THE LIBERATED INVESTOR™

A comprehensive investment guide for busy investors

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Welcome to the **Tribe!**

The Liberator Investor Tool Kit: Break free from investment captivity

In 2013, Cokie Berenyi published the first Liberated Investor tool kit, which successfully reached and "freed" hundreds of captive investors. This updated, 2016 version upholds the three original pillars:

- *Lower fees,*
- *Invest with disciplined action, and*
- *Eliminate conflicts of interest.*

Learn to avoid problematic situations, get solutions and find out what action steps to take during each section of your ongoing investment journey.

Dear Investor,

So glad you've joined us! Since 2010, it's been clear to me that many investors are looking for a better way to ensure their hard-earned investments are in the right place. If you've ever felt paralyzed by Wall Street's games or taken advantage of by an investment advisor, you, too, are looking for a solution to outdated investment models.

It's time for investors to get liberated! The Liberated Investor™ is a new, better model of investing, one based on common sense. With this eBook, you're on your way to liberating yourself from the emotions of market volatility and the pervasive conflicts of interest in portfolios across the world.

You will learn to master the system: This eBook compares and contrasts two dominant investment models, *buy and hold* and *market timing*, to the reinvented *Liberated Investor model.* Using this new model, learn how to lower account fees and begin investing your assets with confidence. You now have the rules, the tools, and the motivation to act!

I am passionately committed to growing the Liberated Investor "tribe." As more and more of us break free, we continue to grow larger and louder. Liberated Investors, unite!

Sincerely,

Cokie Berenyi
Founder and president, alphavest

Introducing a new, better model: **Liberated Investor**

Today's smart investor wants:

- ***Lower fees*** without compromising quality investment management,
- ***Responsive investing*** capturing market upsides and avoiding downturns; and
- ***No conflicts of interest*** with a broker, advisor, or robo–advisor.

There is an investment model available to investors that will beat the games of Wall Street and achieve impressive investment results. While this model is relatively new, its concepts and practices are as old as the Dow Jones Industrial Average.

Introducing the **Liberated Investor** solution– a common sense investing method. It borrows the discipline of the ***buy and hold*** model without passivity and captures the responsiveness of the ***market timing*** model, while allowing facts and logic instead of emotion to drive choices.

THE
LIBERATED
Investor model

The 3 Investor Strategies to Get Liberated

1. Eliminate excessive fees.
2. Invest with disciplined rules-based action.
3. Remove all conflicts of interest.

In the next section of this eBook, we'll provide specific advice for implementing this new model. Additional supporting material can be provided via email to allow you to take action.

Continue reading to understand the three investment strategies that will empower you to become a **Liberated Investor.**

#1: Eliminate Excessive Fees

A Practical Example

Assume you are an employee with 35 years until retirement with a current 401(k) balance of $25,000. If returns on investments in your account over the next 35 years average 7% and fees plus expenses reduce your average returns by 0.5%, your balance will grow to $227,000 at retirement, even with no further contributions.

Now, assume fees plus expenses increase to 1.5% (a single percentage point). Over the same 35 years, your balance will grow to only $163,000.

A 1% difference in fees reduces your account balance at retirement by $64,000, a 28% reduction.

The Problem

Investors typically know little about how fees are charged. This causes overpayment due to not understanding fair fees or where negotiation is allowed. It is estimated that over a 25-30 year period with compounding, an investor will spend ***21% of his or her current wealth in fee overpayment.***

According to a Harvard University study, the asset management and securities industry grew from 0.4% of gross domestic product (GDP) in 1980 to 1.9% in 2006. This increase reflects not only the growth of assets and professionally managed portions, but also the growth of fees collected in the industry. In a Global Asset Management 2014 report from Boston Consulting Group on active management fees, fees were found to be in excess of $600 billion. That's nearly equal to the GDP of Switzerland.

Wall Street Investment Solution

The current leading solution is the new online, low-cost robo-advisor platform. These platforms have annual market low flat fees based on assets invested, but mislead investors with hidden costs and investor fees.

For example, Vanguard's robo-investment solution is among the list of most expensive options, charging 15 basis points more than the competition. Those basis points are the percentage points charged in fees based on the amount of your money Vanguard is managing. While the other fees they charge may appear low, investors neglect to factor in the actual cost of using Vanguard.

> Investors (unknowingly) paid $12.4 billion in 2014 in hidden 12b-1 mutual fund fees. SEC turns its eye to hidden fees in mutual funds.
>
> –**Gretchen Morgensen,** *The New York Times*

> An analysis by the CEA concluded that conflicted advice leads to losses totaling about $17 billion every year for IRA investors.
>
> –**Megan Leonhardt,** *WealthMangement.com*

Other Considerations

- Opportunity costs of mandatory high cash requirements.
- Conflicts of interest with limited, firm-sponsored investment options and undisclosed revenue-sharing from non-firm sponsored investment vehicles– Vanguard offers Vanguard, Schwab offers Schwab, etc.
- Flaws of investment methodology.

The Liberated Investor Solution

- **Become informed**. This is the first step to combat high fees. Once individual investors understand fees and hold financial firms accountable, those first will compete and drive prices down. For now, investors must learn how to shop for deals.
- **Ignore clever marketing**. Understand the details of how much you are paying and the implications of those fees.
- **Depend on Liberated Investor**. The Liberated Investor will drive you in the right direction. To determine if you're being overcharged, you'll get an email supplement for this guide, including a simple calculator form to identify fees paid.

#2: Invest with Disciplined Action

The Problem

Buy and hold philosophy – if your advisor or robo-platform adheres to this method, there is good news and bad. The good news is that it is a are disciplined platform. The bad news is the discipline means you will also participate in all the down markets.

Market timing model – this subjunctive investment model fares no better for investors, allowing circumstantial issues to influence the advisor. These issues and options can come from crop reports, news alerts, economists, self-described experts and government. Based primarily on guesswork, this model can cause significant harm to investors in their pursuit of wealth.

The Liberated Investor Solution

Over the past eight years, alphavest has challenged the **Liberated Investor** model against the S&P 500. The Liberated Investor slightly outperformed the S&P 500 but, most importantly, it avoided the huge downturn.

Your initial investment: $USD 10,000.00

Timeframe: January 2008–December 2015 *(96 months, or eight years)*

	S&P 500	The Liberated Investor Model
Monetary return	$17,026	$20,980
Total return	70%	110%
Average annual	8.78%	13.72%
Best calendar year return	36.1%	27.23%
Worst calendar year return	-36.99%	-5.87%

The Buy and Hold Model

Primary users: Passive investors and robo-advisors

Theory

The ***buy and hold*** model suggests that markets take care of investors over time if they are disciplined and stay the course with a balanced mix of investments.

Considerations

October 2008 shows the deep flaws of this perspective. The asset allocation and diversification model is based on the consistently disproven idea that with a diversified portfolio – a mix of asset classes performing at different levels – an investor may mitigate poor market performance. History has not supported this claim.

As seen in the mid 90s, early 2000s and 2007-2008 declines, a negative market event impacts everything. The ***buy and hold*** model causes portfolio performance drag simply for the sake of diversification, even during a positive market. Investors should challenge the purpose of owning underperforming assets when they could own what works when it's growing and drop it when it starts to struggle. The benefit of diversification does not outweigh the performance drag.

The Liberated Investor Solution

The ***buy and hold*** model is a passive money management model used by advisors and formula-driven investment platforms. These groups should be taking action for investors, rather than preaching a message of calm passivity. The correct solution for today's market is an active and responsive money management approach that aims to minimize losses while participating in an upside opportunity.

The Market Timing Model

Primary users: Wall Street firms

Theory

The ***market timing*** model is the opposing argument of the ***buy and hold*** model, but is similarly flawed. Where the ***buy and hold*** model advisor is too passive and generic with it's investment criteria, the ***market timing*** model advisor uses too many variables and relies on fundamental analysis. The result: the wrong move at the wrong time.

Market timing model advisors use fundamental analysis–determining stock value by evaluating economic, financial, quantitative and qualitative factors. Wall Street firms also look at macro-economic factors and pass judgment, frequently reading the data incorrectly but receiving payment anyway.

Considerations

Since the ***market timing*** model uses fundamental analysis and macro-economic theories to anticipate market movements and patterns, often results are based on guesswork instead of investment theory. The market timing model is ultimately driven by advisor emotion, with the analysis used as a justification. A major concern with this approach is advisors churn accounts to generate additional fees.

Market timing advisors routinely abuse portfolios by moving sleeves around in order to generate transaction fees. Even if advisors are working in earnest, the guesswork required limits the accuracy of the portfolio. As an example, economists are frequently polled for their forecasting abilities, but rarely are they successful. Though economists have no proven economic ideologies producing consistently accurate results, the market continues to follow their lead.

The Liberated Investor Solution

The best approach is to take off the forecasting goggles, evaluate current market trends, and take appropriate action. Failing to tell the unvarnished truth about the market leads to emotional, ego-driven choices that harm investors.

Other Considerations

Patience is the non-financial cost of investing in a **Liberated Investor solution**. If your expectation is to achieve respectable, long-term returns while minimizing recessionary bear market downturns, then neither ***buy and hold*** or ***market timing*** investment strategies will align with your financial goals.

The Liberated Investor Solution

What we recommend is simple:

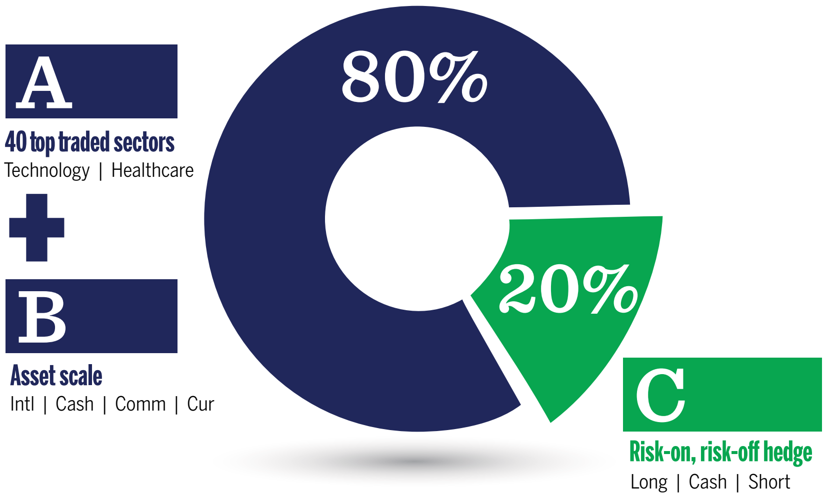
A. Rotate passive low-fee sector exchange traded funds (ETFs), based on relative strength data.

B. Add non-correlating asset class rotation to the mix for risk-off times that signal high risk of being over-invested in stocks.

C. Add a risk-on/risk-off hedge sleeve.

Adapting to the **Liberated Investor** model requires a change in thinking. Always remember the overall goal—save regularly, diversify widely, keep costs low and tune out the noise of those who promise what they cannot deliver.

Liberated Investor Model



#3: Conflicts of Interest

The Liberated Investor Solution

- ***Understand the conflicts***. *Be aware of situations that may cause a conflict of interest.*
- ***Read the terms of use.*** *Learn the details about what you've consented to.*
- ***Count on Liberated Investor.*** *We put your investment needs first, not ours.*

The Problem

Online investment solutions have enormous conflicts of interest regarding both fees and fiduciary responsibilities. The most prevalent is the motivation of the advisor, or robo-advisor, to invest clients in ETFs, mutual funds and annuities that result in higher commission to the firm. Firms are incentivized to introduce and sell products that pad their own pocketbooks.

Wall Street Investment Solution

The fiduciary responsibility requires investment advisors, including robo-advisors, to act in the best interest of their clients. Advisors are required to eliminate conflicts of interest and provide forthright disclosures to the client before the contract is signed.

However, robo-advisors do not factor in an investment's total financial circumstances, but make isolated investment choices that ignore the investor's total portfolio and strategy. They don't monitor investments for suitability on an ongoing basis.

Other Considerations

Most online wealth management platforms engage in self-dealing transactions and investment of client assets into proprietary investment products. If you've consented to the "terms of use" for any of these platforms, you've agreed to this conflict.

With robo-advisors, make sure you sign a contract that states the advisor is acting as fiduciary under the Investment Advisors Act of 1940, and that the advisor is NAPFA-sanctioned. Use a fee–only, NOT fee-based, advisor.

The Liberated Investor Action Steps

Step 1: Become better informed.

This is the first step to combat high fees. Once individual investors understand fees and hold financial firms accountable, those first will compete and drive prices down. For now, investors must learn how to shop for deals.

Morningstar Fee Analysis

Free Morningstar™ Fee Analysis

Consultation with Cokie

Schedule Your Free Consultation

Advisor background check

Advisor Background Check

Step 2: Ignore clever marketing.

Understand the details of how much you are paying and the implications of those fees.

Step 3: Understand the conflicts.

Be aware of situations that may cause a conflict of interest.

Step 4: Read the terms of use.

Learn the details about what you've consented to.

Step 5: Depend on Liberated Investor.

The Liberated Investor will drive you in the right direction. To start, you'll get an email supplement for this guide, including a simple calculator form to identify fees paid and whether or not you're being overcharged.

About alphavest

alphavest's mission is to help investors demand more. The Charleston-based firm's revolutionary approach challenges traditional investment models and leads investors to prosperity. Actively managed with a focus on objective and rules-based investment strategies, alphavest heeds key investment indicators without resorting to emotional decisions. The proprietary investment models are based on a time-tested, data-driven approach that seeks to outperform benchmarks in every market.

Unlike traditional brokerage houses, stockbrokers, money managers or financial planners, alphavest is designed to serve all investors: aggressive to conservative, short-term to long-term, millennial to baby boomer.

Investors need a return on their money that outperforms the market. They want rules they understand, can live by and that don't change. Investors need someone they can count on.

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