

# ALPINE PERSPECTIVES

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## What Is Your Investment Risk Profile?

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Investment markets go up, investment markets go down...but does your ability to tolerate risk also fluctuate? If you are a typical investor your risk tolerance goes up in rising markets and goes down in declining markets, a natural outcome of human behavior. The recent high level of market volatility over the last year has resulted in investors being more reluctant to allocate funds into higher risk assets such as stocks. This is verified by the high level of cash, cash equivalents, and bonds in investor portfolios. At the other end of the spectrum many investors and their advisers were allocating increasing amounts of funds to riskier assets during the last cyclical 2002-2007 bull market. Understanding and measuring your own investment risk tolerance

will help in setting the general weighting parameters for your asset classes. Also governing your asset allocation will be the goals and objectives you have defined in your personal financial plan. How is an individual's risk tolerance determined? Most planners will have a client complete risk tolerance questionnaire, along with an interview-based assessment. What factors other than answers to questionnaires should be considered in assessing risk tolerance? Other issues to address are time horizon, income, current and anticipated financial resources, retirement plans, and health. It is important for you and your planner to not confuse time horizon with risk tolerance, a mistake the current market environment has exposed. Just because you have

a long time horizon does not mean you have the ability or even the willingness to accept the kinds of volatility recently experienced. A competent adviser will use several tools to judge your risk tolerance and will communicate with you in rising and falling markets to gauge your change in attitude toward risk. Equally as important will be your adviser's ability to understand, evaluate and act on the changing profiles of risk in the economy, the markets, and asset classes. It is clear that your risk tolerance and the risk of the financial markets are not constant over time. My philosophy has been to understand each of my clients' attitudes and tailor a financial plan and investment strategy that is reflective of their individual needs and goals.

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## Have You Planned For Your Final Hours?

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Health care...certainly a hot topic at the moment. What about your health care when your final hours are at hand? Should you have a living will that specifies what kind of care you desire at the end of life, when you possibly are unable to speak for yourself? This is one aspect of personal planning that many people are reluctant to talk about let alone plan for. Advance directives are lawfully drafted instructions that provide medical care gives the type of care you are to be given if you are unable to articulate (if you are in a coma, for example). Doctors, lawyers, and ethicists have been advising Americans to address these end-of-life issues for some time. However, less

than one third of U.S. adults and less than half of nursing home patients have completed this important element of planning. Many people do not understand the options or the consequences, or they are confused by the legalities, according to a report prepared for Congress by the Rand Corporation. Some people are of the attitude that if they get to that point in life they do not care what happens to them. However their decedents certainly do! Advance directives could be considered as much for the living as they are for the dying. Without specific instructions, it will fall to family members or others to decide whether artificial means, and how long they are to

be used, to keep you alive. These individuals would also then be responsible for determining what level of disability you would be willing to live with and how to let you die if you had no hope of recovery. What typically happens if no advance directives are in place is that survivors feel responsible to prolong life as long as possible and hope for a miracle. Some studies have found that most individuals would not desire life sustaining care if they were in an irreversible state. Although some religious beliefs require that every effort be made to prolong life, a living will can be used to address these religious convictions by requesting that all (*cont. on next page*)

“I am ready to meet my Maker. Whether my Maker is prepared for the great ordeal of meeting me is another matter.” — *Winston Churchill*

## Have You Planned For Your Final Hours? (cont.)

(cont. from prev. page) possible measures be used to extend life. A living will puts forth what kind of care you would choose to have in the event of different situations should you become terminally ill or injured, or if you should become permanently unconscious. As every situation cannot be anticipated a durable power of attorney for health care allows you to appoint someone to make end of life health care decisions for you. Most states have their own versions and they are generally available online. For the Colorado version go to <http://www.cobar.org/Docs/livingwill1003.pdf> and for form instruc-

tions go to <http://www.cobar.org/Docs/instructionsforlivingwill.pdf>. You can also add instructions regarding dealing with pain, whether you want to die at home or in a hospice, and any other artificial means of sustenance such as a breathing ventilator. It is important that these advance directives be communicated with family and friends, and that they be readily available to provide to medical care givers in the event of an unexpected medical crisis. Some people have provided their local hospital and primary physician with these documents.

**Common  
Sense Corner:  
General  
Topics For  
Your Every  
Day Living**

## Do You Really Need It? And Pay-to-Play.

Know when to buy...know when to walk away, the old Kenny Rogers song about gambling can be applied to your shopping experiences and can help with your cash flow. **W.E.A.L.T.H.** keep this simple acronym in mind when strolling through your favorite shopping mall or neighborhood car dealer. **W** = want/need, **E** = ego, **A** = add-ons, **L** = lifestyle, **T** = time, **H** = happiness. The first letter **“W”** breaks down your potential purchase into choosing something that is necessary to your life/business/health, or goes more to satisfying an emotional desire. The second letter **“E”** has to do with “keeping up with the Joneses.” Would the less expensive option serve your needs as well without providing you with the ego adrenaline rush? The third letter **“A”** relates to add-ons that are usually required but not necessarily understood when making a purchase. These add-ons can be very expensive when calculating the cost over time of making the product or service purchase. The **“L”** denoting lifestyle has to do with the “ripple effect” of making a purchase. Once you make a financial commitment many if not all of your subsequent purchases are influenced to maintain the desired level of lifestyle. **“T”** for time, your most valuable resource. Does your new purchase require you to devote more time to up-keep, maintenance,

etc.? The sixth letter **“H”** has to do with the happiness factor. Is it an enduring or fleeting/frustrating emotion?

**Pay-to Play.** This is a very relevant topic given the dramatic changes taking place in several important facets of the American way of life. The old investment phrase of “follow the money” can also be applied to your elected constituents as they rewrite the various rules in our governing laws. You can use the Federal Election Commission’s data [www.fec.gov](http://www.fec.gov) to see who has given and how much to whom in the House and Senate...and even Presidential elections. Or you can click on [www.opensecrets.org/](http://www.opensecrets.org/) where the folks from what appears to be the truly non-partisan Center for Responsible Politics will let you know not only which individuals donated to which members, but what industries gave the most. This site is not just a static data base, it is news topic sensitive to provide browsers information on current political hot-buttons.

