KEATING
WEALTH MANAGEMENT

Our Value Promise:
Making Sure You Have Time for What Matters

"My favorite things in life don't cost any money.
It's really clear that the most precious resource we all have is time."

– Steve Jobs

Keating Wealth Management

Keating Wealth Management, LLC is an investment adviser that provides comprehensive financial planning and investment counsel to financially successful people and families who want to do something else with their valuable time besides managing their money.

We act as a fiduciary, which means all our advice to you must always be in your best interests.

Unlike many financial advisers who offer value propositions emphasizing market timing or fund/security selection to justify their fees, we don't propose; we *promise* compelling value—making sure you have time for what matters.

Our Value Promise

We'll take care of everything related to your financial planning, so you can live your life. All your financial choices will be aligned with your most important goals and most deeply held values. We'll get your entire financial house in perfect order and keep it that way forever. No matter what happens in the markets, the economy, politics or the world, you will have complete confidence that you will achieve your goals.

Planning, Advice & Accountability

- ✔ **Coordination.** We will orchestrate the activities of all your financial, tax, insurance and legal professionals on your behalf so that they work in concert, ensuring you get the best advice from each.
- ✔ **Consolidation.** You may have more accounts with more institutions than is necessary to achieve your goals. We will consolidate your financial affairs, reducing the complexity, so you can easily understand it all.
- ✔ **Comprehensive service.** We will address any gaps in your planning and take care of whatever important tasks need to get done so that your financial house is in perfect order.
- ✔ **Simplification.** We will create a clear, actionable plan that will simplify your life, so you can focus on more important things than managing your money.
- ✔ **Accountability.** We will hold your advisers accountable to give you the best advice for your financial situation, and we will hold you accountable to do your part by implementing their recommendations.

The Value of Time

Imagine that the Bank of Time credits your account each morning with 86,400 seconds. At night, it writes off as lost whatever you have failed to invest to good purpose. It carries over no balance. It allows no overdraft.

If this were true, what would you do? You'd draw out every second, of course. You'd want to live in the present on today's deposits—to invest the utmost in the pursuit of health, happiness and success—however you define and measure them.

We understand the treasure of time. We spend our time taking care of your financial wellness, so you can spend your time getting more out of life. We want our clients to enjoy their time, not waste it worrying about their financial futures.

True wealth is having an abundance of discretionary time.

Each day, time opens a new account for you. Each night, the remains of the day disappear forever. If you don't use the deposits wisely, the loss is yours. There is no going back or drawing against tomorrow. We know you value every moment that you have. Let us help you make the most of your precious time.

Financial Planning

Just as an airplane requires a flight plan to safely reach its destination, affluent families need comprehensive, written financial plans to successfully complete their multidecade or trans-generational financial journeys. We begin our relationship with you by creating such a plan.

Then, we guide you through the completion of that plan, year after year, through our ongoing investment advisory services. Although financial planning is relatively simple in concept, the execution can often be confusing and complex. We simplify this for you. Here's how we do it:

1. We create a list of your financial aspirations. This tends to focus on a few specific issues: funding for education, endowing a comfortable nest egg for retirement, philanthropic giving, and creating legacies for heirs.
2. Next, we calculate the amount required to convert those hopes and dreams into financial reality. We determine how much everything will cost, the gap between where you are and where you need to be, the time remaining to close that gap, how much money needs to be invested, and the required rate of return on the accumulated capital.
3. Finally, we create an investment portfolio that can produce the long-term returns required to fund the plan. During each annual review meeting, we will look at your goals, your plan, and the progress of your plan and portfolio toward the achievement of those goals.

Choosing the Right Adviser for You

Our commitment to our clients is simple: We will care more about you, and be more personally devoted to your financial success, than anyone outside your family.

The right adviser for you is the one you trust the most.

To help you determine whether we can work well together, take a look at our core values. These are the guiding principles that define who we are, what we believe, and what we can and cannot do.

What We Believe

1. ***Trust.*** The relationship between a client and a financial adviser must be built on the bedrock of mutual trust. We earn our clients' trust by telling them the absolute truth at all times. This is the only way to build an enduring relationship that benefits both parties.
2. ***Planning.*** A customized financial plan is a key element in our relationship with each client. The plan establishes investment portfolio goals and enables us to measure progress toward those goals.
3. ***Purchasing power.*** Preserving the dollar value of a portfolio is never an adequate goal, because inflation constantly erodes that value. With 3% inflation a year, the cost of living doubles every 25 years, and investors who merely preserve their principal will lose half their purchasing power over that time frame. The goal must be to preserve *and grow* purchasing power.
4. ***Equities.*** Over time, equities—not bonds—have been the best way to preserve and grow purchasing power. Since 1926, equities have delivered a 7% real return for large-company stocks and a 9% real return for small-company stocks—double and triple the 3% real return for bonds.
5. ***Volatility.*** Equities are more volatile than bonds, and the bumpy ride is the reason for the higher returns. But we don't equate equity volatility with risk. Volatility is a short-term disturbance, but the long-term returns from equities are enduring. Equities are a good investment because they go down temporarily and up permanently.

People who follow a financial plan achieve their financial goals; people who work a portfolio don't. When you have a first-rate plan in place, you will be free from financial worry, knowing that your family's financial journey will be successful.

6. ***Growth.*** Volatility is the norm in the equity market. Since the end of World War II, intra-year declines have averaged 14%, and there have been temporary declines of 15% to 20% about one year in three. Roughly one out of five years, there's been a bear market decline of 20% or more. Nonetheless, the equity market is now more than 70 times higher than it was in 1946, and dividends have increased by a factor of 40. Inflation has trimmed these gains, but not by much; consumer prices are now about 13 times higher.

7. ***Behavior.*** The real risk for equity investors is not volatility; it's their emotional response to volatility. We all have an innate tendency to interpret large temporary declines in the market as the beginning of the end. And when we panic, we flee. Investor *behavior*—not investment performance—drives the financial outcomes experienced by most investors.

8. ***Patience.*** For decades, countless experts have tried—and failed—to predict or time the markets. We conclude it cannot be done. To capture 100% of the long-term return of equities, investors must be in the market at all times. This means experiencing 100% of the short-term volatility. Since there is no effective way to buy or sell stocks in response to market or world events, we devote no time or effort to analyzing these events. Our advice is unchanging: Whatever may be happening in the world, you should patiently hold the portfolio that offers you the best chance of reaching your financial goals.

9. ***Value of advice.*** We are confident that over the years of our relationship with you, our behavioral advice against panic selling in falling markets and our discipline in helping you stick to a well-constructed financial plan will be worth multiples of our fee.

10. ***Index funds.*** We believe equity index funds should be the core holding for all our clients because these funds are broadly diversified, low-cost, and tax-efficient. In every cycle, equity index funds have consistently outperformed the vast majority of actively managed mutual funds.

Data sources: Morningstar and J.P. Morgan Asset Management.

The Behavior Gap

It sounds simple enough to stick to a properly constructed portfolio, but research has shown that over rolling 20-year time periods, the average equity investor's return has been just over half the return of the S&P 500. Why?

Investors tend to buy equities when the stock market is rising and sell when the market is declining. This turns temporary declines into permanent losses during down markets while missing out on gains when the stock market resumes its inevitable uptrend.

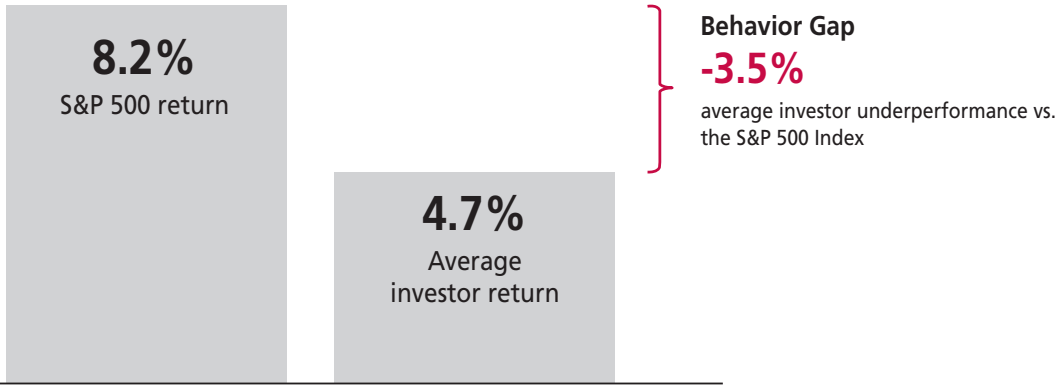
Thus, actual investor results are more dependent on investor behavior than on fund performance.

Thirty years of research has consistently shown that emotional reactions to the normal fluctuations of the stock market are counterproductive and likely to cause serious and permanent harm to a thoughtful, long-term financial plan.

Investors who buy and hold through up and down markets are consistently more successful than those who try to time the market. In other words, it's best to stay the course.

Behavior Gap

If you had employed a buy-and-hold strategy of the S&P 500 for the 20 years ending December 31, 2015, your average annual return would have been 8.2%. Yet the average investor return was just 4.7%. Investor behavior has cost the average investor 3.5% per year over this time period.



Source: 2016 Dalbar Quantitative Analysis of Investor Behavior.

" The investor's chief problem—and even his worst enemy—is likely to be himself."

Benjamin Graham,
father of modern security analysis

Investment Counseling

What We Do

- ***Planning.*** We determine the exact number that you need to achieve all your financial aspirations, how much you need to invest over time, the rate of return required to reach your capital sum, and the corresponding asset allocation.
- ***Providing perspective.*** We provide long-term historical perspective on returns, volatility, and how they're connected on an ongoing basis, particularly when it's needed most, such as in bear markets.
- ***Behavioral coaching.*** We stop you from making the big mistakes that people tend to make at market bottoms and ongoing advice to ensure that you maintain your carefully constructed investment plan.

What We Don't Do

- ***Economic forecasting.*** No one can forecast the economy in the short to intermediate term, so we don't even try; nor does it matter for a multidecade investor.
- ***Market timing.*** No one can consistently time the market successfully, so we make no attempt to do so.
- ***Stock picking.*** The overwhelming majority of active managers consistently underperform the market over any time period, so we recommend equity index funds as the core holding for our client portfolios.

The Value of Our Advice

As a fee-only investment adviser, we charge a fee of 1% of the assets under management on an annual basis up to the first $5 million (with flexible/flat pricing for larger accounts). Fees are billed and deducted monthly from client accounts.

With our advice, we believe we can either (i) save you at least 1% per year in the cost of mistakes that you otherwise might make, *and/or* (ii) cause your lifetime investment return to rise more than 1% per year because of more appropriate investment choices, *and/or* (iii) save you at least the equivalent of 1% per year in time, energy and worry.

The Value of Your Time: A Life Well-Lived

Facing death, no one ever says, "I wish I had spent more time in the office."

You have worked hard to become financially successful. Don't let your dreams go unfulfilled. Don't skip travel, hobbies, your passions, or anything else you love to do. Don't let your friendships slip away. And don't miss spending precious time with your loved ones.

Let us take the burden of managing your finances off your shoulders so that you can live the life you've earned. After all, the true measure of wealth is discretionary time.

Delegate the financial CEO role to Keating Wealth Management, and promote yourself to chairman of the board. We will give you peace of mind and the time to enjoy it.

KEATING
WEALTH MANAGEMENT

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