Defined Income Portfolio

Analyze the financial plan

We recognize that everyone's needs are different, and the financial plan you create will be unique to your client's circumstances. When we analyze the financial plan, we determine what the investor's future income needs are and how we can meet them.

Define the time horizon

Depending on the financial plan and investor's preferences, we will use one of two approaches to define their time horizon; Time Horizon Approach or the Asset Allocation Approach.

Time Horizon Approach

We start with the length of time you choose to protect the investor's income stream. The fixed income allocation is based on the time horizon decision. This time horizon can be any length, but the most common is between 5 and 10 years. The length is a function of the cost of the securities needed to build the income portfolio that will produce the cash flows needed to match the income stream.

Asset Allocation Approach

The Asset Allocation approach starts with the fixed income allocation and solves for the length of horizon the income portfolio can support. By converting a fixed income allocation to a protected income stream, we're able to get double duty from the allocation. First, the portfolio will now generate predictable income linked directly and intuitively to the financial plan. Second, we will still achieve the expected volatility dampening effect that fixed income investments bring to any portfolio.

Income Portfolio Benefits:

- Establishes a deferred income strategy when approaching retirement
- Balances the need for predictable income and the long-term probability of success
- Creates a "retirement paycheck"
- Immunizes cash flows from changes in interest rates
- Keeps investors in control of their assets
- Provides flexibility as circumstances evolve
- Makes a profound retirement strategy intuitive

Match investments to future income needs

Using our proprietary algorithms, we find the right investments, at the right prices in the right quantities that mature at the right times to create predictable cash flows that match investor's future income needs. Some investments we utilize include TIPS, CD's, Treasuries, agencies, highly-rated corporate, municipal or similar investment grade fixed income securities

Adjust the portfolio to create predictable income for a lifetime

Once the initial portfolio has been established, it can be extended or rolled forward each year to provide a perpetual stream of income covering an investor's lifetime. Our Critical Path® system provides the benchmark that drives the dynamic rebalancing process that determines whether or not to roll the portfolio. Again, we place the financial plan at the core of the portfolio construction process.

Disclosures

Asset Dedication, LLC is a portfolio engineering firm that partners exclusively with selected financial advisors to design dedicated investment strategies customized to the individual needs of each person. Customization is the cornerstone of the Asset Dedication approach, creating investment strategies unique to each person and each situation. Portfolios are built to client specifications to accurately determine how much of a portfolio should be dedicated to supplying cash for the short run, providing income for the intermediate term, and generating growth for the long term. The portfolio is then monitored using the Critical Path® system to make sure it stays on target.

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