Can You Really Access Your Money?

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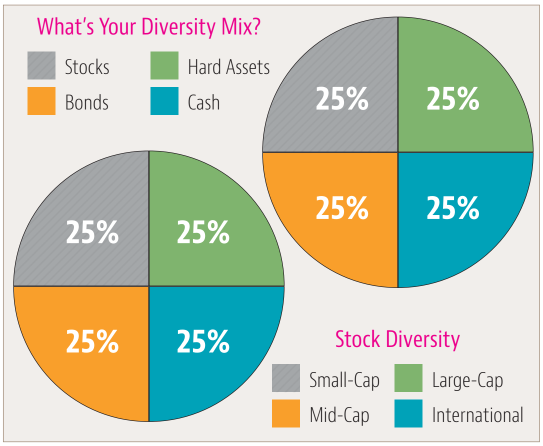
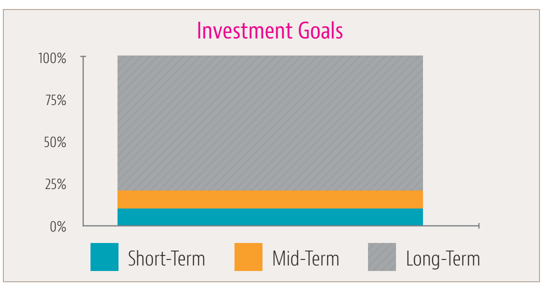
Are your prepared "financially" for an emergency? If you needed quick access to cash, could you get your hands on it? I bet the answer to that question for most people is no. Because even if technically you could access the money, there could be high tax implications in obtaining it.

The concept of a proper asset allocation model is not new. It is widely understood by most investors that by maintaining a broadly diversified portfolio you are able to spread the investment risks associated with dynamic and ever-moving markets. The general attributes of your standard diverse investment portfolio likely include but are not limited to a mix of, stocks, bonds, non-correlated/directly held or hard assets (such as real estate) and cash or cash-equivalents. Within each of those asset classes you probably have even more diversity to manage the asset classes themselves.



When building out your portfolio and the proper allocations to meet your needs and wants, it's critical to understand that although most, if not all, financial professionals will preach the "long-term outlook and nature" of and time horizon for your portfolio, you mustn't overlook the need to identify your short- and intermediate-term needs and wants as well. Often overlooked, not making the proper account in your allocation model for the short- and intermediate-term needs, or the most common "emergencies" could have a detrimental adverse effect on the longer-term success of your investments forcing you to leave an investment too soon or not in a tax efficient manner.



So why am I wagging my finger at you to plan better for the unknown like a mother warning a child to always wear clean shorts? Because, in large part we see that shorter-term, "emergency" funds and investments are more likely being simply "housed" in your portfolio and/or not efficiently invested for today's marketplace. Typically, when building a portfolio of the categories listed above, those emergency funds are accounted for in either the cash/cash equivalent or bond/fixed income allocations, or both. And in today's historically low interest rate environment, that is not the best use of funds, and in the event of a life changing event or emergency that forces you to deplete those assets, your overall time value of money is low.

I'm not telling you to abandon those lower interest rate asset classes in favor of higher income producing and more aggressive or illiquid asset classes. Quite the contrary. As part of your long-term planning, having the appropriate mix of bonds to stocks is necessary to manage the risk and volatility of each dependent upon the market condition, and cash should be readily available to seize on those opportunities that identify themselves based on the current marketplace or economic condition. What I am trying to help you identify is a need to have separate allocations, as part of your current allocation to plan for the unknown. By reallocating some of the low interest dollars into a higher yielding asset classes where you don't need the current income today, and direct those assets to continue to replenish the cash/cash equivalent positions makes a lot of sense in this interest rate environment, rather than sitting on larger piles of cash.

If you have not had short- intermediate and long-term discussions with your financial or investment advisor, I would strongly encourage you to engage that conversation. Make sure they are showing you all available asset classes, including those non-correlated direct participation markets. One trade-off in these typically higher yielding asset classes is they tend not to be liquid, but provided you have accounted properly for liquidity in your financial model you will find that these direct participation asset classes are a great source of current income (to replenish cash or reallocate elsewhere in your portfolio) and often operate with less overall volatility than the broader markets that seem to spike and fall based on the daily news cycle. But let me be clear, with all public and private, traded and non-traded asset classes, they all come with risk of loss and you MUST understand what you own, and more importantly understand when and how you will exit an investment. Remember it's not about what you make, but what you keep.