



## Sample Case Studies

### All in the Family

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#### Objectives of the Case

1. Explore and begin to understand potential purposes and goals for inherited or created wealth, as well as why goals for wealth vary widely by individual.
2. Identify personal goals for wealth and begin to understand why those goals are important to the Investment Policy Statement (IPS).

#### Educational Goals (*for the facilitator only*)

To develop an IPS that one can really live with through market cycles requires decisions regarding the goals / relative emphasis for the money. These decisions require an understanding of personal priorities. Priorities vary by investor and depend on factors such as marital status, stage in life, level of income, personality, values, and commitments. Emotional events and issues often dominate an investor's priorities. Changes in these factors require a re-examination of goals and may result in a change in relative emphasis.

#### The Case

Franc Currency and his wife, Sterling, realize they have more money than they could possibly spend in their lifetime. Their three grown children, Marc, Rupiah and Lira have not earned or seem destined to earn the sort of windfall their father did. Their trusted advisor is asking the family to set goals for their capital. Each member of the family has been asked to specifically say what they want the money to do. They feel overwhelmed and have asked for advice to assist them in answering the question. Three years later, Franc has dramatic changes take place that impact everyone in the family.

## My Company is a Winner

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### Objectives of the Case

1. Explore the impact of a low cost basis concentrated stock position on the investor, the portfolio and the relationship between advisor and investor.
2. Recognize the impact of personality on attitudes toward different types of risk (market, manager, single stock & asset class.)
3. Explore the danger of a concentrated position in a single stock and the diversification benefits to a portfolio over time, recognizing the counter- intuitive nature of the concept.
4. Accept the need for a clear decision making structure in the face of new risks and/or unexpected market events.

### Educational Goals *(for the facilitator only)*

An individual needs to begin to recognize the impact their own emotional issues and personality have on their ability to stay committed to implementing a mutually agreed upon investment plan in order to avoid hasty decisions that can have severe consequences, wreaking havoc on both the advisory relationship and the investor's portfolio. An individual must also look at history to learn the value of diversification for smoothing portfolio returns. Patience can be an important quality for an individual.

### The Case

Franc Currency feels he knows CCI, the company he founded 30 years ago better than anyone. To Franc's way of thinking, the tax hit and illogic of selling a company that is clearly a winner simply make no sense at all. In parts two and three the case takes unexpected turns that force Franc and the advisor to face unpleasant consequences.

## The Roller Coaster Markets

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### Objectives of the Case

1. Recognize the impact of family dynamics and personality on attitudes toward different types of risk.
2. Recognize the impact of an advisor's personality and experience with family dynamics on the investor-advisor relationship.
3. Accept the need for a clear decision making structure in the face of new risks and or unexpected market events.

### Educational Goals *(for the facilitator only)*

To develop and adhere to an IPS through market cycles requires emotional understanding and technical education. An individual needs to begin to recognize the impact their own emotional issues and personality have on their ability to "stay the course," in order to avoid hasty decisions that can have severe consequences, wreaking havoc on both the advisory relationship and the investor's portfolio. An individual must also look at history to learn the value of time. Patience can be an important quality for an individual.

### The Case

The Currency family is pretty gloomy about prospects for the economy and the stock market having watched CCI, their family company, practically go out of business after the loss of two key customers to overseas manufacturers. With 50% of their overall portfolio in stocks, they have the remaining assets in a combination of bonds and real estate. Franc wants to take the money out of the stock market against the advice of both their money managers and trusted advisor. After he reallocates, markets bounce back strongly, and you can imagine the resulting change of heart on Franc's part. But now what?

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## The USA is the Best

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### Objectives of the Case

1. Recognize the impact of personality on attitudes toward different types of risk (manager, asset class, political, country and currency).
2. See evidence of diversification benefits to a portfolio over time, recognizing the counter-intuitive nature of the concept.
3. Accept the need for a clear decision making structure in the face of new risks and/or unexpected market events.
4. Explore whether/when it makes sense to change the IPS.

### Educational Goals (for the facilitator only)

Markets and the world can change. When should an investor make changes to an IPS? Should an investor continue to adhere to an IPS/decision making structure when it does not appear to be working the way expected? How do you differentiate a period of time which is just part of an expected cycle from a more fundamental change?

### The Case

Franc is deeply skeptical about “foreign stocks” and he cannot understand why his advisor doesn't just adjust their exposure to developed countries through investments in American multi-nationals. In part two of the case, Franc wishes he had a more investments in international equities as the international markets have now come back strong!

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## The Vertigo of Falling Income

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### Objectives of the Case

1. Learn the impact of interest rates on the investor, the portfolio and the markets.
2. Recognize the impact of personality on attitudes toward different types of risk (market, manager, and asset class).
3. See evidence of diversification benefits to a portfolio over time, recognizing the counter-intuitive nature of the concept.
4. Accept the need for a clear decision making structure in the face of new risks and/ or unexpected market events.
5. Learn the choices available in a low interest rate environment and the consequences of rapidly rising rates on a portfolio.

### Educational Goals (for the facilitator only)

To develop and adhere to an IPS through market cycles requires both emotional understanding and technical education. An individual needs to begin to recognize the impact their own emotional issues and personality have on their ability to “stay the course,” in order to avoid hasty decisions that can have severe consequences, wreaking havoc on both the advisory relationship and the investor's portfolio. An individual must also look at history to understand the potential limitations on portfolio growth of a 100% allocation to fixed income. Patience can be an important quality for an individual.

### The Case

Marc Currency well remembers the mid 1980's when as a college student interest rates and C.D.'s were 18%! In today's very different interest rate world, he is intent on having an income level he is more comfortable with and wants to reallocate his entire portfolio to accomplish that.