Are you aware of the risks in your portfolio?

When it comes to investing, risk is often overlooked.

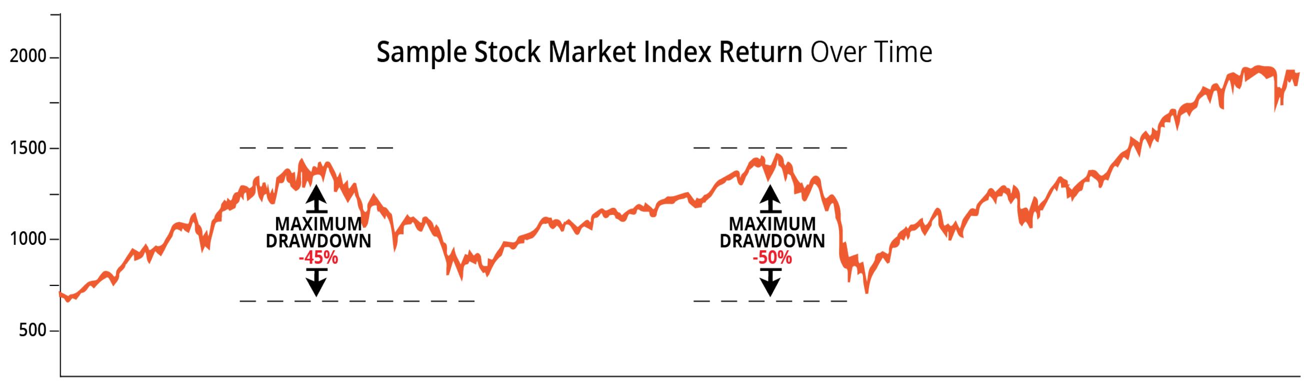
Investors tend to focus on total return without taking into consideration the amount of risk taken to generate that return.

Measuring Risk

There are many ways for investors to measure risk. However, the primary measure of risk focused on here is maximum drawdown. This term may be unfamiliar, as it is not widely used in the financial media, but is an excellent way to measure risk in the real world.

Maximum drawdown is the magnitude of decline from an investment's highest value to its lowest value during a given period. Over time, this becomes the pain factor when investments decline in bear markets.

No matter what the long term results of any investment is, you must be able to tolerate the maximum drawdown to consider it a suitable investment choice for your risk level.



This chart is for illustrative purposes only and must not be relied upon to make investment decisions.

Do you know the Maximum Drawdown of some of the largest funds in the industry?

Fund Name	Maximum Drawdown
American Funds Growth Fund of America AGTHX	-74.92%
Dodge and Cox Fund DODGX	-68.12%
Fidelity Contrafund FCNTX	-58.32%
Vanguard 500 Index Investor VFINX	-56.56%

If you are not comfortable taking on this amount of downside PAIN then it's time to reassess your risk profile and holdings.

Why Is This Important?

Mathematics of Advances & Declines

One of the major tenets of risk management is the importance of avoiding catastrophic losses.

All investments incur losses at some point in time, but it is extremely important to keep losses recoverable. Beside the simple fact that downside risk management is the key to long-term investing success, it also allows for peace of mind.

Let's look at a simplified example that examines the mathematics of advances and declines:

Year(s)	Investment A	Investment B
1	22.00%	35.00%
2	8.00%	18.00%
3	-7.00%	-30.00%
Annualized	7.01%	3.70%

Most investors would select Investment B based solely on the large gain in year 1. However, if you annualize those numbers the importance of avoiding catastrophic losses becomes very apparent.

The reason behind this outcome comes down to simple mathematics that most investors ignore:

Let's say you start with $100,000 and lose 50%. That account is now at $50,000, and in order to get back to your original investment you would need a 100% return.

Conversely, if your account declined 10% it would be at $90,000 and in order to get back to your original investment you would only need a gain of 11.1%.

If you'd like to have an experienced financial advisor, who will put your best interests first, take a look at your current retirement plan to see how well your current investments are supporting your goals for the future, please contact us.

We'll review your portfolio with no pressure to work with us.

DISCLOSURE STATEMENT

*Data from Ycharts using funds with an inception date greater than 10 years.

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IMPORTANT DEFINITIONS USED IN THIS REPORT

Drawdown: A Drawdown is any losing period during an investment record. It is defined as the percent retrenchment from an equity peak to an equity valley. A Drawdown is in effect from the time an equity retrenchment begins until a new equity high is reached.