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# Money Matter\$



A Quarterly Newsletter from Sommers Financial Management

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## A Letter To Our Advisory Clients—It Can Save You Money

by Adam Sommers

This is a test. Are you reading these quarterly missives?

After speaking with a client about how we should implement our new fee structure, we were advised that it's always better for the service provider to leave things as they are, unless the customer takes action to change them. We all know how frustrating it is to get those new account agreements that go into effect whether we like them or not. So we're giving you a choice.

It is with this newsletter that we announce an optional (you must opt in or it doesn't change for you) change to our fee structure for 2014 and beyond. Instead of simply telling you we're reducing your advisory fees, you must take action—as there is a small catch. (more on that later)

We will be changing from a "linear" fee schedule to a "tiered" fee schedule. So instead of the client with \$99,999 paying \$48/quarter more than the client with \$100,001 under our management (crazy, isn't it?), it will be a more reasonable transition to reduced fee tiers.

I will tell you that if all clients opt in to the new fee schedule, it will result in a 9% reduction in

our advisory fees collected. We're okay with that. First, as we grow in assets under management, our fixed costs remain the same, allowing us to provide our services at lower rates. Second, as technology efficiencies are gained, investment products and service costs are declining. By reducing our average fees we will become ever more competitive in the investment advisory space. Given all of your options, we feel no one in this day and age should pay more than 1% for investment advice and management.

"So what's the catch?" you ask? In the past, we've billed our fees "in arrears", or after the quarter ended. With the new fee structure, we will now be collecting prepaid quarterly fees. So the first quarter billing after you opt in (if you opt in) will effectively be a double-billing.

The other small catch is that clients with assets between \$100,000 and \$250,000 under our management would see no reduction in fees until they cross the quarter million dollar mark. (It's just the way the math works out.) We'll line out the differences on the next page.

*(Continued on page 2)*

## ETF Extra — Horizons S&P 500 Covered Call ETF (HSPX)

We've added this covered call strategy to client accounts that desire lower volatility exposure to the S&P 500. The Horizons S&P 500® Covered Call ETF (HSPX) consists of long positions in the stocks of the S&P 500® Index and corresponding short (written) call options on option-eligible stocks in the S&P® 500 Index. The call options are written out-of-the-money, whereby the exercise (or "strike") price of the option is above the market price of the stock, allowing partial participation in stock market advances, while generating option income to offset small declines in stock values.

### HSPX's Notable Statistics

Inception Date:	June 24, 2013
ETF Sponsor:	Horizon ETFs
Current price/share:	\$44.17
Avg. Daily Volume:	7,830 shares
Total Assets in the Fund:	\$ 26.5 mil.
Expense Ratio:	0.65 %

"So what's the catch?" You ask?

### 5-Year Returns

**Dow Jones Industrial  
30 Average: 13.6 %**

**S&P 500 Large Com-  
pany Index: 15.4 %**

**NASDAQ Composite  
Index: 21.5 %**

**Russell 2000 Small Co.  
Index: 18.4 %**

**SFM's 'MODEL 25'  
PORTFOLIO: 14.9 %**

**SFM's 'NAKED ALPHA'  
FUND: 12.7 %**

(see back page for current stock holdings in the Model Portfolio)

## SFM's ORIGINAL "Model 25" STOCK Only Portfolio

Company Name	Value Grade	Cash Flow	Risk Grade	Market Cap
Apple, Inc.	B	A-	B	Mega
Abbott Laboratories	B+	B-	B	Large
American Eagle Outfitters	A-	B-	B	Mid
CF Industries	A-	A	C	Mid
Coach, Inc.	C	A-	A-	Mid
Holly Frontier	A-	B-	D	Mid
Honda Motor	A-	D	D	Large
Interactive Brokers	A-	A+	D	Micro
IBM	B-	C	A+	Mega
Intel	A-	C	B	Large
JP Morgan Chase	B-	A	B	Mega
KLA Tencor	C	A-	C	Mid
MasterCard	D	A-	A+	Large
Mosaic	C	A-	B+	Large
Qualcomm	C	A-	A-	Large
Questcor Pharmaceuticals	A-	A+	D	Small
Southern Copper	C	B+	A-	Large
Siemens	A+	B-	C	Large
Seagate Technology	B-	A-	C	Large
TJ Maxx	C	B-	A+	Large
Terra Nitrogen	A-	A+	B	Small
Taiwan Semiconductor	D	A+	A-	Mega
Tata Motors	D	A	A+	Large
United Therapeutics	B+	A	D	Small
Exxon Mobil	B-	B-	A-	Mega

## Is this a good deal for you? Continued from page 1

Original fee structure (existing clients only), billed in arrears:

Clients' Aggregate Assets	Annualized Fee
Under \$100,000	1.2%
\$100,000—\$1,000,000	1.0%
\$1,000,000—\$3,000,000	0.8%
\$3,000,000—\$5,000,000	0.6%
\$5,000,000—\$10,000,000	0.4%
Over \$10,000,000	0.2%

**Our new fee structure** (prepaid quarterly), available to new & existing clients:

Clients' Aggregate Assets	Annualized Fee
The first \$250,000	1.0%
The next \$750,000	0.8%
The next \$2,000,000	0.6%
The next \$2,000,000	0.4%
All assets above \$5 million	0.2%

For example, a client with \$500,000 will have a blended fee rate of 0.90% with the new agreement, versus 1.0% according to the original arrangement—a 10% annual savings. I encourage you to do the math based on your situation (your aggregate balance is included in our quarterly mailings), and if you're interested in changing to the new fee schedule, simply call or email Joyce or Tina at the office and they'll send you an Advisory Agreement Addendum.

We know that you have many options when it comes to investing your money (we watch CNBC and professional sports commercials too); and we want to thank you for your continued trust as you allow us to help you make the most of the money you worked hard to save. We look forward to improving our service offering through both technology, and personal interaction—even while reducing our fees.

2013 turned out to be a terrific year for your investments, and I am grateful for the opportunities that still abound. I am looking forward to another year of success, growth and prosperity for all in 2014.

*P.S.*

*I will be in the Oregon office the week of February 17th through February 21st. If you'd like to make an appointment to chat about your investments or your retirement plan, please let us know and we'll schedule a time to meet. I am looking forward to another full meeting schedule—and seeing many of you. Of course, I'm always available via phone or email in the meantime.*

*Teresa, the girls and I are looking forward to being back in Oregon for our summer stay in the beautiful Pacific Northwest. The girls touch down at PDX the last day of May.*

### SFM ORIGINAL Model "25" Portfolio

#### vs. A Relevant Benchmark

	SFM Model 25	S&P 500 Index
3 Month Return:	11.1 %	9.9 %
12 Month Return:	22.2 %	29.6 %
3 Year Average Annual:	12.8 %	13.7 %
5 Year Average Annual:	14.9 %	15.4 %
Since Inception (6/1/2003):	11.5 %	6.3 %