

Iron Path's New and Improved Investment Strategies

Investment management is a constantly changing landscape with new products being released all the time. These products range from snake oil to revolutionary. Telling the difference between the two is one of the most important roles an investment manager must fulfill. The only way to do this successfully is to have a strong understanding of the fundamental drivers of risk and return and view each new offering in the context of whether it is an improvement. If it is an improvement, there must be an incremental difference that is worth the time, effort and occasionally expense to switch.

There are some core beliefs that Iron Path has built regarding investment management. These beliefs form a gate around our portfolios to keep dangerous ideas outside.

Some of these core beliefs are:

- **Diversification**
- **Tax-managed**
- **Low cost**
- **As predictable as possible**
- **Not relying on a “star manager”, luck or a short-term market environment**

As our second year in operation approaches, we now have four investment approaches to offer clients that combine our core beliefs with the needs of current and future clients.

1. **Robo advising** – In the past 10 years, Robo advising has gained in popularity. Betterment offers a solution where the investment process is highly automated but also combined with the insight of an advisor. This has become the preferred offering for many young clients, especially children of clients, to provide them with the help they need in a simplified system. Robo advising is somewhat of a misnomer, it is really a “Robo investment” platform. They don't do many of the jobs of an advisor, but they can build and maintain a portfolio.
2. **Customizable Exchange Traded Fund (ETF) Portfolios** – By far our most popular and longest-running option. Portfolios are researched, created, and maintained by Iron Path Wealth Management for exceptionally low costs and with a keen eye on managing taxes within a broadly diversified portfolio. These portfolios are designed to be representative of the global economy at varying levels of risk. Tax loss harvesting, rebalancing, allocation adjustments and all the other portfolio management jobs are completed inhouse to client specification.
3. **Factor-Based Mutual Funds** – Dimensional (formerly known as DFA) offers low-cost mutual funds and ETFs that are more actively managed than our other offerings. While diversification is at their core, Dimensional also utilizes factor-based investment strategies. Their philosophy is that certain investment styles in the long-term may lead to outperformance. The three factors they focus on for stocks are value, size, and profitability. These funds have the potential to underperform OR outperform the index in any year, but the financial research indicated that over many years it may lead to better results.

4. **Direct Indexing** – Our newest offering is an exciting way to customize your investments. The aim is to replicate the performance of an index by building a portfolio of representative stocks. They distill an index with thousands of holdings down to a much more manageable portfolio that maintains most of the characteristics of the original index (such as the S&P 500 or Russell 3000).

There are two main reasons that this is one of the biggest up-and-coming investment approaches:

(1) The management company actively buys and sells the stocks it holds to capture the largest amount of capital losses as possible. Within an index in any year some holdings go up and others go down. They can capture those losses without impacting the overall risk of the portfolio. These losses may be used to offset unrealized capital gains that are already in a portfolio, new capital gains or carried over for future years.

(2) These portfolios are highly customizable. For clients that are looking to have their investments represent their social beliefs or to exclude certain companies or industries, this can be accomplished with relative ease. If you are looking to build a portfolio that really represents you, Iron Path can now help you accomplish that goal.

Vanguard and JP Morgan have both recently acquired companies that are offering this platform with hopes to unveil it to clients next year. We can have clients enrolled immediately!

Each of these solutions embodies Iron Path's core beliefs while also having a place in various client's portfolios. Except for Betterment, all these strategies are also available for existing and new accounts on Charles Schwab's trusted platform.

The primary goal of all these investment approaches is exposure to the broad capital markets. Beyond this, they can provide customization, tax management, low expenses and a reasonable degree of predictability. They are not making promises they cannot fulfill about wild outperformance.

If you are interested in learning more about any of these strategies, please feel free to contact Dan@IronPathWealth.com to set up a discussion. In some reviews we will be discussing the relative merits of changing strategies where it is appropriate. Iron Path's compensation is identical across all strategies, so the singular goal is providing the best possible approach for your family's investments.