



Prudent Portfolio Management

A Disciplined Process for Managing Risk

Financial Freedom House is a federally registered and CEFEX-certified Investment Adviser that utilizes TD Ameritrade as an independent and unaffiliated custodian for client accounts.



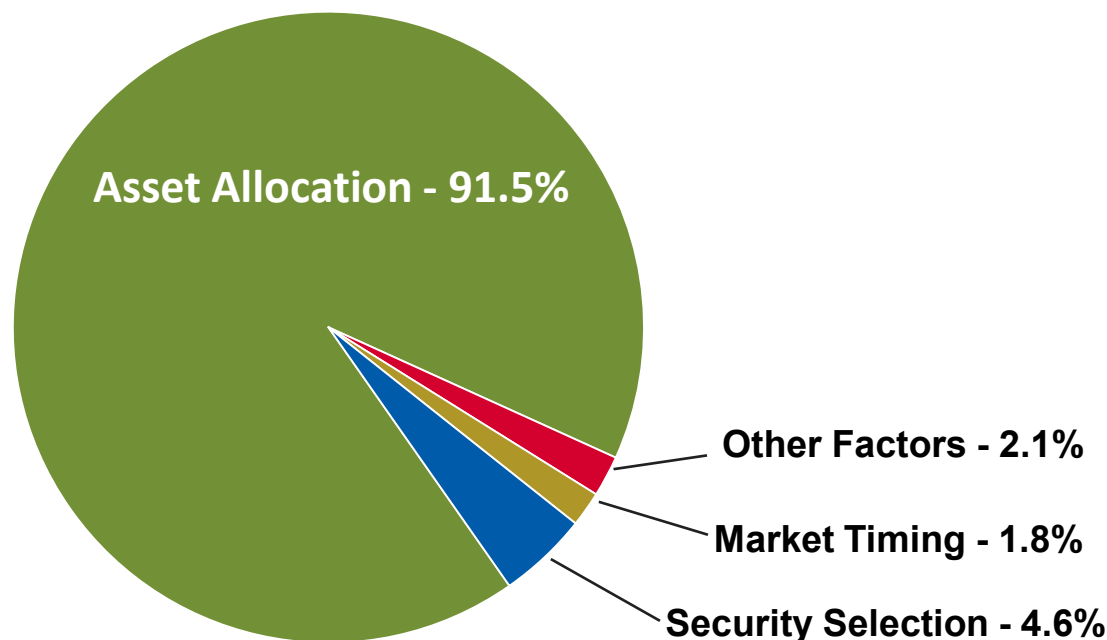
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We Do What Others ImplySM
Providing fiduciary services since 1983



6 Steps for Improving Investment Results

Step #1: Use an Evidence-Based Approach to Investing



A study of the quarterly returns of 82 pension plans over a 10-year period concluded that:

- The selection of which asset classes to invest in and how much to invest in each explained 91.5% of the variation in the plan's returns.
- The combination of market timing, security selection and other factors accounted for only 8.5% of the differences in the plan's returns.

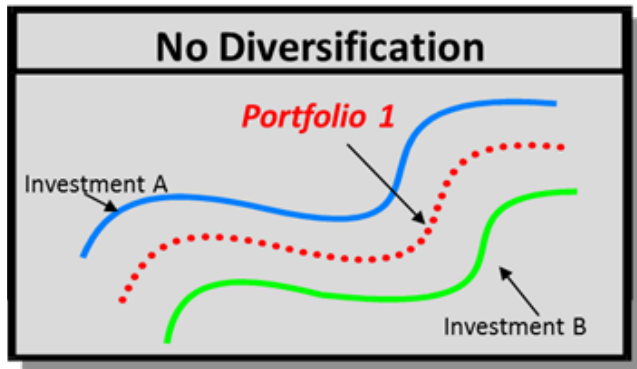


Step #2: Manage the Chaos by Diversifying

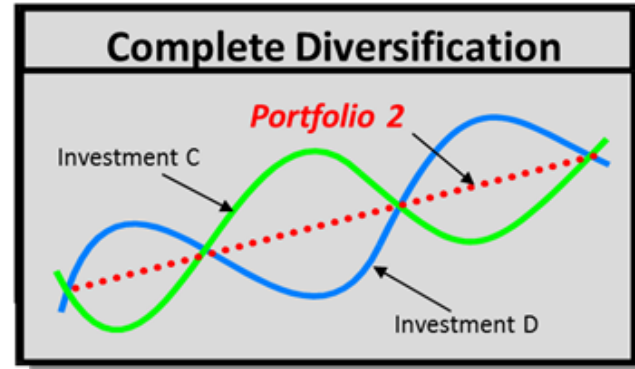
Market Chaos

Market Chaos																			Annualized Rate of Return			
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	5 Years	10 Years	20 Years
Emerging Mkts	Commodities	Real Estate	Commodities	Emerging Mkts	Real Estate	Emerging Mkts	Real Estate	Emerging Mkts	US Bonds	Emerging Mkts	Real Estate	Real Estate	Emerging Mkts	Small Cap Blend	Real Estate	Large Cap Growth	Small Cap Blend	Emerging Mkts	US Bonds	Large Cap Growth	Large Cap Growth	Real Estate
66%	32%	12%	26%	56%	33%	35%	36%	40%	5%	79%	28%	9%	19%	39%	32%	6%	21%	38%	0%	10%	15%	10%
Large Cap Growth	Real Estate	US Bonds	US Bonds	Small Cap Blend	Emerging Mkts	Commodities	Emerging Mkts	Commodities	Balanced 60/40	Large Cap Growth	Small Cap Blend	US Bonds	Large Cap Value	Large Cap Growth	S&P 500	Real Estate	Large Cap Value	Large Cap Growth	Large Cap Growth	S&P 500	S&P 500	Emerging Mkts
33%	31%	8%	10%	47%	26%	21%	33%	16%	-25%	37%	27%	8%	18%	34%	14%	5%	17%	30%	-2%	9%	13%	9%
Int'l Mkts	US Bonds	Balanced 60/40	Real Estate	Int'l Mkts	Int'l Mkts	Int'l Mkts	Int'l Mkts	Int'l Mkts	Small Cap Blend	Int'l Mkts	Emerging Mkts	Large Cap Growth	Real Estate	Large Cap Value	Large Cap Value	S&P 500	S&P 500	Int'l Mkts	Real Estate	Real Estate	Small Cap Blend	Small Cap Blend
28%	12%	4%	4%	40%	21%	15%	26%	13%	-34%	34%	19%	3%	17%	33%	14%	1%	12%	25%	-4%	8%	12%	7%
Commodities	Large Cap Value	Small Cap Blend	Balanced 60/40	Real Estate	Small Cap Blend	Real Estate	Large Cap Value	Large Cap Value	Commodities	Real Estate	Commodities	S&P 500	Int'l Mkts	S&P 500	Large Cap Growth	US Bonds	Commodities	S&P 500	S&P 500	Large Cap Value	Real Estate	Balanced 60/40
24%	7%	3%	-4%	36%	18%	14%	22%	12%	-36%	29%	17%	2%	17%	32%	13%	1%	12%	22%	-4%	6%	12%	7%
Small Cap Blend	Balanced 60/40	Emerging Mkts	Emerging Mkts	Large Cap Value	Large Cap Value	Balanced 60/40	Small Cap Blend	US Bonds	Large Cap Value	Small Cap Blend	Large Cap Value	Small Cap Blend	Large Cap Value	Small Cap Blend	Int'l Mkts	US Bonds	Balanced 60/40	Emerging Mkts	Small Cap Blend	Balanced 60/40	Large Cap Value	Large Cap Value
21%	5%	-2%	-6%	30%	17%	9%	18%	7%	-17%	27%	17%	0%	16%	22%	6%	-1%	12%	15%	-6%	4%	11%	6%
S&P 500	Small Cap Blend	Large Cap Value	Int'l Mkts	Large Cap Value	Balanced 60/40	Large Cap Value	Balanced 60/40	S&P 500	S&P 500	S&P 500	Large Cap Value	Balanced 60/40	S&P 500	Balanced 60/40	Small Cap Blend	Int'l Mkts	Balanced 60/40	Large Cap Value	Large Cap Value	Balanced 60/40	Emerging Mkts	S&P 500
21%	-3%	-6%	-16%	30%	15%	7%	16%	6%	-37%	27%	16%	-2%	16%	16%	5%	-3%	11%	14%	-8%	4%	8%	6%
Balanced 60/40	S&P 500	S&P 500	Large Cap Value	S&P 500	S&P 500	Large Cap Growth	S&P 500	Balanced 60/40	Large Cap Growth	Balanced 60/40	S&P 500	Small Cap Blend	Large Cap Growth	Real Estate	Balanced 60/40	Large Cap Value	Large Cap Growth	Small Cap Blend	US Bonds	Balanced 60/40	Large Cap Growth	Large Cap Growth
13%	9%	12%	-16%	29%	11%	5%	16%	3%	-38%	26%	15%	-4%	15%	1%	5%	-4%	7%	11%	-11%	3%	8%	5%
Large Cap Value	Int'l Mkts	Commodities	Small Cap Blend	Balanced 60/40	Commodities	S&P 500	Large Cap Growth	Large Cap Value	Real Estate	Large Cap Value	Balanced 60/40	Int'l Mkts	Int'l Mkts	US Bonds	Emerging Mkts	Small Cap Blend	Real Estate	Real Estate	Commodities	Emerging Mkts	Int'l Mkts	US Bonds
7%	-13%	-20%	-21%	28%	9%	5%	9%	0%	-39%	20%	14%	-12%	12%	-2%	-2%	-4%	7%	4%	-11%	2%	7%	5%
US Bonds	Large Cap Growth	Large Cap Growth	S&P 500	Commodities	Large Cap Growth	Small Cap Blend	US Bonds	Small Cap Blend	Int'l Mkts	US Bonds	Int'l Mkts	Commodities	US Bonds	Emerging Mkts	Int'l Mkts	Emerging Mkts	Int'l Mkts	US Bonds	Int'l Mkts	Int'l Mkts	US Bonds	Int'l Mkts
-1%	-22%	-20%	22%	24%	6%	5%	4%	-2%	-43%	19%	9%	-13%	4%	-2%	-4%	-15%	3%	4%	-14%	1%	4%	4%
Real Estate	Emerging Mkts	Int'l Mkts	Large Cap Growth	US Bonds	US Bonds	US Bonds	Commodities	Real Estate	Emerging Mkts	US Bonds	US Bonds	Emerging Mkts	Commodities	Commodities	Commodities	Commodities	US Bonds	Commodities	Emerging Mkts	Commodities	Commodities	Commodities
3%	-31%	21%	-28%	4%	4%	2%	2%	18%	53%	6%	7%	-18%	-1%	-10%	-17%	25%	3%	2%	-14%	-9%	0%	2%

Having Multiple Funds Does Not Mean You're Diversified



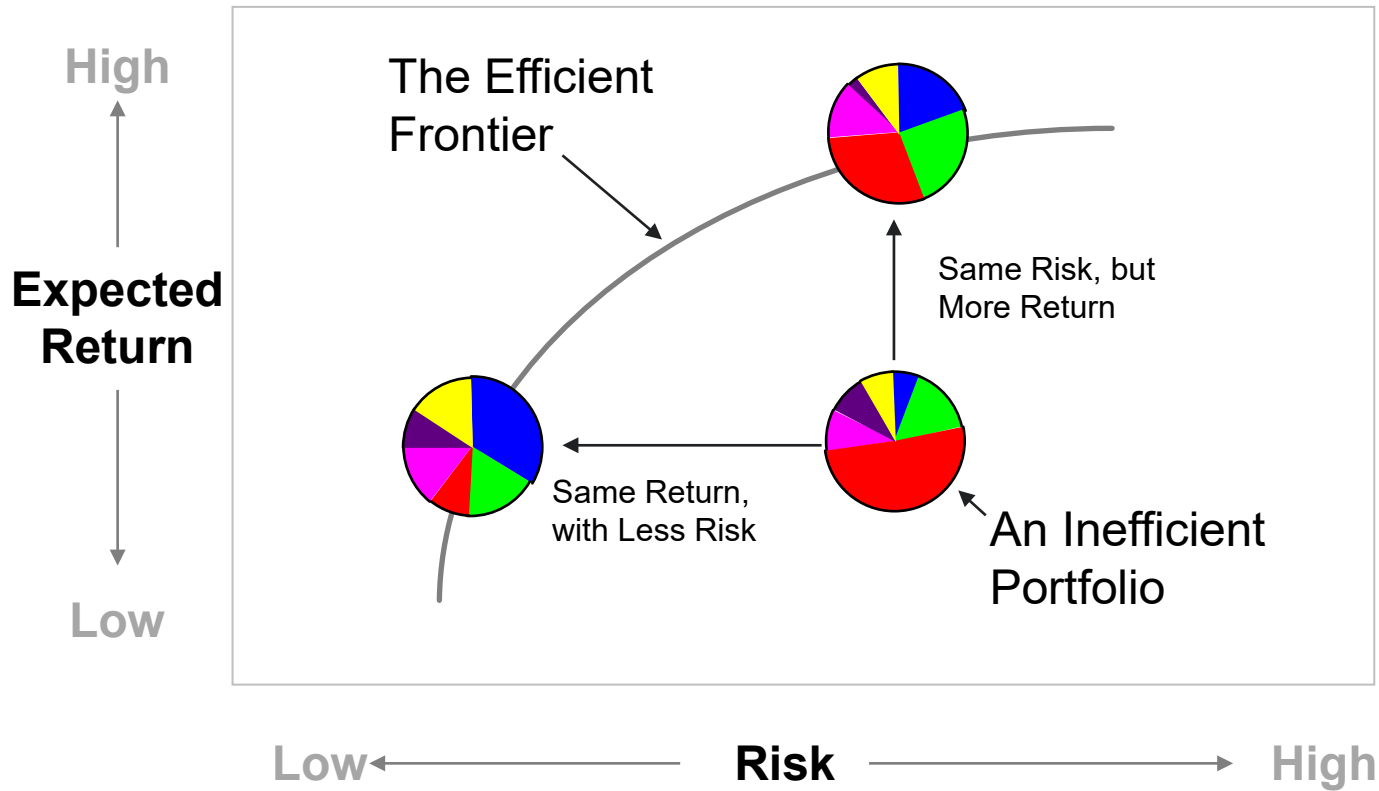
A Properly Diversified and Efficient Portfolio Improves Results



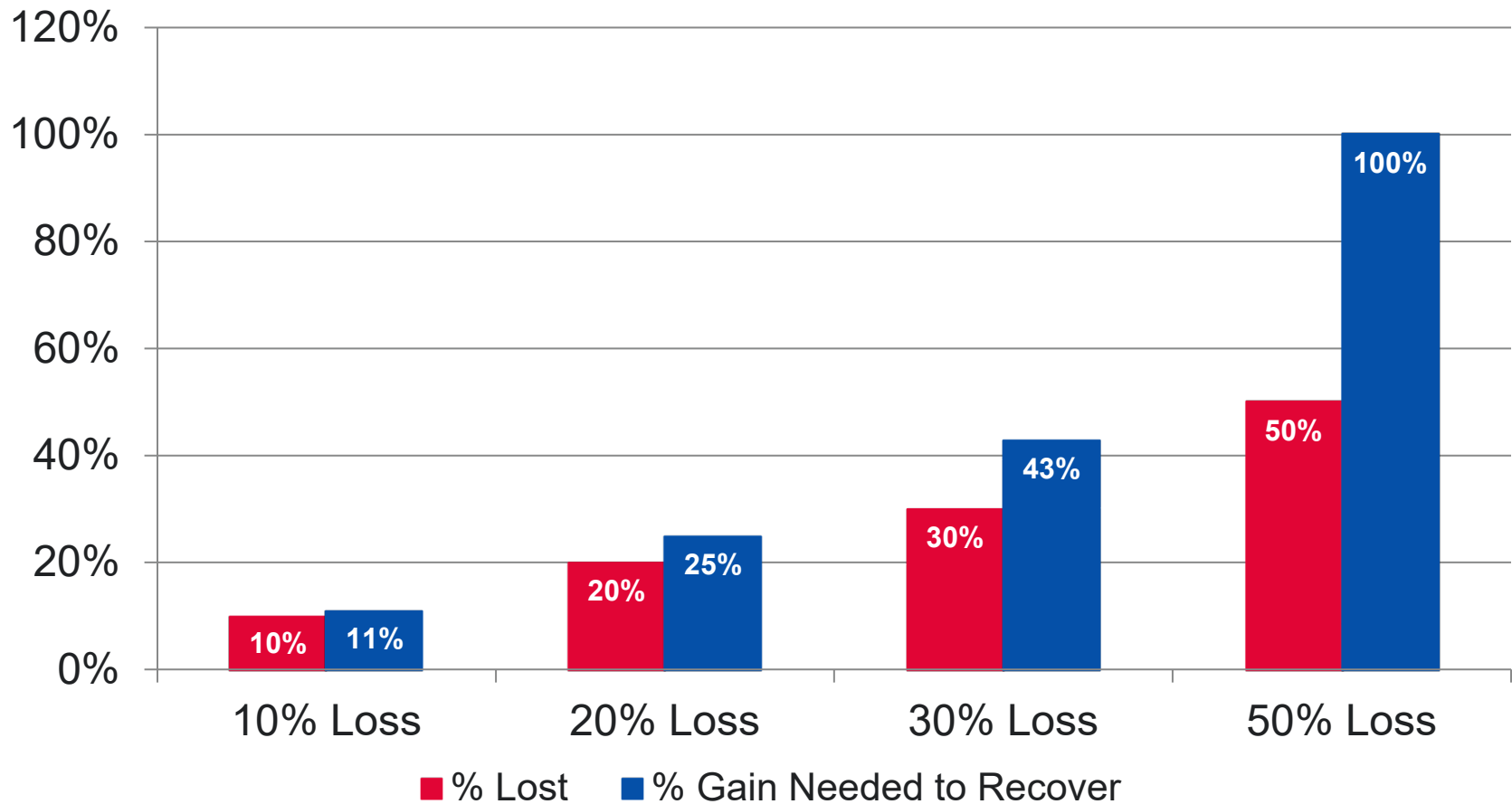
Step #3: Build an Efficient Portfolio



Optimize Your Risk-Reward Profile



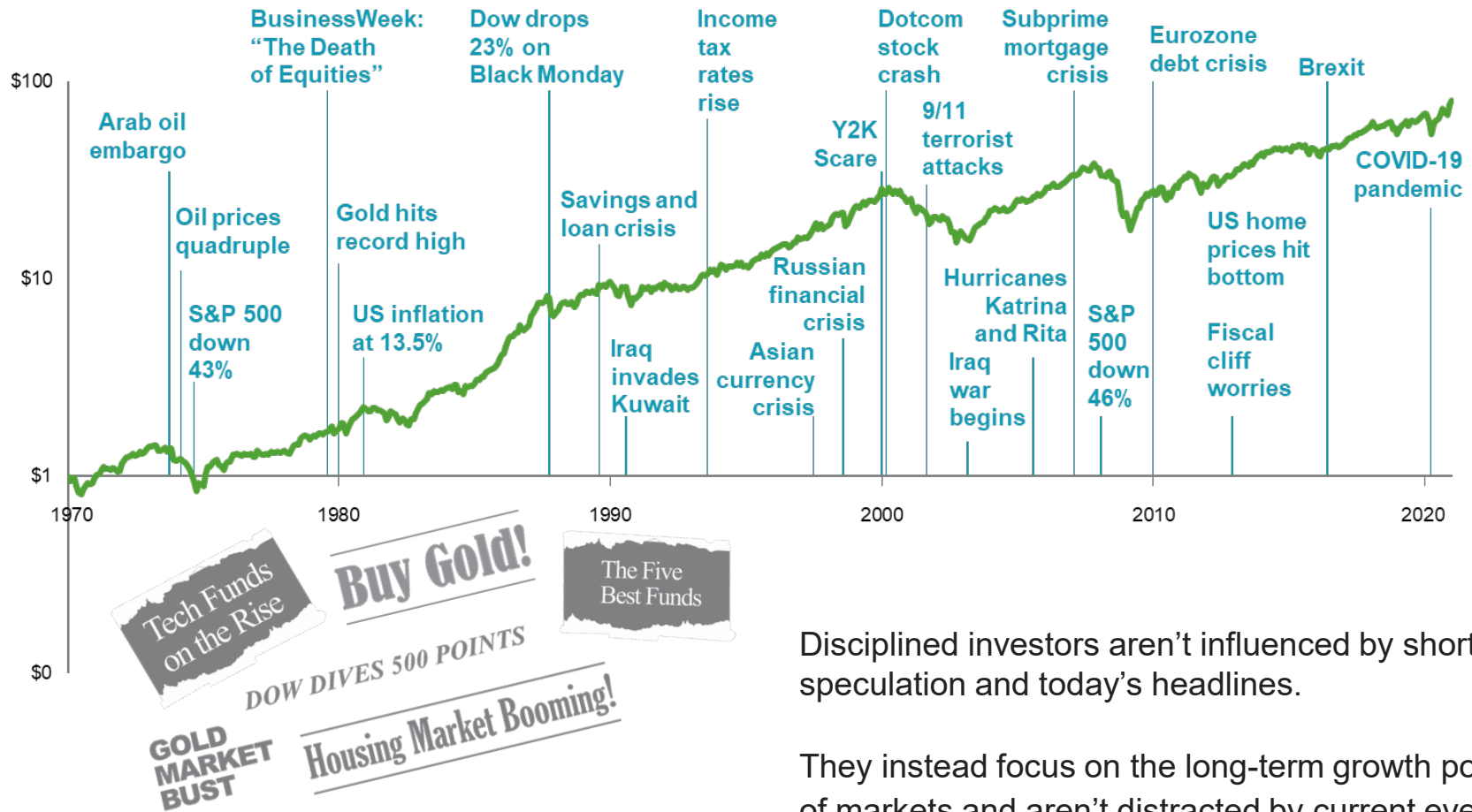
Step #4: Keep Losses Low (Don't Get Greedy)



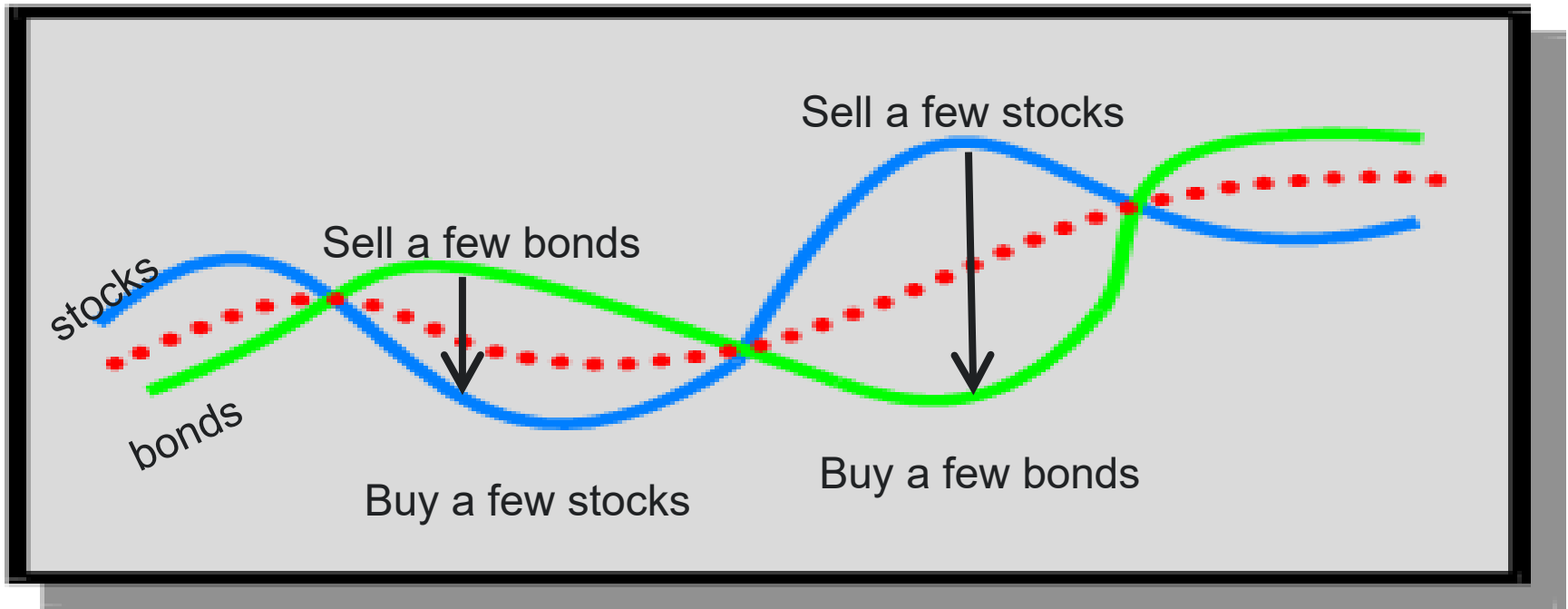


Step #5: Ignore the Noise

Growth of a dollar—MSCI World Index (net dividends), 1970–2020



Step #6 – Harvest Value by Rebalancing

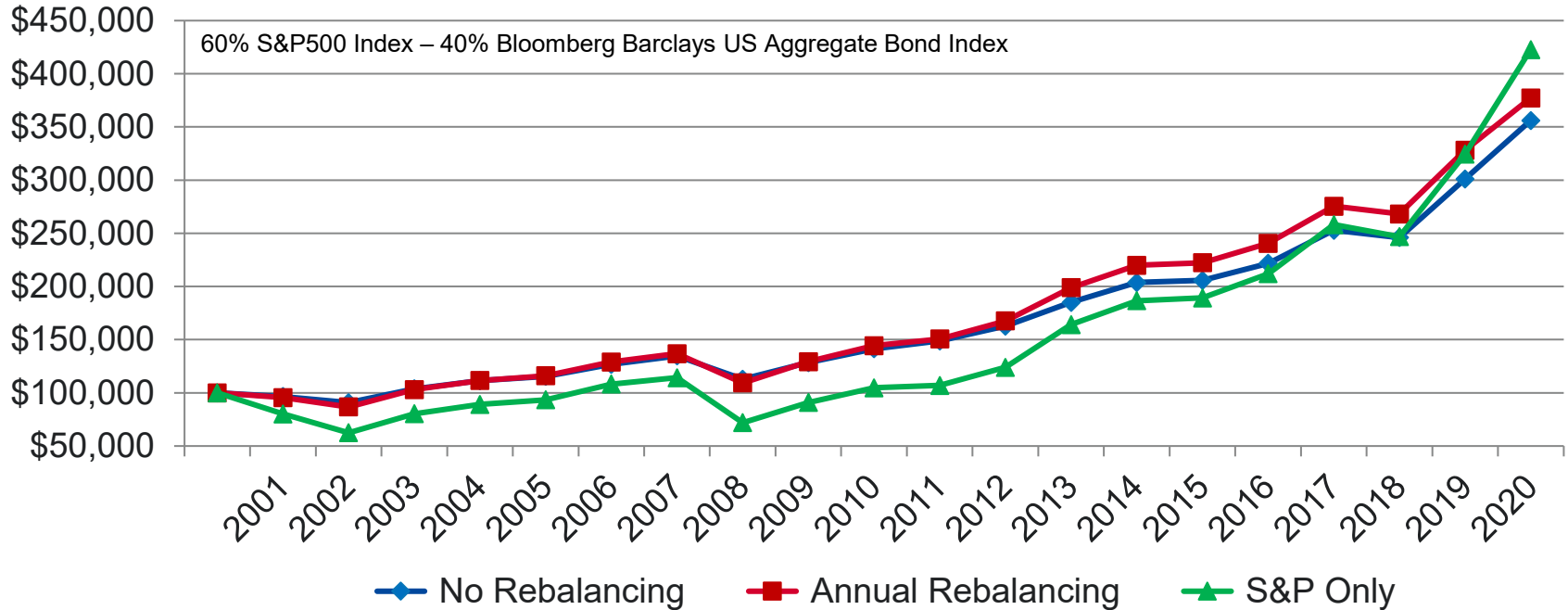


A systematic, disciplined, and unemotional approach to managing market cycles that reduces volatility and minimizes exposure to “bubbles”



Rebalancing In Action

20 Year Portfolio Performance of \$100,000 from Jan 1, 2001 – Dec 31, 2020



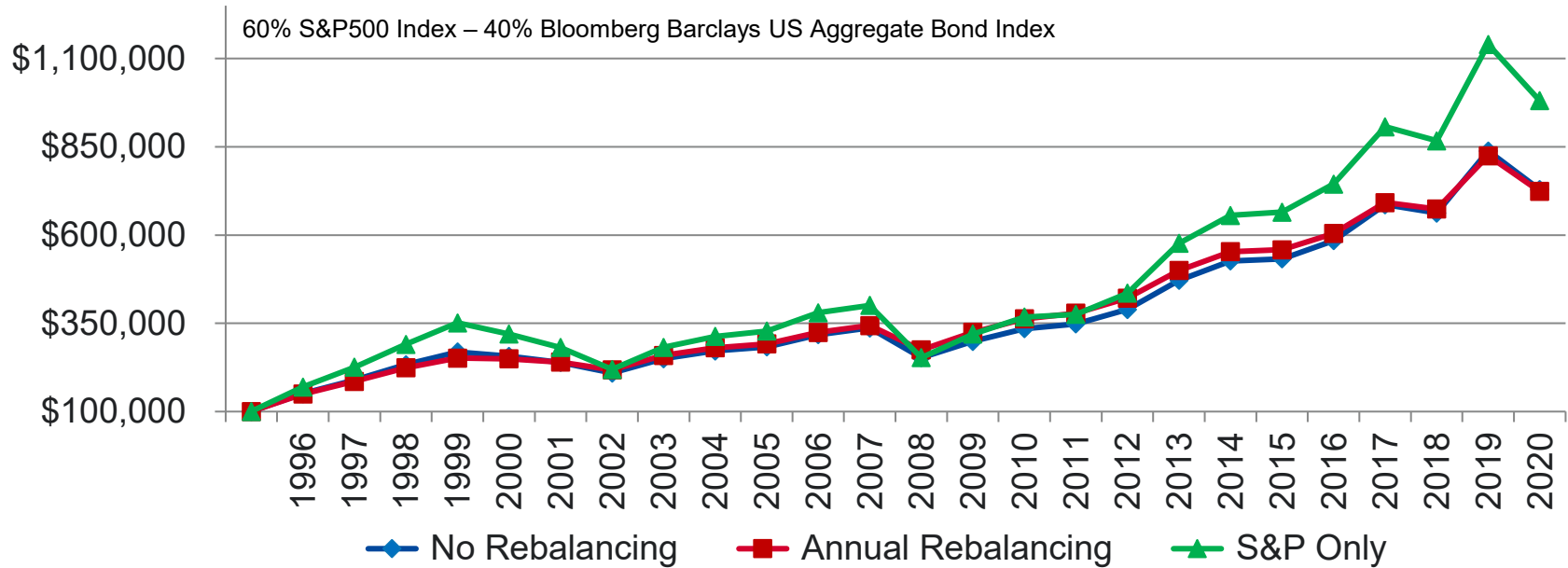
	60/40 Portfolio No Rebalancing	60/40 Portfolio Rebalance Each Dec 31	100% Allocation to S&P 500
Balance After 20 Years	\$356,079	\$377,233	\$422,705
Best 1 Year Gain	\$58,940	\$60,492	\$85,521
Worst 1 Year Loss	(\$24,783)	(\$27,746)	(\$46,447)

This is a hypothetical analysis for educational purposes only and does not represent the returns of an actual portfolio. Performance does not reflect any expenses associated with the management of an actual portfolio. Past performance is no guarantee of future results. Annual index returns provided by S&P Dow Jones, LLC and Bloomberg as reported in the 2021 DFA Matrix Book.



Rebalancing In Action

25 Year Portfolio Performance of \$100,000 from Jan 1, 1996 – Dec 31, 2020



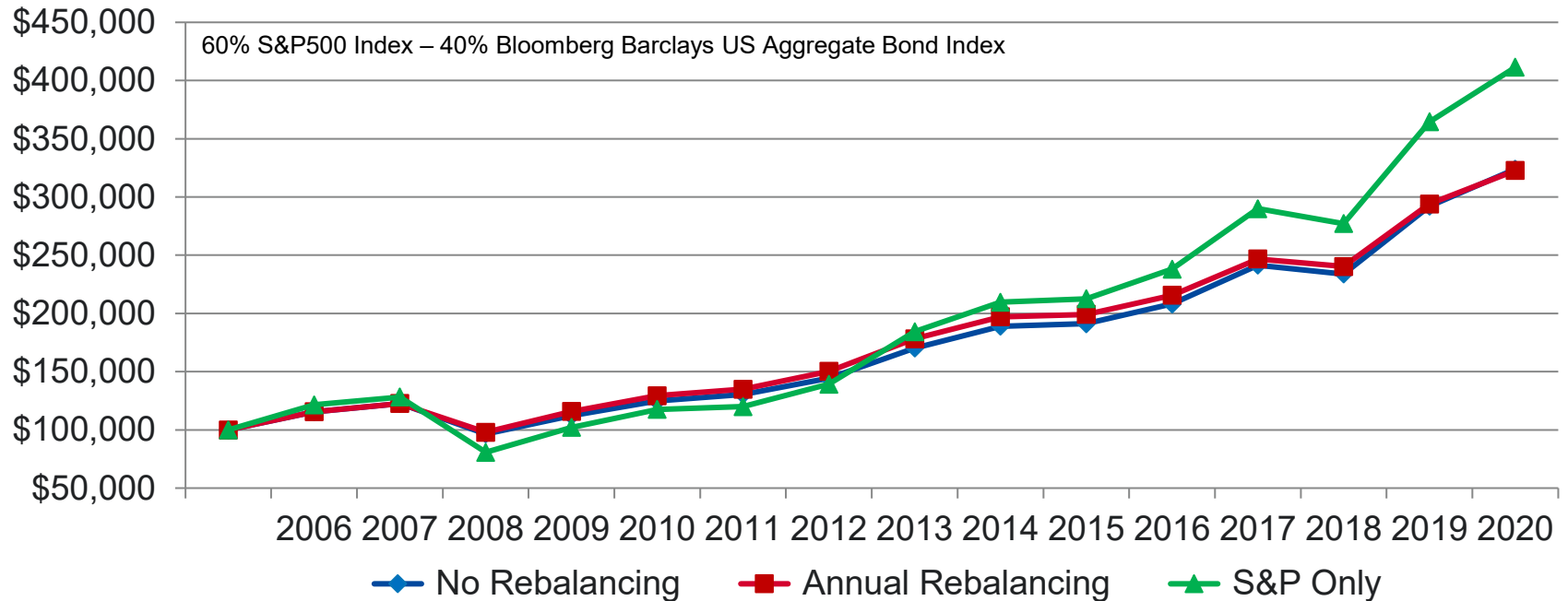
	60/40 Portfolio No Rebalancing	60/40 Portfolio Rebalance Each Dec 31	100% Allocation to S&P 500
Balance After 25 Years	\$728,750	\$723,722	\$981,044
Best 1 Year Gain	\$129,522	\$116,055	\$198,482
Worst 1 Year Loss	(\$60,459)	(\$53,231)	(\$1107,799)

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Rebalancing In Action

15 Year Portfolio Performance of \$100,000 from Jan 1, 2006 – Dec 31, 2020



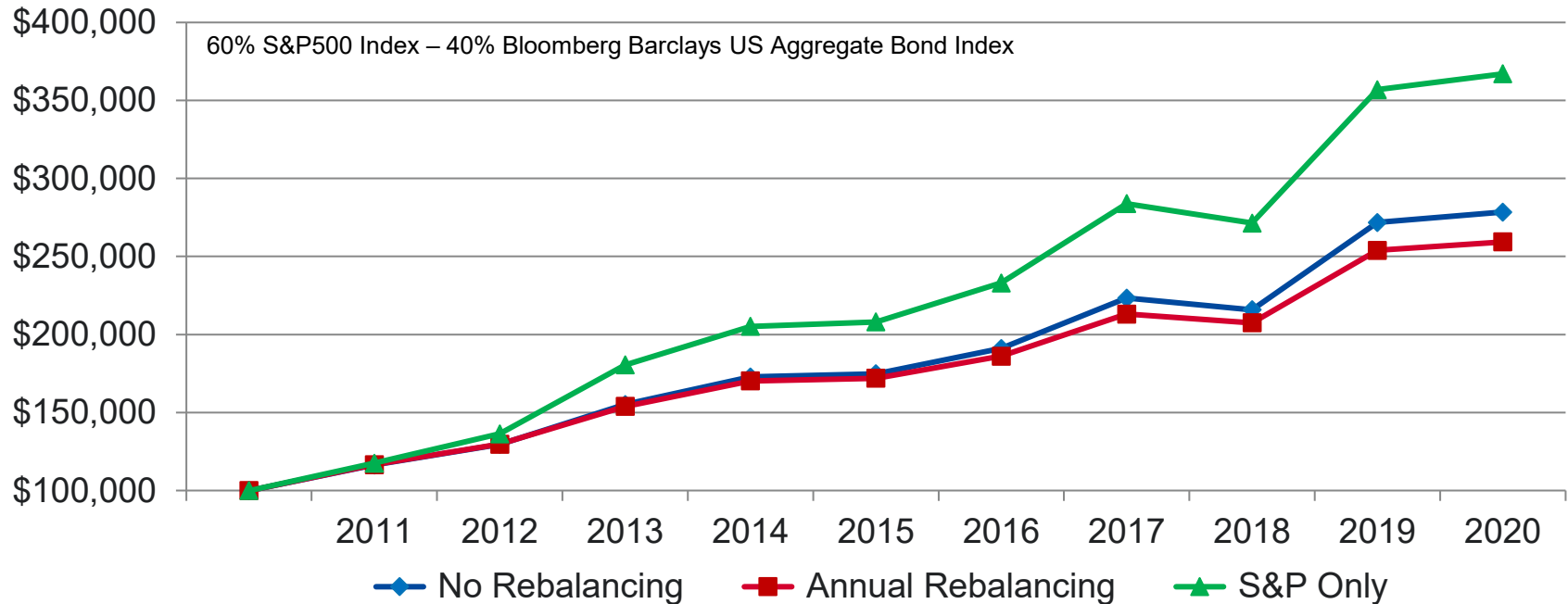
	60/40 Portfolio No Rebalancing	60/40 Portfolio Rebalance Each Dec 31	100% Allocation to S&P 500
Balance After 15 Years	\$329,898	\$322,739	\$411,375
Best 1 Year Gain	\$55,675	\$51,754	\$83,228
Worst 1 Year Loss	(\$24,800)	(\$23,738)	(\$45,203)

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Rebalancing In Action

10 Year Portfolio Performance of \$100,000 from Jan 1, 2011 – Dec 31, 2020



	60/40 Portfolio No Rebalancing	60/40 Portfolio Rebalance Each Dec 31	100% Allocation to S&P 500
Balance After 10 Years	\$278,459	\$259,333	\$367,089
Best 1 Year Gain	\$48,895	\$41,586	\$74,268
Worst 1 Year Loss	(\$6,511)	(\$5,039)	(\$10,851)

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Documented Process and Quality Control

Putting Theory Into Practice Since 1983



We help you focus on what you can control and avoid emotional reactions to market events



We manage risk and improve performance by harvesting the market's ups and downs so they work for you



We are your fiduciary and embrace our obligation to act in your best interests, today and over time.



Not only do we embrace our fiduciary status and the obligation to act in your best interest, but we put it in writing.

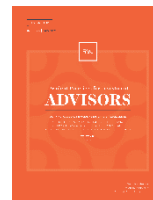
No loopholes. No gimmicks.

Brian S Lakkides, AIF® - President

Ted Lakkides, CFP® - Chairman and Founder



CFX10319



Fiduciary Oath

Investment Policy Statement



- Statement of goals and objectives
- Tolerance and capacity for risk
- Targeted asset allocation
- Duties and responsibilities
- Investment philosophy
- Selection and oversight of investments
- Rebalancing threshold and schedule
- Ongoing oversight and reviews

Investment Policy Statement

Fiduciary Processes and Investment Selection

Prepared for and Adopted by:
John and Jane Sample

Account Title:
Joint Trust Account

Date of Investment Policy Statement:
February 5, 2021

 **FINANCIAL
FREEDOM
HOUSE**

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Multi-Point Institutional Due Diligence



Inception Date

The investment must have at least a 3-year track history.

Manager Tenure:

The investment manager must have at least a 2-year track history.

Assets

The investment must have at least 75 million under management.

Composition

At least 80% of the fund should be invested according to the fund's broad asset class.

Style Consistency

Current style should match the peer group and no evidence of "style drift".

Net Expense Ratio

The investment must not be among the 25% most expensive in its peer group.

Risk Adjusted Returns (Sharpe Ratio) over 1-year, 3-year, and 5-year

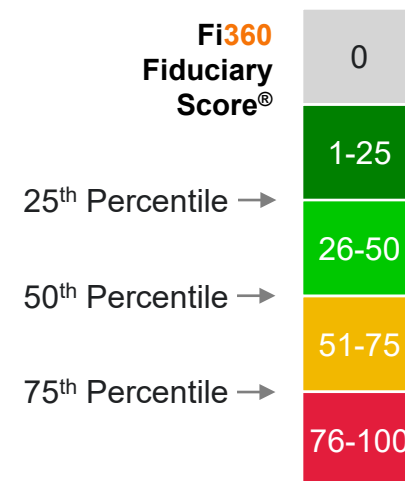
The investment must place in the top 50% of its peer group for 2 of 3 periods.

Return over 1-year, 3-year, and 5-year

The investment must place in the top 50% of its peer group for 2 of 3 periods.

Fi360 Fiduciary Score®

Top 25% for rolling 3-years & top 50% for current quarter



0 = No fiduciary shortfalls

1-25 = Minimal fiduciary shortfalls

26-50 = Noteworthy shortfalls. No need to replace

51-75 = Considerable shortfalls. Consider replacing

76-100 = Serious shortfalls. Replace as soon as possible

Screening Results Example



Few Funds Exhibit Broad-Based Excellence Over Time

Asset Class Peer Group	Total # of Funds	# of Funds with a 3-year Fi360 Fiduciary Score® 0-25	% of Funds with a 3-year Fi360 Fiduciary Score® 0-25
Universe of Mutual Funds	26,509	6,081	23%
Inter-Term Bond Funds	1,259	284	23%
High Yield Bond Funds	680	148	22%
Large Value Stock Funds	1,137	241	21%
Small Growth Stock Funds	628	144	23%
Real Estate Funds	234	63	27%
Foreign Large Blend Stock Funds	721	111	15%

Systematic Process for Quality Assurance



This is What We Do to Keep You on an Even Keel

Monitor

- Daily portfolio “alerts” monitored by Investment Committee and staff
- Weekly operational review and “check up” of client accounts
- Quarterly Investment Committee meetings (more frequent in times of market turbulence)
- Monthly due diligence analysis of individual mutual funds

Rebalance

- Whenever a +/- 20% change in weighting of mutual fund position relative to target allocation occurs
 - Example: a fund with a 10% target allocation will be rebalanced at +/- 2% (20% of the targeted 10%)
- Whenever significant new monies are added or withdrawals taken

Reallocate

- Review asset allocation of model portfolios based on updated Capital Markets Assumptions and other factors
- Adjust allocation as needed to maintain an “efficient portfolio”

Review

- Periodic review with client to update plan and reaffirm or modify asset allocation strategy

The Impact of Professional Advice is Real!!



Vanguard®

Areas of Advisor Impact	Value-add of Best Practices in Wealth Management
Proper asset allocation and diversification	More than 0% per year
Cost-effective implementation (Low fund expense ratios)	Approximately +0.45% per year
Portfolio rebalancing	Approximately +0.35% per year
Behavioral coaching	Approximately +1.50% per year
Asset location	Up to 0.75% per year
Spending strategy (withdrawal order)	Up to 0.75% per year
Potential value added by professional and fiduciary investment advice	About 3%

Based on Vanguard's analysis, advisors can potentially add "about 3%" in net returns. Although this is an annualized number, the potential 3% improvement over time will come in spurts which most likely will be greater than and less than 3%.
 (Putting a value on your value: Quantifying Vanguard Advisor's Alpha, March 2014)

2.92% Boost per Year

Help in Defined Contribution Plans: 2006 Through 2010
 September 2011

Which type of help is best for me?
 Is getting help worth it?
 Am I on the right track?
 Markets are dropping. What should I do?

financial engines | AON Hewitt

2011 AON/Hewitt study documented that 401(k) plan participants who utilized fiduciary investment services realized a 2.92% per year boost in investment performance over do-it-yourself plan participants.

Disclosures



The presentation is educational in nature and provides general information regarding retirement planning and FFH's financial planning process. It is not, however, intended to provide specific investment, legal, or tax advice.

CEFEX (Centre for Fiduciary Excellence) is an independent global assessment and certification organization that has conducted a voluntary third-party assessment of FFH's books and records to evaluate FFH's adherence to a defined fiduciary standard. The CEFEX assessment process is based upon ISO 19011 – an international standard and guideline for auditing management systems. More information about ISO 19011 can be found at www.iso.org/standard/70017.html. The CEFEX audit process is set forth at www.cefex.org/process.shtml.

CEFEX charges a fee to cover costs related to the initial and annual certification audit. FFH's fee for the initial certification audit in 2016 was \$5,000 plus travel costs and the fee for annual recertification audits has ranged from \$2,000 to \$4,000 plus travel costs. The fees paid do not have any bearing on the outcome of the audit or the determination of the CEFEX Registration Committee. Furthermore, FFH did not pay any additional fees after receiving certification in order to use the CEFEX mark or otherwise to refer to its certification.

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