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HOW WE CHOOSE YOUR INVESTMENTS: A LOOK AT THE O'BRIEN MANAGEMENT INVESTMENT COMMITTEE

By Cindy Kuppens, CFP® and Marc O'Brien

Often clients ask us about how we choose the mutual funds and exchange-traded funds (ETFs) that are held in their portfolios. Are their portfolios different from the portfolios of other clients? Who chooses the funds, and how do we decide to make a change in a portfolio? What criteria do we use to decide whether to buy or sell a fund?

In this issue of **Currents** we will look at the O'Brien Management Investment Committee and our process for building and monitoring your portfolios.

The OBM Investment Committee: A Team Effort

As with all other activities at O'Brien Management (OBM), we work as a team and use a disciplined process in selecting and monitoring your investments and overall portfolios. Our Investment Research staff members take the lead in researching economic and market trends and in evaluating mutual funds, but the entire Investment Committee works together in choosing funds to be included in our clients' portfolios. As Director of Investment Research and Strategy at OBM, MJ English chairs the Investment Committee and is joined by Ted Martin and Mike Medeiros from our Investment Research team, as well as Marc O'Brien, Lis Zimmerman, Lauren Gibbons and Cindy Kuppens.

While investment research and fund monitoring is performed on a daily basis by the Investment Research Team, the entire Committee meets every Tuesday morning to discuss the economy, the markets, and the investments held in our clients' portfolios.

Top-Down Analysis

A typical weekly Investment Committee meeting begins with an overview of the global and U.S. economies, with a focus on primary trends and their implications for the financial markets. With spirited discussion and vigorous debate, we examine numerous issues that impact our investing strategy, such as global demographic changes, political risks, U.S and foreign monetary policies, the credit markets, expected changes in tax laws, and projections for economic growth and contraction throughout the world. All of this discussion centers around several core questions, which are easy to ask but often difficult to answer:

- Do our expectations about long-term trends suggest that we should reallocate assets between the major classes (stocks, bonds, alternative assets and cash) held in our clients' investment portfolios?
- Within these major asset classes, does our weighting of the asset subcategories reflect our view of the markets?

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Although we are long-term investors, we sometimes make modest tactical shifts in our clients' portfolios based on these discussions and a consensus that we have identified an unusually attractive opportunity (what we call a "fat pitch"). For example, last year we made a decision to sell our clients' Treasury Inflation-Protected Bond (TIPs) funds based on our assessment that TIPs were overpriced, given our belief that inflation was not likely in the near term. Another recent decision arising out of analysis and Investment Committee discussion was to lighten exposure to mutual funds that buy small company stocks, given our expectation that the stocks of mid- and large-sized companies would hold up better in a downturn or slow recovery.

Investment Category and Fund Reviews

Following our review of the economy and markets, we often focus on a specific investment category for in-depth discussion about its prospects and the mutual funds we employ in that area. As part of this process we examine the broad list of available funds regularly and may add to the list of funds we watch closely. At our Investment Committee meetings we review fund information provided by our research team, including information about holdings, performance, investment style and fund management. A fund category review may take a few weeks or several months, depending on the complexity and scope of available options.

Finally, each Investment Committee meeting ends with a review of fund performance. While we track performance on a daily basis, we use this designated time to discuss trends and possible topics for more detailed analysis.

Each member of the Investment Committee brings his or her expertise and perspective to the table, and we are committed to a group approach in selecting investments employed to build our clients' portfolios. While the overall asset allocation for each client is mutually agreed upon by the client and his or her Relationship Management team, based on the client's goals and risk tolerance, the mutual funds in our clients' portfolios are selected by our Investment Committee.

Bottom-Up Evaluation

While the Investment Committee as a group makes final decisions about investment strategy and funds in our clients' portfolios, our Investment Research team members spend much of their time studying the markets and analyzing available funds. On a daily basis, the team monitors performance of all funds in our clients' managed portfolios. If we see an anomaly or something of concern, we call our contact person at the mutual fund. In addition, the research team holds frequent meetings with fund representatives to learn more about their investment strategies and to assess the strength of their managers.

When reviewing a fund category, the research team employs online tools specifically designed for investment analysts such as Bloomberg and Morningstar to monitor funds in our clients' portfolios and to screen other available funds on criteria such as holdings, performance, expense and adherence to stated investment style. If a fund passes these screens, we interview the fund manager and will request additional information as needed. While we typically expect to hold a fund for at least several years, there have been instances where we have made changes because the fund manager has drifted from the fund's stated investment style. We do not make fund changes hastily, but will do so after a thorough review of the fund and the available alternatives.

In sum, we are a manager of other investment managers, and the entire Investment Committee takes an active role in selection and oversight of the funds and the managers that we employ on your behalf. We believe we do our best work for you working as a team with an ever-increasing set of skills and perspectives.

Planning for Your Retirement—How We Can Help

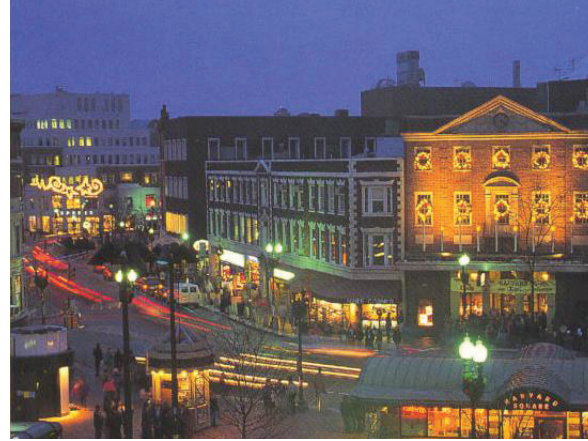
By Cindy Kuppens, CFP®

Thinking about how to plan for and afford retirement can be a daunting and anxiety-filled process, but it doesn't have to be. The key is to *start planning*. You want to make sure you can live comfortably during retirement without sacrificing other financial goals that may be important to you, such as educating children or leaving assets to your family or a favorite charity. Your O'Brien Management Relationship Management team can work with you to develop a strategy to achieve a secure and enjoyable retirement, to help you make key decisions as you approach retirement, and monitor the progress of your plan throughout retirement. There are some rules of thumb to keep in mind as you plan for your retirement, whether you are early in your work life, nearing retirement or already retired. This article is a short check list of issues to think about and ways we can help you with your retirement planning.



In your 20's and 30's: If you start saving for retirement in your 20's, plan to save at least 10% of your pre-tax income each year. If you are already in your 30's and haven't begun to save, you should try to save 15% of your pre-tax income. Due to the miracle of compounding, the earlier you begin to save for retirement, the less you will need to save as a percentage of your income. It's easiest if you build your retirement savings into your budget and spending patterns.

Employer-sponsored retirement savings plans are an effective way for you to discipline yourself to save. If your employer's plan provides a match for a portion of your savings, make sure you contribute enough to receive the match. If you don't, you are giving up additional compensation. If you are eligible to make contributions to a Roth IRA or Roth 401(K) plan, take advantage of that opportunity. While you will contribute to these plans on an after-tax basis, all the earnings on your savings will grow tax-free. If you have questions about how to save for retirement, talk with your O'Brien Management Relationship Manager, who will help you select a strategy that makes sense for you.



The greatest compliment you can pay
is the referral of friends and family.
Thank you for your trust!

*Our goal is to continually improve our
service to you. We want to hear from
you whenever you have a suggestion
about how we can better meet your
needs. As always, our best suggestions
come from you, our clients.*

In your 40's: Keep saving. If you've been saving since your 20's or 30's, keep putting away about 10% to 15% of your pre-tax income. If you haven't saved anything for retirement, start now, and save substantially more than 15% of your income annually. Of course, these percentages are simply guidelines, based on financial planning rules-of-thumb. We can work with you to develop an initial retirement income projection that estimates how much you will have in retirement (in today's dollars), how much you will need to save to get there, and where to save (i.e., your employer's or your own plan, a Roth or traditional IRA, or perhaps a taxable savings account). In general, for most clients we like to see a balance between taxable and tax-deferred savings as this diversifies tax liability between current and future tax rates.

In your 50's: It's time to get serious about assessing when you want to retire and how much income you will need to maintain your desired standard of living. In general, plan to spend between 90% and 100% of what you are spending while employed, minus dollars that you are now saving for retirement and any current spending on your children's education or your mortgage payment (if your house will be paid for by retirement). While many articles on retirement advise people to plan on spending 70% of their current income, we find it is better to begin with what you are spending now, deduct expenses you will not have after retirement, and add expenses you will have then but don't have now, such as additional payments for health insurance. Now is also time to think about how you will fund long-term care expenses, either through self funding or through long-term care insurance.

We want to work with you to develop a spending plan for retirement, and to assess whether you are on track to achieve your targeted retirement income, taking all sources of income into consideration, such as Social Security and employer pensions (if applicable). In general, we advise our clients to not include expected inheritances in their retirement income plans, as realized inheritances are sometimes less than expected, and not in the control of the beneficiary.

In your 60's and beyond: While some people who enjoy their work plan to work into their 70's and beyond, many hope to retire in their 60's or may need to because of health considerations or corporate downsizing. Even if you want to work beyond your 60's, it is best to be prepared to retire by then. Our work with clients in their 60's is a continuation of work we begin with them in their 50's or earlier. We suggest an annual meeting to review your portfolio, your spending and your retirement income projections, as well as your insurance needs

As part of our work with you we will also discuss other financial planning issues that are important to your goals, such as adequate life, health, disability, long-term care and liability insurances, and estate planning. As requested, we can direct you to professionals who provide related services such as estate planning, insurance and tax preparation. As a coordinator of your financial team, we are interested in all aspects of your financial health and security.

Whatever your age, it is not too early to start thinking about and planning for your retirement. Working together, O'Brien Management can help you achieve your retirement goals. Please call us if you would like to begin or continue a discussion about your retirement plan.

2010 Required Minimum Distributions

Required Minimum Distributions (RMDs) for IRAs and defined contribution retirement plans will apply for calendar year 2010. In 2009, the IRS waived the minimum distribution requirement, allowing account holders typically required to take distributions to further grow their account values without penalties. If you are required to take a Required Minimum Distribution for 2010 you will receive information in your monthly Schwab account statements about your RMD requirements and/or be contacted by O'Brien Management. Please consult with your tax preparer to confirm the proper amount is taken out in order to avoid any tax penalties.

Staff News

Michael Medeiros has joined O'Brien Management as an Investment Research Analyst. He oversees account trading, has investment research responsibilities and serves as a member of the Investment Committee. Prior to joining OBM, Mike worked at State Street Global Advisors. He graduated from Bates College in 2008 with a B.A. in Economics. An avid runner, Mike completed the Manchester, NH City Marathon in November, his second marathon.

In August we said goodbye to our co-worker and friend **Allison Gates**, who returned to school as an MBA candidate at the Boston College Carroll School of Management. Allison was a wonderful team member and we miss her, but we are happy for her as she embarks on her new adventure. She tells us she is working hard but enjoying her time at BC.

This October, following a 20-year hiatus from the sport, **Kari Mekler** rowed for the DeWolfe Rowing Club in the Women's Master Eights at the 46th Head of the Charles Regatta. Kari was a member of the Boston University Varsity women's crew team in the 1980's; she is hooked on rowing again and is currently training for the 2011 C.R.A.S.H.-B Sprints World Indoor Rowing Championship.

Congratulations to **Cindy Kuppens**, who obtained her Certified Financial Planner (CFP®) designation this fall. Cindy completed six courses at Boston University and passed the two-day exam issued by the CFP board. She's glad to be done with the exam and is enjoying putting her knowledge to work with our clients.

***All of us at O'Brien Management wish you and your family very
happy holidays and a healthy 2011!***

