

# STEWARD

MARCH 2013

A QUARTERLY PUBLICATION OF ALLODIUM INVESTMENT CONSULTANTS ■ VOLUME 6, ISSUE 1

“There is no shortage of good money managers – there is a shortage of objective investment advisors.”

*Don Trone*

We are often approached by investors who are searching for investment advice. Investors get their advice from various sources such as magazines, the web, 24/7 market news channels, co-workers, brothers-in-law as well as from their current advisors including accountants, attorneys and insurance agents. When an investor makes the decision to search for professional investment advice, we believe that it is in their best interest to look for *objective* investment advisors.

Since investors may get somewhat biased advice from traditional investment service providers like brokers, custodians and investment managers, there is a better alternative. We believe that the foundation for the best investment advice is objectivity. Truly objective investment advice is unbiased and free from self-dealing and conflicts of interest. It is in your best interest to understand how to find sources of objective investment advice.

Two things that you can do to seek more objective investment advice follow:

**1. Adopt an “Optimal Investment Structure” (shown below) that separates your investment advisor from the traditional investment service providers (brokers, custodians and managers).**

Many people are not aware of the conflicts that can exist within some financial advisory structures. One example is an advisor who receives compensation for choosing a certain fund manager. Another example is an advisor who works for a particular money manager and recommends their proprietary fund even though it may not be the best fit for the client’s objectives.

The optimal investment structure recognizes that investors may get biased advice from a vendor who has a financial incentive to sell proprietary products or services. Many of the problems that investors have experienced in the past decade, such as ponzi schemes, could have been avoided by following the optimal investment structure.

**2. Search for Fee-Only investment advisors who are members of the National Association of Personal Financial Advisors (NAPFA).**

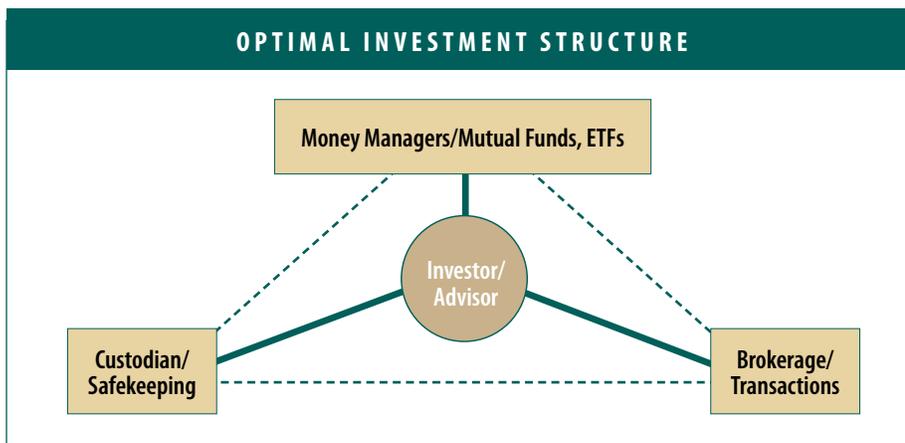
In addition to separating the service providers, you’re likely to receive more objective advice if your investment advisor is compensated solely by you as the client. These “fee-only” advisors have no conflict of interest created by an investment that pays them a commission. A fee-only investment advisor can offer objective advice since he/she is compensated by you and not by third parties.

The National Association of Personal Financial Advisors (NAPFA) was founded to help investors identify fee-only financial advisors who are independent of the various investment service providers. NAPFA is the country’s leading professional association of fee-only financial advisors — highly trained professionals who are committed to working in the best interests of those they serve. NAPFA has a web site that allows you to search for fee-only advisors in your community ([www.napfa.org](http://www.napfa.org)). We believe that you can trust non-profit organizations like NAPFA to help you to identify objective, fee-only financial advisors.

To receive the most objective advice, we recommend that you adopt the optimal investment structure and separate your investment advisor from the investment service providers. We also recommend that you seek out fee-only investment advisors.

Feel free to contact me if you would like more information about finding objective investment advice for your portfolio.

*David Bromelkamp*  
President and CEO



Source: #1360

## Headlines

- We're pleased to announce that our Director of Financial Planning, Anne Ward, had a healthy baby boy and will be on maternity leave until the end of May. Bryan Polley, David Bromelkamp and the Allodium team will cover for Anne while she's out.
- On Wednesday January 9th Allodium hosted an insightful Investment Forum on the topic of Infrastructure Investing and the North American Energy Renaissance. If you missed the Forum but would like to receive materials from the event, please contact Rachel at rhalverson@aicria.com.
- FYI - our office will be closed on these upcoming New York Stock Exchange holidays:  
Friday, March 29 – Good Friday  
Monday, May 27 – Memorial Day

## Upcoming Events

As a client and community service, we welcome opportunities to share investment and fiduciary best practices with individuals, families and organizations. To this end, Allodium will host the following upcoming events:

- **Thursday, June 6:** Educational lunch workshop for non-profit leaders on the topic of Fiduciary Investment Management: The Optimal Investment Structure.
- **Wednesday, June 19:** Client educational event on the topic of Retirement Income Planning.

Invitations with more details about both of these events will be sent in May. Please contact Rachel Halverson at 612-230-3706 or rhalverson@aicria.com to be added to our invitation list for future events and workshops.

### FINANCIAL PLANNING TIP

## Fiscal Cliff Averted – Higher Tax Rates for Some

With the fiscal cliff still unresolved on December 31st, the first few days of January finally brought some certainty regarding income tax rates and estate tax exemptions. Fortunately for many, the current income tax brackets and capital gains rates remain intact. Here are a few highlights to be aware of:

2013 Tax Highlights	
Payroll tax for all wage earners	6.2% – up from 4.2%
Annual gift exclusion per donee	\$14,000
Federal estate & gift tax exemption	\$5,250,000
Medicare surtax for taxpayers with adjusted gross income (AGI) greater than \$200,000 and married taxpayers filing jointly with AGI greater than \$250,000.	3.8% surtax on net investment income 0.9% additional tax on earned income
Capital gains and dividends	0%, 15% and 20%
Top income tax rate	39.6% – up from 35%

With the New Year brings opportunity to shelter additional income as IRA and retirement plan contribution limits increased (shown below). We encourage investors to defer as much income as possible to take advantage of long-term tax-deferred compound growth. Given the new tax rates and the opportunity to shelter more income, it is a good idea to consult your tax professional and investment consultant this tax season to confirm the appropriate strategy for your situation. Remember that 2012 IRA contributions can be made up to the tax filing deadline of April 15, 2013.

	2012	2013	Catch up contribution limit (age 50+)
401k & 403b Plans	\$17,000	\$17,500	\$5,500
Traditional or Roth IRAs	\$5,000	\$5,500	\$1,000
Simple IRAs	\$11,500	\$12,000	\$2,500

## We Appreciate Your Introductions

To maximize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers, and we do not receive commissions for the investment options that we recommend. If you know someone who may be looking this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or dbromelkamp@aicria.com to arrange a friendly, no-obligation introduction.

Steward is published quarterly by Allodium Investment Consultants. Please contact Rachel Halverson at 612-230-3706 or rhalverson@aicria.com if you have any comments about this publication or would like to be added to or removed from our mailing list.



Allodium Investment Consultants, LLC ("Allodium") is an SEC registered investment adviser with its principal place of business in the state of Minnesota. This newsletter is limited to the dissemination of general information pertaining to its investment advisory/management services and is not intended to provide investment, tax, legal or other advice. While taken from sources deemed to be accurate, the information contained herein is subject to change, and Allodium makes no representations about its accuracy, completeness or appropriateness for any given situation and disclaims any liability arising out of use of or reliance on this information. Client satisfaction results and recognition by publications should not be construed as a guarantee of a certain results when Allodium is engaged for investment advisory services. Nor should it be construed as a current or past endorsement for Allodium by any of its clients. For additional information about Allodium, including fees and services, please request our disclosure statement as set forth on Form ADV using the contact information herein. Please read the disclosure statement carefully before you invest or send money.