



CURRENTS

CLIENT NEWSLETTER

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FOSTERING TRUST
BUILDING WEALTH
EDUCATING CLIENTS

PERSPECTIVE FROM MARC O'BRIEN

Some good news has come our way that I would like to share with you. And, with world markets quaking more than usual, it seems relevant to review the foundations of our work, the principles that shape the tasks that O'Brien Management employees perform each day and that lie behind the decisions that make a difference in your financial well-being.

The Good News

Earlier this spring, O'Brien Management was recognized by two major media organizations.

First, we were singled out by [Forbes.com](#) as one of the **top 50 emerging investment advisory firms in the United States**, "a firm to watch."

Second, [Boston Magazine](#) named O'Brien Management a **2010 Five Star Wealth Manager**, part of a select top 7% of investment advisors in Boston. The [Boston Magazine](#) choice was based on an independent survey by mail and phone of more than 100,000 Boston-area high-net-worth investors and 10,000 investment professionals. We were evaluated on a number of criteria: customer service, integrity, expertise, communication, value for the fee charged, meeting of financial objectives, and quality of decisions. To those who took part in this survey, thank you!

Our Values and What You Can Expect

As O'Brien Management continues to grow, our core values remain constant and constitute the foundation of our future and your financial future. We discuss and debate these values within our firm on an on-going basis. I think you, our clients and friends, may find some assurance in how these values impact our work for you today.

From modest beginnings in an office on the Cambridge Common, we have grown into a team of ten professionals, with strong investment and client service skills, serving over three hundred investors and managing three hundred million dollars.

In 1986, the year we opened for business, there was a tremendous un-met need for financial advice and *education*. Investment firms found it un-profitable to offer access and advice to any but the very wealthy. Most professional investment counsel and institutions set very high investment minimums. O'Brien Management's organizing vision was the creation of an economically-viable, successful investment methodology that could deliver first-rate, institutional-quality investment management and returns to the "not-yet-wealthy." Today, we provide ever-broader access to institutional investment management by building diversified portfolios using low-cost mutual funds and exchange-traded funds managed by the country's best investment managers.

Further, we believed that *trust* lies at the core of a successful, mutually-profitable investment advisory relationship. O'Brien Management's vision was to create an investment management firm as *independent of conflict-of-interest* as we could make it. We created one of the first "fee-only" investment advisory firms in the Boston area. "Fee-only" means our sole source of income is you, our clients. This remains the case with O'Brien Management today. Unfortunately, in the U.S., much of the savings of individuals

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remain invested through brokers charging commissions on purchases and sales, a type of conflict-of-interest that underlies many of our problems at hand.

O'Brien Management has kept focused and specialized through the many investment fads and market distractions since 1986. We enjoy being one of the best at our chosen trade. Again, we independently build *diversified, long-term investment portfolios* in the form of sets of existing mutual funds, sets tailored to each client's specific risk and return goals. Yet we have changed, too. Experience and innovation have enabled us to realize an ever-expanding view of diversification and more sophisticated portfolio structures. Our growth has underwritten an increasingly-educated, specialized and talented team of professionals as we manage both our business and your assets through this next period of significant evolution in the world economy. However, through it all, our most **fundamental investment objectives remain: first, preserving your assets and purchasing power, and, second, earning, over the long run, a reasonable rate-of-return on your investments.**

More recently, the scope of our work has expanded to include financial planning services for individuals and investment management services for nonprofit organizations, pension plans and 401(k) plans. Our Investment Committee oversees the selection of investments for your portfolio and our Relationship Management and Client Services teams manage much of our day-to-day interactions with you. In building a *strong group effort*, we have created an even stronger corporate organization in which decision-making is broadly shared within a *strong, multi-faceted, and carefully-tended culture*. My roles as President and Chief Investment Officer have evolved, too, in meeting the challenges leading a dynamic, engaged, and ambitious team of professionals.

While O'Brien Management is committed to growing in size and expanded services, we also strive to remain a small firm in terms of level-of-service, communications and results. We have rewarding relationships with our clients, and we are committed to our three-part mission: **Fostering Trust, Building Wealth, and Educating Clients**. We strive to respond to your requests quickly and accurately, as well as listen carefully whenever you have questions or suggestions.

Thank you for being an important part of the firm we are today and of the very exciting firm we are becoming, respectful, yet with strengths, in the face of market turbulence and uncertainty.

Best regards,



Marc

O'Brien Management 529 College Savings Plan Study Results

By Lauren E. Gibbons, CFP®

We have just completed a review of available Section 529 plans. Read on to learn more about 529 plans and which plans we suggest you consider.

The prospect of paying for a college education is a large financial and emotional burden for many parents. As tuition costs continue to rise at an annual rate of approximately 6%, saving for college is more important than ever. Many families discover that they qualify for little or no aid, and find it difficult to bridge the gap between what they can afford and what their child's preferred school charges. At O'Brien Management we work with our clients to educate them on available saving options and to determine what is best for their particular situations.

Some of the vehicles designed specifically to help parents save for college include the UTMA (Uniform Transfers to Minors Act) account, UGMA (Uniform Gifts to Minors Act) account, Coverdell account, and Section 529 plan. Of these, the 529 plan provides the best tax-deferred saving opportunities and is least likely to interfere with eligibility for financial aid.



529 Plan Basics

Anyone can open a 529 account for a child. Most states offer at least one plan, and some states offer the donor a state income tax deduction for contributions made to one of their plans. (Massachusetts does not offer an income tax deduction for contributions.) Donors can contribute up to the annual gift amount (\$13,000 for 2010) each year for any beneficiary. In some cases a donor may be able to contribute up to \$65,000 (5 times the annual gift tax-free limit) in a single year. This provision, unique to 529 plans, is known as forward funding and allows the donor to treat the lump sum contribution as if made evenly over a five-year period to avoid federal gift tax.

Beneficiaries can receive contributions from multiple donors, but most plans impose a maximum contribution limit ranging from \$230,000 to \$375,000. The assets in a 529 plan grow tax-deferred, and if the funds are spent on "qualified education expenses", the earnings are never taxed. Qualified expenses include tuition, room and board, books and other fees for post secondary education. If money is used for a non-qualifying expense the earnings are taxable to the beneficiary along with an additional 10% penalty.



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

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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.

For financial aid purposes the assets in 529 accounts are seen as belonging to a child's parents, and not the child. This is a benefit because in the financial aid calculation a smaller percentage of the parent's assets are expected to be used for college than the child's assets. If your child does not use the balance of his or her 529 plan it can be transferred to another beneficiary.

CHOOSING A 529 PLAN

This year we conducted a comprehensive study of available 529 plans to find plans that may be suitable for our clients. Following is a summary of the criteria used in our analysis:

Step 1: Type of plan There are two types of 529 plan types available: prepaid and savings. The prepaid plan allows parents to secure the cost of tuition at a specific school in today's dollars. We narrowed the universe to direct-sold savings-based plans (as opposed to those sold by mutual fund companies).

Step 2: In-state residency requirements We eliminated those plans that require the donor or beneficiary to live in the sponsoring state.

Step 3: In-State tax benefit We recommend that clients use their own state-sponsored plan if the state allows a state income tax deduction for 529 contributions. There are 43 states that offer this benefit to residents. However, if a client resides in one of the other seven states that do not offer this benefit (including Massachusetts), then the universe of available 529 plans should be considered.

Step 4: Age-based plan We like plans that offer an age-based product with multiple risk levels within each age group. In an age-based plan the owner chooses a risk tolerance and the risk in the portfolio is reduced automatically as the beneficiary nears college age.

Step 5: Cost We sorted the remaining plans by cost and kept those plans that were in the bottom cost quartile.

Step 6: Due Diligence We evaluated each of the remaining plans by collecting outside research from trusted resources and integrating it with our own analysis.

Step 7: Assimilation In the final step of our process we fused the art and science of investment analysis to create a list of plans we felt offered clients the best options. We analyzed each plan based on overall asset allocation, investment options and diversification, and examined whether each plan's investment options and asset allocations were consistent with its stated objectives. We looked for exposure to stocks, bonds, alternative assets and cash in percentages that are reasonable given a beneficiary's age and proximity to college years.

The overall asset allocation during different stages of the beneficiary's life varied among the plans, and it was those subtle differences coupled with the underlying investment options and our knowledge about the management company that enabled us to narrow down the list to a select few plans that we feel comfortable recommending to clients.

Recommended Plans

We encourage clients who live in a state where there is a state income-tax incentive to invest in the state plan to take advantage of that option. If your state does not offer an income tax deduction we recommend the **Utah, Nevada, Ohio and Michigan** plans. Information about each of these plans can be found on the website www.savingforcollege.com. In our research we found that there are many other plans that are worth keeping if they have already been established for a child. We would be happy to work with you in the college planning process to find the savings vehicle and specific 529 plan that is right for you.

Staff News

Earlier this spring, **Kara Messenger** joined us as a Client Service Manager. Kara graduated from Simmons College in 2009 where she earned a BA in Finance. Prior to joining OBM, Kara worked at Moors & Cabot Investments as a Sales Assistant. Outside of the office Kara enjoys swimming, cooking and listening to music. She swims with the Cambridge Masters Swimming Program. Please join us in welcoming Kara!

Congratulations to **Lauren Gibbons**, who has earned her Certified Financial Planner (CFP®) designation! Lauren completed 7 financial planning courses at Boston University, and then took a two-day exam on all facets of financial planning, given by the Certified Financial Planner Board of Standards. The CFP® designation is the recognized standard of excellence for personal financial planning. We commend Lauren for her hard work and value her contribution to our financial planning services for our clients.

