



Identifying Your Investment Management Preferences

The following worksheet is intended to help you think through the various considerations about how your portfolio will be managed. You may view yourself as being a true DIYer, only to realize that your 401(k) requires you to cede some control to mutual fund managers. As such, this worksheet can serve as a prompt for you to include rules for buying and selling mutual funds in your personalized investing plan.

There are no right or wrong answers. Rather, the goal is to help you clarify the type of investor you are in terms of how portfolio decisions will be made.

1. How much control do you want in determining which investments are held in your portfolio?

Complete

A mix of self-directed and an adviser

Just keep me informed about my portfolio

2. Do you prefer an active approach to investing, a passive approach (indexing) or a blend of the two?

Active (try to beat the market)

A blend (a mix of active and passive strategies)

Passive (indexing/tracking the market)

3. Are there any constraints on your strategy?

Limitations on what you can own [e.g., 401(k) plans, job-related restrictions, etc.]

Trading restrictions

Trusts or partnerships

Social or religious beliefs

Other: _____

None

4. How comfortable are you in researching and following investments?

Enjoy researching and analyzing stocks

Enjoy researching and analyzing bonds

Content looking at mutual funds or exchange-traded funds (ETFs)

Not interested

5. How often would you like to review your holdings?

Daily

Weekly

Monthly

Quarterly

Annually

6. Based on your answer to Question 5, do you have the available time to stick to that schedule?

Yes

No

7. How would you describe your investing knowledge?

Good

Moderate

Low (but I'm learning)

8. What tasks do you need a professional to assist you with?

Taxes

Estate planning

Financial planning/portfolio review

Investment selection

Other: _____

None

As you review your answers, take a look at the following investor types below to see which one best fits with how you described yourself. You can then use the descriptions to write down how you will implement your allocation (e.g., by picking investments, using index funds, etc.). This exercise will help you develop management rules for your portfolio as we move forward with The AAI Way.

Fully hands-on investors seek a high level of control over their investing decisions. They have time and enjoy researching individual securities. They also have a moderate-to-high level of investing knowledge. They tend to hold individual stocks and individual bonds.

The **partially hands-on investor** combines holding individual securities with mutual funds, ETFs or closed-end funds. This investor owns both individual securities (most commonly individual stocks) and funds. They have at least a moderate level of knowledge but are comfortable ceding control over part of their portfolio to either a mutual fund or ETF manager. Active investors who lack enough time or interest to research every security of their portfolio may fall into this category.

Index investors prefer index mutual funds and ETFs over individual securities. While potentially having a high level of investing knowledge, they view passive strategies as advantageous and are happy to cede control of picking individual securities to keep costs low and avoid underperforming the market. Trading restrictions, or a lack of available time or knowledge to research individual securities, may lead someone to be an index investor.

The **fund investor** is similar to the index investor with the exception that they consider owning actively managed funds. This type of investor is hoping to outperform the market and/or takes comfort in knowing that a professional portfolio manager is choosing the investments and potentially the allocation.

The **combo hands-on/works with a planner investor** combines using a fee-only planner with personal control of investments. This type of investor hires a financial professional—such as a financial planner—to provide assistance with carrying out their investment strategy. The planner might be used on a periodic basis to assist with the portfolio review process to ensure that the allocation strategy chosen matches current goals, or to simply provide objective feedback and consultation. Alternatively, a portion of the portfolio might be given to a robo-adviser to be managed, while part of the portfolio is self-managed. This type of approach works best for those who want some personalized assistance while still making their own investing decisions.

A twist on this combo is a **bolt-on approach**. This involves working with specialists to address specific tasks. For instance, a life insurance agent could be contacted for the purchase and management of policies. Alternatively, a tax professional or estate attorney may be warranted. A good fee-only financial planner may be able to serve as a hub for providing recommendations to these types of specialists and, for those with complex financial and estate-planning needs, coordinating their recommendations. Even fully hands-on investors may find themselves needing to consult with a specialist.

The **adviser investor** hires a professional to carry out their allocation strategy. This investor outsources the process of implementing and managing their allocation and investment strategy. It can make sense for those who lack confidence, knowledge and/or the time to make their own investing decisions—including the selection of mutual funds or ETFs. As one ages, turning over management of investment decisions can be a prudent decision, though the selection of an adviser (or a trusted family member) should be done well before cognitive issues evolve. Robo-advisers would be a consideration for those with moderate levels of wealth and who don't require much one-on-one communication. A traditional

adviser is most suited to those who have complex financial and/or estate-planning needs requiring a higher level of personal service.

I am a _____ investor. Based on my preferences and constraints, I will use the following types of investments (individual securities, mutual funds, ETFs, index funds, etc.):

If I'm going to use the services of a professional, I will seek their assistance with:
