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HIGHLAND *COLUMNS*

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The Biggest Fund Company You Have Never Heard Of

By: Adam S. Drake, CFA

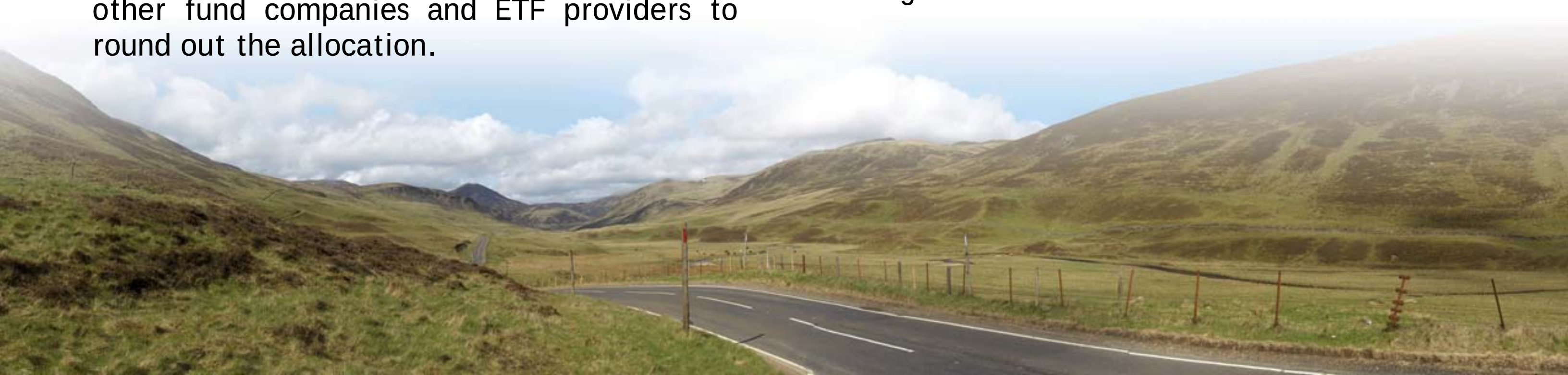
One mutual fund company rose to the top of nearly 700 companies nationwide last year. For Highland clients, the company's name is a familiar one. For most other investors, it is one of the largest mutual fund complexes nobody has heard of. In 2010, Barron's rated Dimensional Fund Advisors (DFA) the #1 mutual fund company in the US. DFA, based in Austin, Texas, oversees more than $200 billion in assets and offers access to its funds exclusively to fee only advisors who share its investment philosophy. The philosophy we share is 1) diversify globally, 2) keep costs low, and 3) stay fully invested in an asset allocation consistent with the client's objectives and risk tolerance in order to take best advantage of the performance of the market.

We are fortunate to be one of a handful of firms in Wisconsin (there are fewer than 10)to be able to offer DFA funds to our clients, as we have since the founding of our firm nearly five years ago. While DFA funds play an important role in our model portfolios, we use funds from a variety of other fund companies and ETF providers to round out the allocation.

> *"It could be the perfect time to ditch the risk of active investment management altogether and reach for an index fund."*

Inside This Issue:

How else does Highland, and ultimately our clients, benefit from our relationship with DFA? DFA provides us with outstanding portfolio analysis and financial planning software, data, and learning opportunities (webinars, conferences, academic research papers), as well as access to their capable staff of investment professionals. Full disclosure: no financial relationship exists between our two firms; we do not pay DFA, nor does DFA pay us anything. These resources have made us more knowledgeable investment advisors, which in turn makes our clients' portfolios stronger.



Biggest Fund Company, Continued

What was the key to a successful investing experience in 2010? According to David Booth, CEO and co-founder of DFA, "What was important last year [2010] was to stay fully invested. We take diversification very seriously. We tend to be more global than other fund families." Booth went on to say, "it could be the perfect time to ditch the risk of active investment management altogether and reach for an index fund." In our view, these principles will be key to a successful investing experience going forward.

Would you like to learn more about our portfolio management capabilities? Call us for a complimentary review of your current portfolio.

Ken Karr, CFP and Adam Drake, CFA are partners at Highland Investment Advisors, LLC, a registered investment advisor (RIA) providing investment management and financial planning since 2006. Based in Milwaukee, WI, the firm serves clients in eight states and manages investments for individuals, retirement plans, not-for-profits, and independent investment advisors. They can be reached at 414-755-2309 or info@highlandinvestmentadvisors.com

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Financial News vs. Financial Noise

By: Kenneth E. Karr, CFP

For those of you with great short-term memory, you may recall that on June 23rd, the Dow Jones Industrial Average dropped about 200 points shortly after opening. This grabbed the attention of the financial media, which came out with several online stories laying blame for the Dow's downdraft on Greece's deteriorating debt problems and civil unrest.

When I returned from lunch that day, I found a phone message from a reporter at the local newspaper, seeking comment about what the morning's market slide meant for investors. Never at a loss for words, I called the reporter back. We had a very pleasant conversation, maybe ten minutes, during which I made the following salient points:

> *"If past history was all there was to the game, the richest people would be librarians."*

1. The headline grabbing news from Greece was meaningless "noise" propagated by the financial media. Its part of what we call "financial pornography".

2. Even if Greece's civil unrest was the causative factor for the market decline, so what? What happened in Greece 6-12 hours earlier has no predictive power as to future market behavior.

3. As passive investment managers, we focus on things we can control: portfolio diversification, investment risk, expenses, and, to some extent, tax efficiency.

News vs. Noise, Continued

I anxiously waited for the paper's next edition to see my name and wonderfully insightful words in print. When it finally appeared the next morning, the article quoted many other financial professionals, but not me. My comments must have been too mundane. The article instead quoted several other financial types who expressed their views on the current markets and potential long-term implications. One investment manager even said that due to instability in Greece he, "…was cautious on the markets." How wrong he was! Now, as I write this article ten days after the fact, we have just experienced one of the best market rallies in two years! If the news of the June 23rd panicked investors to get out of the markets, where were the headlines telling them to get back in so they could enjoy the huge rally? I missed that news bulletin.

The moral of this modern day Greek tragedy: being dull and boring, and keeping your eyes on the road ahead, is better than driving your car by looking in the rearview mirror and crashing. By ignoring overheated headlines, passive investors can ride out bumps in the market that more reactionary investors get stuck in. Two quotes from Warren Buffett are also fitting here: "In the business world, the rearview mirror is always clearer than the windshield" and "If past history was all there was to the game, the richest people would be librarians."

Giving Back: Adam Drake's Alumni Spirit Runs Deep

Giving back to the community in which we work and live holds importance to us. Highland has supported various organizations through time or financial donations since our founding nearly five years ago. We have affinity with organizations such as Make a Difference Wisconsin, Historic Concordia Neighbors, Inc., and the Milwaukee Rescue Mission.

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Sheldon B. Lubar School of Business

Adam Drake's volunteer work at the University of Wisconsin – Milwaukee (UWM) Alumni Association is admirable and noteworthy. During the past three years, he has served on the Finance Committee of the UWM Alumni Association and he will begin serving a three-year term in July as a Board Member. Further, the Sheldon B. Lubar School of Business Alumni Chapter at UWM recently appointed him as President of the Chapter. The Lubar School currently has over 26,000 alumni throughout the world. Adam was instrumental in founding this chapter, with the help of fellow alumni and Lubar School staff. Adam graduated cum laude from UWM with a Bachelor of Business Administration Degree in Finance in 2000.

We would like to congratulate Adam on his continued commitment to our community! Do you have a cause that is important to you? Do you volunteer your time or money to this cause? We would like to hear from you.

Business Succession Planning for Family Businesses

By: Carol Roth

The reality is that there is no entrepreneurship gene that is passed down from generation to generation.

While any given entrepreneur may have the skills, experience and passion required to make his business successful, there is no guarantee that his heirs will have what it takes, let alone the desire, to successfully pursue the "family business".

Many owners of family businesses believe that they are doing their heirs a favor by passing down the business. Usually this is because of emotional ties to the business. Actually, many families have a large part of their wealth tied up in the business, creating an "eggs all in one basket" scenario. Often the best strategy in a succession is a full or partial sale of the business, so that the heirs can take the proceeds and diversify those in a variety of investments to satisfy income growth and income preservation strategies.

The best way to maximize the value in a sale where the CEO/entrepreneur is looking to retire is to start planning early enough (a minimum of five years before the desired retirement date). This is because many buyers will want the entrepreneur's expertise in a transition and an entrepreneur that is going AWOL the day the sale contract is signed will equate to a much lower valuation for the business. Plus, many financial buyers (who currently account for a large portion of M&A activity, especially for middle market businesses) will only participate in a sale process if the entrepreneur is going to stay on board for some period of time.

Bottom line…an entrepreneur has to start planning early in order to maximize the value to both him and his heirs.

Carol Roth is an investment banker, business strategist, and dealmaker. She is a frequent radio, television and print media contributor. She can be reached at 847.215.4880 or croth@intercapmp.com.

What's the Password?

By: Al Young

I recently probated the estate of a young man who died unexpectedly. John was tech-savvy, paid all of his bills online, and received all of his bank statements and investment account statements electronically. John was single, so he named his mother Gail as personal representative in his will. (All names have been changed to protect identity.)

One of the first questions I asked Gail was, "What did John own at the time of his death?" Gail replied, "It is all on John's computer, but I can't get in." No one knew the password to log on to John's computer. No one knew John's user names and passwords to access his bank accounts and investment accounts online, either. We were stymied.

I expect that this will happen more often as we grow more comfortable banking and investing online, and go green by selecting paperless delivery of our documents. Worsening the predicament, we have been told not to write down usernames and passwords for fear that the information would fall into the wrong hands. So what should you do?

<u>What's the Password, Continued</u>

One option is to create two documents. One document should be a list of usernames for each login or account. The second should be a list of the related passwords. The documents should be printed and kept in separate files in the home or given to different family members. A safe deposit box could serve as a secure location. Another alternative is to save the information to a USB flash drive and then keep the flash drive in a safe deposit box or other secure location.

Whatever procedure you use, keep your information up to date. Also, be sure to tell a trusted family member or advisor where to find this critical information so that it can be accessed when needed. Planning ahead now will save time and money and avoid unnecessary stress for your loved ones.

Al Young is a shareholder with the law firm of Fox, O'Neill & Shannon, S.C. in Milwaukee, WI. He concentrates his practice on estate planning, tax and business law. Al can be reached at 414-273-3939 or atyoung@foslaw.com

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