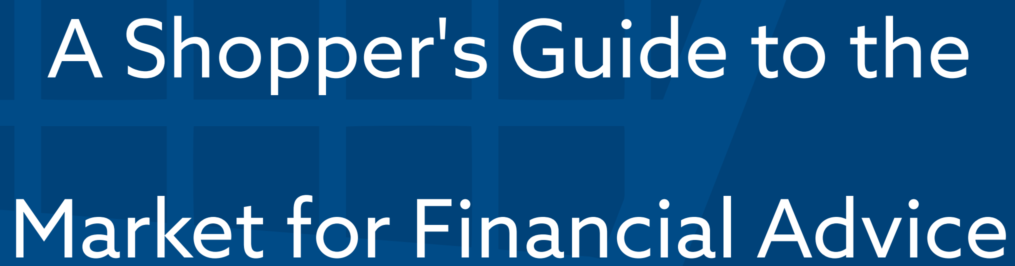
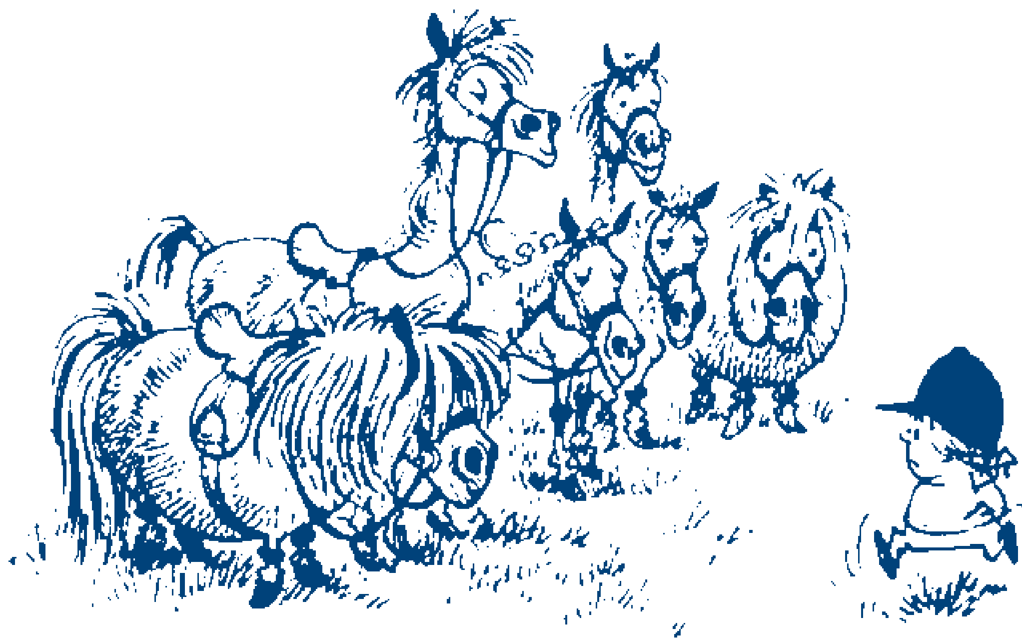
LLOYD TEVIS
INVESTMENTS, LLC

Securing your future through Precision Investing™



A Shopper's Guide to the Market for Financial Advice

FINDING A RELIABLE PONY IS NOT EASY-



PROFESSIONAL ADVICE SHOULD BE SOUGHT....

FINDING A RELIABLE PROFESSIONAL

CAN ALSO HAVE ITS SNAGS

If you are actively shopping for an advisor, this note may help put the market in perspective for you and help you see understand where Lloyd Tevis Investments, LLC fits in.

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Capsule Summary: Lloyd Tevis Investments is a registered investment advisor. We are known for highly personalized advice based on a comprehensive approach to investing, called Precision Investing ™. Our services are appropriate for clients who have a sense of the life they want and who seek professional help in managing their funds to maximize their life fulfillment. Our service model is a combination of online and telephone support and the business efficiencies achieved in this service model are shared with clients in the form of very moderate fees. We are open platform with respect to custodians and work with the client's legacy assets. In making new recommendations we favor low cost passively managed ETFs.

Do you need an advisor or can you do it your self?

Some people enjoy following the markets, are well educated about investment matters, and prefer to make their own decisions without outside help. If you meet all of those criterion and can devote about ten hours per week every week to following your investments, then do-it-yourself investing could be the right choice for you. There are two hazards specific to do-it-yourself investing which should be considered however. First, ill health can disrupt ones ability to stay on top of ones finances. It is common for do-it-yourself investors to slowly lose grip on the investments in later life and to leave family members floundering in a record keeping mess on the investor's death. Second, a risk of do-it-yourself investing is that one can get panicked or fall for an investment gimmick and end up losing a lot of money through poor decision making. While advisors are not immune from making incorrect decisions, they are much less likely to make catastrophic decisions than are do-it-yourself investors.

For all these reasons most people ultimately decide they are better off with an advisor than going solo.

Registered Investment Advisor versus Financial Advisor

Arguably the most basic division in the advice market is between registered investment advisors and financial advisors.

Registered investment advisors are the professional end of the advice business. They are under a legal obligation known as “fiduciary responsibility.” This requires them to give advice which is solely in the best interests of their clients and to disclose any potential conflicts of interest which might impair that obligation. Registered investment advisors are subject to ongoing supervision and inspection by government regulators to ensure that they actually conduct their business consistent with the fiduciary responsibility.

Financial advisors are the merchant end of the advice business. Most function as commissioned salesman of firms providing investment products and services. Their advice is often to buy whatever their firm is selling. They are not obligated to give you advice which is in your interest. The upfront fee these advisors charge can be low, but one must look out for hidden fees embedded in their recommendations and self dealing disclosed in small type at the bottom of their work product. Insurance agents, brokers and bank based advisors are all

examples of financial advisors. While each represents firms with distinct product lines, all do business with you according to the merchant model.

It is easy to tell the two types of advisors apart. It is unlawful for a financial advisor to represent himself as a registered investment advisor if he in fact is not. Furthermore, registered investment advisors must file a disclosure form with regulators known as form ADV. They are required to provide part 2 of this form (sometimes called the "investment brochure") to clients. Their good standing can be verified on government websites.

Lloyd Tevis Investments, LLC is a registered investment advisor. Our form ADV filing is available through our website. To download it click on the Disclosures link in the footer of our home page.

Service Model

The next major division in the marketplace is in service model.

Traditional advisors maintain a brick and mortar place of business. They emphasize forging a personal connection between you and the staff person responsible for serving you. Hiring such an advisor is much like hiring a doctor or dentist – it involves a search for a provider who has good communication with yourself. Who the individual is matters more than the name of the firm they work at. Traditional advisors generally have account minimums and only serve individuals who meet those minimums. At national firms a typical minimum is $2 million and at regional firms minimums can be as low as $500,000. Service level at traditional advisors depends greatly on account size. For large accounts (typically above $15 million dollars), traditional advisors offer personalized advice often built around estate planning. For smaller accounts, traditional advisors tend to have several "canned programs" and to slot clients into the program which best meets their needs. Traditional advisors tend to focus on serving older clients who often lack self confidence and who are willing to pay for a high level of personal service.

Roboadvisors do business online. They provide a self service website that is the primary or only point of contact with their clients. They offer very simple advice but they make it very convenient and easy to use. Generally they have the lowest fees and low account minimums. Primarily, they are focused on servicing novice investors with only

basic needs for advice but who value a high level of convenience and simplicity.

Hybrid advisors use online as their primary communication tool with clients. But they also supplement the online interaction with telephone support. As a result, they offer more than pure self service. The enhanced service model allows these firms to offer service that goes beyond the very basic service provided by Roboadvisors. At the same time, these firms are not saddled with the high cost structures of traditional advisors and their fees and minimums are generally between those of roboadvisors and traditional advisors.

Lloyd Tevis Investments is a hybrid advisor. We are known for offering highly personalized advice rather than "canned advice." We have no account minimum but we do have a minimum annual fee of $100 per year. Roboadvisors typically charge 0.25%-0.35% of assets under management per year as their fee. Traditional advisors typically charge 1.00% or more. Lloyd Tevis Investments charges 0.50% per year, so our fees are slightly above roboadvisors and well below traditional advisors.

Investment Approach

There are several distinct approaches to how advisors generate their advice. Generally, these methods represent a progression in how well the advisor knows his client. For the simplest approach (volatility based investing) the advisor hardly needs to know the client at all. For the most advanced (precision investing™) the advisor knows the client very well indeed.

Volatility Based Investing focuses on the volatility of the investment assets (i. e. on how much their prices fluctuate.) The advisor seeks to determine how much volatility the client is prepared to tolerate. Often a short questionnaire is used to assess this point. Typically more volatile investments have larger ultimate returns. Advisors generally urge clients to hold the most volatile portfolio consistent with their volatility tolerance. Volatility investing is a very basic approach to investing. It is the almost universal approach taken by roboadvisors. Many traditional advisors also use it with their smaller accounts.

Goal Based Investing focuses on the purpose for which the client is investing money. Typically the advisor has preselected portfolios around specific objectives, such as retirement, building a legacy or

generating income. The goal may be lightly personalized, for instance by taking into account the expected retirement date. The client is slotted into the portfolio which matches their dominant investment objective.

Holistic Investing recognizes that, in most cases, goals are going to be funded from multiple sources – investments are just one piece of the puzzle. Other pieces are salaries, retirement benefits, inheritances and real estate equity. Life insurance, investments and loans may all be part of funding the client's life style. Holistic investing seeks to situate the investments within this larger picture. The most common form of holistic investing is cash flow planning. Cash flow planning seeks to identify all the cash flows into and out of a client's life and balance them off against one another to meet his needs. Estate planning could be considered a type of holistic investing. Estate planning looks at the financial picture across two or more generations of a family. It seeks to structure the investments within this larger picture – often with a particular focus on reducing any estate or gift taxes that may come due as assets transfer among family members.

Precision Investing™ is the next step beyond Holistic Investing. Currently it is only offered by Lloyd Tevis Investments. It recognizes that the client holds multiple goals. Collectively, these goals constitute the goal portfolio. This goal portfolio is to be funded by the totality of the client's resources – investments, salaries, real estate and so forth. These resources constitute the asset portfolio. The goal portfolios and the asset portfolios need to be balanced off against one other. Cash flow matching is part of this balancing, but risk balancing also needs to be considered. On the goal side some goals are essential and must be accomplished in almost all economic circumstances. Other goals are important but less essential and others may be purely aspirational. Clients typically demand a safety first approach which secures essential goals first and then seeks to maximize progress on lower priority items. On the asset side, investments are volatile but so are non-investment assets. The advisor seeks to maximally diversify risks across both types of assets and to not permit unintended concentrations of risk to develop from considering the investments in isolation. In addition the advisor should measure risks by considering the mismatch with the goal portfolio. Thus risk is viewed through the lens of long term funding shortfall rather than through a focus on short term market volatility. This is an important point. Measured by short term volatility a bank account has the lowest possible volatility – zero. But money kept in a bank account will not grow and so it all but

guarantees a shortfall in funding long term objectives. Measured by funding shortfall a bank account is not a low risk asset at all.

These four approaches represent a continuum in analytic depth. Volatility based investing makes a very superficial analysis of the client's situation. Precision investing™ takes a sophisticated approach to understanding the client's financial life and conducts a deep analysis. Precision Investing™ may be considered as a superset of the other methods. The difference between the methods is more one of competence than of philosophy. In a context where volatility investing or cash flow investing reach reasonable conclusions, Precision Investing™ will reach similar conclusions. But both of the simpler methods, if applied in a context beyond their competence level, can give unreliable answers while the advice from Precision Investing™ advice should hold up better.

Custody Arrangements and Investment Products

Historically securities were paper certificates which you kept in a safe deposit box. Government regulators did not like that arrangement because it exposed financial firms to certain operational risks. Financial firms disliked the arrangement because shipping a lot of high value paper about was expensive and error prone. Working together, regulators and the financial industry have largely replaced paper certificates by electronic records maintained on the books of financial institutions. Technically these institutions are known as custodians, but at the retail level most custodians are brokers or the brokerage subsidiary of banks.

Custodians generally custody a wide range of investment assets, but not necessarily all types. Thus, where an investor's funds are custodied can effect what investments they hold.

Advisors differ in terms of which custodians they work with:

Financial advisors generally require client funds to be custodied by the advisor's employer. Financial advisor custodians generally handle the full range of investment products, but financial advisers typically recommend holding investment products chosen from the firm's approved list. These lists often favor high fee branded mutual funds and firm proprietary product (store brand funds, structured products and life insurance policies.) This approach of using a designated custodian and proprietary product is termed the "integrated"

approach since advising is tightly integrated to the firm's total business.

Traditional investment advisors typically require funds to be custodied at a brokerage with which they have a working relationship. Some advisors work with multiple brokers while other advisors will work with just one broker. The first case can be described as "open platform" while the second case is termed "affiliated broker." Some traditional advisors work with a broad range of assets, while others have fairly short lists of approved assets and move client funds into approved assets.

Roboadvisors typically go the affiliated broker route and have sharply reduced lists of approved assets – usually less than a dozen.

Lloyd Tevis Investments follows the open platform approach. We work with the full range of investment assets (stocks, bonds, funds, life insurance) when they exist in the client's portfolios already. We do not move funds out of such investments simply to get them on to an approved list. Keeping funds where they are can help client's avoid heavy capital gains taxes. When making new recommendations we favor ETFs (exchange traded funds.) We find that ETFs offer an attractive combination of diversification, investment flexibility, tax efficiency and liquidity at extremely low product prices. Our recommended list contains approximately 100 ETFs.

Summary

The four axes of business model, service model, investment approaches and custody arrangements are, in principle, independent of one another. Commercial reality, however, is that firms base their businesses around serving particular constituencies and so certain combinations of these axes are the choices available in the market. A quick summary of the major choices is as follows:

Item	Lloyd Tevis Investments, LLC	Financial Advisors	Traditional RIA	Robo Advisors
Advice in clients best interest	Yes	No	Yes	Depends on firm
Service Model	Online and telephone	Depends on firm	Generally in person	Online self service
Advice Approach	Precision Investing ™	product oriented	Depends on firm	Volatility approach
Custody and Products	Open Platform	Integrated	Depends on firm	Affiliate
Pricing	Moderate	High to very high	High	Low
Known For	Highly personalized advice	Aggressive sales tactics	Personal relationship	High convenience
Core Customers	People who value personalized advice	Defined by sales channel	Old rich people, widows and orphans	Novice investors