, sold or used to power a car while stock can only be sold for a future claim of cash flow and not much else. This distinction causes commodity prices to react much differently to changing economic conditions than traditional investments like stocks and bonds. This distinction also provides an opportunity for investors to add another type of asset to their investment mix.

As a rule, individual commodities or even the asset class itself would be too volatile to be the only asset in a portfolio-few investors would consider this anyway-so the volatility

of commodities should be considered from a portfolio perspective rather than separately. In a portfolio setting, the volatility of commodities, stocks and bonds should complement each other because these assets do not move in tandem with each other. In other words, volatility in an asset class that is not correlated with the volatility of other assets in a portfolio is a key source of diversification.

As one of the few assets that benefit from inflation, commodities can play a unique role in your portfolio. Most assets do not benefit from rising inflation, particularly unexpected inflation, but commodities typically do. As demand for goods and services increases, the price of those goods and services usually rises as well, as does the price of the commodities used to produce those goods and services. Since commodities prices usually rise when inflation is accelerating, investing in commodities may provide portfolios with a hedge against inflation.

Compare this to stocks and bonds. Stocks and bonds tend to perform better when the rate of inflation is stable or slowing. Faster inflation lowers the value of future cash flows paid by stocks and bonds because those future dollars will be able to buy fewer goods and services than they would today.

Commodities aren't a wonder drug and won't cure an ill balanced portfolio. Any well thought out portfolio should include exposure to this unique asset class though. If you are working with an advisor who hasn't offered this to you find out why. If you are handling your own investments and would like to learn more about how to incorporate commodities into your portfolio simply give Vigil a call. We are here to help. 

Are You a Customer of the "BANK of The IRS"?

Avoid Giving Interest Free Loans to Uncle Sam

Believe it or not millions of Americans look forward to tax season and the refund check that accompanies. After all, what can be better than a check in the mail? If you are one of those people who view tax season as an automatic savings plan of sorts it is time to rethink your savings strategy.

For most people, personal taxes are something that is taken care of through payroll withholding. Through this process, a percentage of your pay is taken out each pay period and sent to the Internal Revenue Service where it is credited toward your final tax bill.

It is important to get payroll withholding right because if you have too little taken out, you'll owe money when you file your return. That's not good, obviously — no one likes to write out a big check to Uncle Sam. On the other hand, if too much is withheld, you'll get a refund, and that's not good either. What's wrong with getting a refund? That means you've given Uncle Sam free use of your tax money — essentially an interest-free loan made payable to the "Bank of the I.R.S."—money you could have made better use of yourself throughout the year. I don't know about you but we can't think of anyone who is so patriotic as to voluntarily give money away to Uncle Sam.

The best course is neither a borrower nor a lender be and adjust your withholding so your tax payments will match your actual tax liability. The I.R.S. has made figuring out your actual liability a little bit easier with their calculators located on page 2 of the W-4 tax worksheet and online at <http://www.irs.gov/individuals/article/0,,id=96196,00.html>

Remember, you should review your withholdings any time there's a major change in your life — marriage, birth of a child, purchase of a home. Each of these circumstances can affect the amount of tax you'll eventually owe.





Vigil Trust & Financial Advocacy
A Division of National Independent
Trust Company


Visit us at
www.trustvigil.com

Call us at
800-950-8110
715-848-8110

Unique Opportunity For Medical Professionals

On Tuesday, May 3, 2005, Vigil Trust and Financial Advocacy is proud to sponsor a one hour brown bag luncheon entitled *“What Medical Professionals Need To Know About Investing.”* This luncheon is designed to educate medical professionals and discuss their unique investing needs and get them back to work within one hour.

Vigil President Tom Batterman will discuss, at no cost or obligation, the unique financial challenges of medical professionals. With over twenty years of investment and estate planning experience, Tom has become the trusted advisor to dozens of medical professionals. Tom will share strategies he has used to receive outstanding results for these clients.

Vigil is conveniently located less than 1/2 mile from the Wausau Hospital and Marshfield Clinic-Wausau Center. If you are a medical professional interested in attending this educational opportunity please call (715-848-8110) or email (adantonio@trustvigil.com) to reserve your space as space is limited. A brown bag lunch will be provided. 



ADDRESS SERVICE REQUESTED

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Taking you where you want to be

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