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Finding Investment Advice for More Modest Retirement Accounts



Source: Robert Caplan for the New York Times

Rebalance IRA is an advisory service for retirement investors, co-founded by Mitch Tuchman, top left, with Jay Vivian, top right, and bottom row from left, Charles D. Ellis, co-founder Scott Puritz and Burton G. Malkiel. Mr. Tuchman has also started MarketRiders.

If you're perfectly capable of running your own retirement savings, selecting the right mix of low-cost investments, rebalancing at the right time and not buying and selling out of fear or greed, then good for you.

**RON
LIEBER**
**YOUR
MONEY**

But the majority of people — maybe the vast majority — are not like that. They may be smart enough to do the right thing, in theory, but they forget or slip up or are taken in by well-meaning friends bearing stock tips or annuity-peddling scoundrels who make nice to them over free steak dinners.

For people with more than \$500,000 or so to invest, finding first-class help is hard but not impossible. If you have more than \$1 million, you'll have your choice of many of the best financial advisers in town. But until recently, it was tough for people with a few hundred thousand dollars or less to find reasonably priced assistance, especially if they were insistent on putting money in the kind of low-cost investments that would not pay a commission or other fee to the person helping them.

On Friday, the latest entrant in an increasingly crowded field of services trying to serve this

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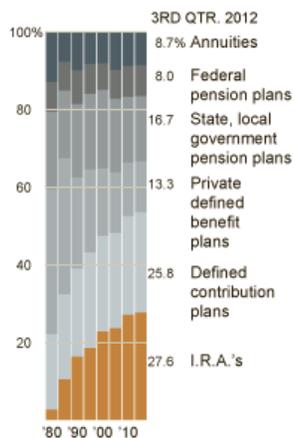
customer is introducing its offering, which is called Rebalance IRA. As the name suggests, it exists only to help you with your Individual Retirement Account, perhaps one that you'll fill with money that's been sitting around in several 401(k) or similar accounts at previous employers.

Rebalance IRA representatives will talk with you about your goals, invest your money in a low-cost collection of index fundlike exchange-traded funds that don't try to make big bets on individual stocks, and rebalance the investments when necessary. In exchange, you agree to hand over one half of 1 percent of your assets each year, with a minimum annual fee of \$500.

The company's single-minded focus on retirement savings is somewhat narrow, but it makes sense given how much money is at stake and how badly many people mess things up when they do it on their own.

I.R.A.'s Hold the Most

Share of retirement assets.



Source: Investment Company Institute

403(b) and other similar plans; the \$4.8 trillion in government retirement plans; and the \$2.6 trillion in traditional pensions.

According to the Department of Labor, the professionals who run pension plans earned an 8.3 percent annual return from 1991 to 2010. People fending for themselves in 401(k) and similar plans earned 7.2 percent.

Looking for safe guidance at a reasonable price.

Nationwide I.R.A. performance figures are more scarce, though one 2006 study by the Center for Retirement Research put the figure for 1998 to 2003 at 3.8 percent annually, roughly 2 to 3 percentage points worse than pension fund managers and 401(k) investors did during that same period.

These numbers are a bit squishy, given that pensions often make bets in markets that 401(k) investors can't access and the high fees that many 401(k) participants pay that pension managers don't. Still, there are about a thousand reasons plenty of do-it-yourselfers (who, after all, did not volunteer to manage their retirement money) would be likely to get worse returns than, say, pension managers.

To start with, large numbers of people make extreme bets. At Vanguard, 10 percent of retirement plan participants invested only in stocks in 2011, while 8 percent had no stocks at all. At least this is better than 2004, when 35 percent of its customers were that far out of balance. Then, there are the emotional challenges. To stick with the mix of investments you've selected, you need to sell things that have done well and buy investments that have lagged recently. That's hard to do.

The New York Times

Then there's the grab bag of other feelings. The bad experience with a broker you may have had in the past. The spouse who may scold you for doing the wrong thing. The fear that may have caused you to bail out in early 2009 or the greed that has you pouring money into stocks today, now that they're looking up again. This can be intensely hazardous to your long-term financial health.

Help for the people who want their money to work for them but don't have millions to invest.

All of this should be self-evident, but because we're playing on the field of emotions, it isn't. Still, it

wasn't immediately obvious to Mitch Tuchman, the man behind Rebalance IRA, who started a service for do-it-yourself index investors called MarketRiders in 2008.

A former software entrepreneur, Mr. Tuchman had a midlife conversion to passive investing and not trying to beat the market, and he wanted to help others invest in the same way. "We thought we could build such great software that we could turn everyone into a do-it-yourselfer," he said. "And people said they didn't have time or they didn't care to do it themselves."

MarketRiders charges subscribers \$150 a year for instructions on how to adjust their portfolios and when, and it will continue to exist. But Mr. Tuchman, who had also started managing millions of dollars on the side for friends and family who simply could not be bothered to do it themselves,

eventually realized that his sideline was where the real mass-market opportunity lay.

So why would you let this guy handle your money? It's a perfectly reasonable question, and plenty of start-ups in the money management space don't do a particularly good job of answering it.

"It's surprising to me how many entrepreneurs go on and on about the lack of trust in big financial institutions," said Grant Easterbrook, a senior research associate at Corporate Insight who published a guide this week to money management start-ups. "But they're not putting forward the people behind the product who actually make the investment decision. Who am I trusting if the euro breaks up or we mint a trillion-dollar coin?"

Mr. Tuchman has anticipated this concern and he and his co-founder, Scott Puritz, rounded up an investment advisory board that includes Burton G. Markiel, the emeritus Princeton economics professor who wrote "A Random Walk Down Wall Street" among other books; Charles D. Ellis, author of "Winning the Loser's Game" and a former Vanguard board member; and Jay Vivian, who once ran I.B.M.'s retirement plans.

The group has created a collection of investment portfolios, most of which have a slight tilt toward small stocks, which tend to outperform the overall stock market over time. Many of the portfolios are also currently spiced up with indexed investments in high-dividend stocks and emerging market bonds.

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Besides the annual fee based on assets, there's a \$250 fee to get started, and you must move your I.R.A. accounts to Schwab or Fidelity if they're not already there.

Mr. Malkiel, who describes himself as the informal investment adviser to Princeton widows, will not be talking to you on the phone, alas. That task falls to Rebalance IRA staff. Mr. Tuchman is looking to hire a few more, including emotionally intelligent M.B.A. types with some finance in their background who may have been home with children the last few years and want to get back into the work force. Customers will be able to speak with them via videoconference and talk to the same person each time.

Neither these workers nor Rebalance IRA earns any fees from the companies that provide the investments. All of Rebalance IRA's revenue will come from its customers, and as a registered investment adviser, Rebalance IRA is legally bound to act in those customers' best interest.

There are other, cheaper ways to find someone to put your money in a portfolio like those at Rebalance IRA and run the money for you (though Mr. Tuchman insists that his service will offer more human contact). A company called Wealthfront, which has also put Mr. Malkiel to work, will do something similar for about 0.25 percent annually.

Investors at Betterment, which slashed its prices last year, now pay about 0.30 percent on average, and the company has taken in nearly \$100 million since it cut its fees. People with more than

\$100,000 invested there pay only 0.15 percent annually and can get advice from the founder himself, Jon Stein.

Still, he said that not many people had sought him out and even then it was usually just to make sure they were on track with their goals.

"Most situations are well-handled by software," he said. "In the long term, that's going to be the way most people get their advice. We're replacing the investment adviser with software."

That's a pretty bold statement, and the big online brokers don't necessarily see it that way. "Most people don't sign off \$50,000 of savings without talking to somebody, looking someone in the eye," said Lule Demmissie, managing director of investment products and retirement for TD Ameritrade, who oversees its Amerinvest line of managed portfolios. "We've found that it's a necessary part of the process."

Mr. Tuchman agrees. But he's betting that his portfolios and service can be as good as what TD Ameritrade, Schwab, Vanguard and Fidelity offer, without charging quite so much for it.

Even if he fails, someone else is going to seize on the formula and succeed with it. Good investment advice costs too much, and not enough people with under \$1 million to invest end up with decent guidance. My bet is that the online brokers' prices will look a lot more like Mr. Tuchman's or Mr. Stein's before long.

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inspiration

An IRA that lets you retire with more.
Your dream *is our inspiration.*



we're here to help you retire with more.



Low Fees



Balanced, Global Diversification



The industry's brightest minds



Personalized Service

What You Know

You know a bit about retirement. And if you are like most Americans, it probably goes something like this:

You know you have a retirement account, or maybe even more than one. Perhaps a 401(k) started by an employer, or an IRA, or both. You know that saving for retirement is good, so you are probably contributing to it regularly. You know that your money is being invested by a firm whose name you probably know and believe to be reputable. And, for the most part, you trust that your money is being managed responsibly, so there will be plenty of funds available when you retire.

What You May Not Know

But chances are, like most people busy with their lives, you may not know much more than that. And that's why Rebalance IRA is here for you. When it comes to retirement investing, what you don't know might hurt you. Like hidden fees that can erode almost one third of your savings over time, or brokers who are paid to sell what makes the most money for them, not you.

What You Will Want To Know

It benefits most investment firms and brokers to keep their customers blissfully ignorant. They don't want you to know that their fees can eat up nearly 30% of your retirement savings over 10 years. They would prefer if you didn't realize that, despite being paid for their expertise, they underperform market returns nearly 70% of the time. At Rebalance IRA, we want you to know everything about us—that our fees are among the lowest in the industry and that our investment portfolios put more money in your pocket when it's time to retire. Because the more you know about investing, the more the Rebalance IRA approach makes sense.

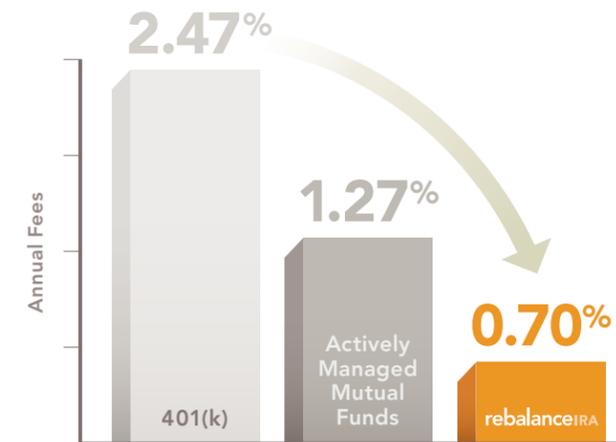
What We Know

At Rebalance IRA, we know we are committed to helping you better understand your retirement savings and make better-informed investment decisions. We are open about what you are paying for, and what you can expect in return. We are relentless in our pursuit of the lowest possible fees and highest possible standards. It is our mission to deliver premium quality without premium cost.

In short, we know what we want—to help you retire with more..

IRAs with low fees & higher returns

Rebalance IRA manages your retirement investments with some of the lowest fees in the industry. And when it comes to retirement investing, low fees are an essential ingredient of higher returns and an integral part of our investment strategy.



Rebalance IRA fees are some of the lowest in the industry.

How low? At 0.70% total, we can save you on average 45% to 72% in annual fees compared to most 401(k)s or actively managed mutual funds. And when it comes to saving for retirement, even small reductions in fees can make a big difference in the size of your retirement pie. Read on to see why.



Compounding: a mixed blessing.

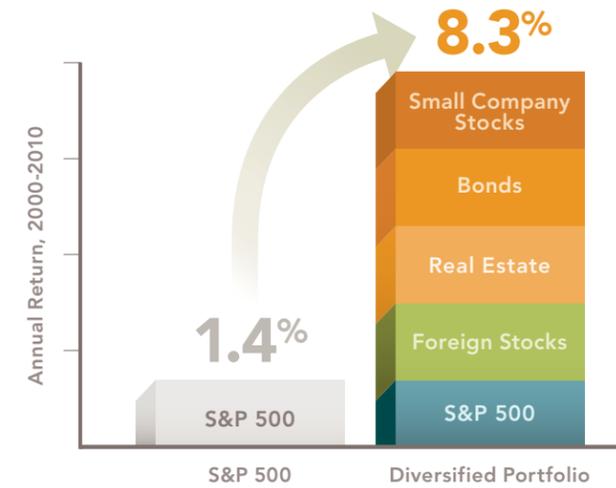
With compound interest, the more money you have, the more it grows. The more it grows, the more you have. It's a beautiful cycle. Unfortunately, interest isn't the only thing that compounds over time. Fees compound too.

Think about it. Just as adding money to your IRA can quickly grow your total savings, money that is removed from your savings — by annual fees for example — will compound over time and end up dramatically eating away at your savings. Even a seemingly small annual fee like 1.27% — the average U.S. mutual fund fee — when compounded over 10 years, can take away almost 30% of your investment return. We know. It's shocking.

Keeping our fees low is the cornerstone of providing you higher returns, but it's not the only thing we do to help improve your return and expose you to less risk...

balanced, global diversification

Every Rebalance IRA account is comprised of a carefully calibrated portfolio of balanced, globally-diversified investments. Years of research has demonstrated that this type of diversification helps provide, higher, more stable returns over time.



Global Diversification Works

Every Rebalance IRA retirement account is a collection of globally diversified ETF funds selected to work together as a balanced whole, and provide higher, more stable returns over time. And while many investors think diversification means owning over 10 stocks, or perhaps buying bonds on the side, years of research has shown that true diversification looks like the world: U.S. stocks, foreign stocks, real estate, bonds, and small company stocks.

For instance, from 2000 to 2010, an investment in a seemingly diversified broad stock index such as the S&P 500 generated a return of 1.4% per year. That same money invested into a truly diversified portfolio returned 8.3% per year!

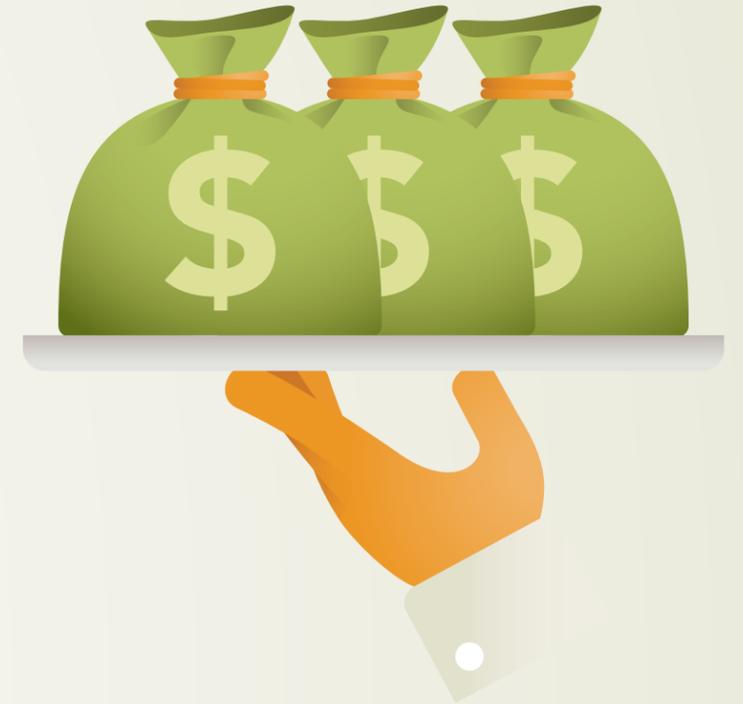


Passive Investing

Most retirement funds are managed by people who are gambling with your money—by betting on how a stock will perform at any given time. In the investment industry, it's called "stock picking" or "market timing," but don't let the names fool you. It is a bet.

Instead of speculating with your IRA, we manage it using a proven, data-driven approach to long-term investing. Extensive research shows that investors should not try to beat the market return by picking individual stocks. Rather, they should attempt to match the market by investing in special funds—called index funds—that are designed to match the return of the market they represent. Combine low-cost index funds with a globally diversified portfolio, and you have a proven recipe for success. It's called passive investing and our investment advisory board helped establish the concept more than forty years ago.

so how do we do it?



Advise

We review your current assets and allocations...and then recommend a portfolio and a long term plan.

At some point, you might have been told to “roll your 401k into an IRA.” And while that sounds simple, managing your retirement savings is much more complicated. You may have a current IRA, a 401k from a prior job, different broker statements, perhaps a collection of funds and stocks in various accounts. At Rebalance IRA, we look at all of your assets from a holistic viewpoint and with your retirement goals in mind.

Transform

Select the platform best suited for you, and we transform your existing assets into your new Rebalance IRA portfolio.

After your investment platform has been selected, we expertly transform your existing assets into your Rebalance IRA portfolio. This seemingly simple step requires experience and finesse, as any large conversion of assets could expose you to market risk. Our *Simultrade* technology transforms your assets into your new portfolio almost immediately, exposing you to minimal market timing risk, and the peace of mind that comes with it.

Grow

We Monitor Your Investments Every Step of the Way...and keep you in the loop.

While you sit back and relax, your money is being closely monitored. A Rebalance IRA advisor, aided by our custom software system, tracks your investments daily. Studies show that asset allocation comprises 90% of your investment returns, so it becomes extremely important to keep your portfolio close to the optimal allocations that we originally developed on your behalf. Our system is designed to ensure your asset allocations stay true to the plan. Through quarterly check-ins and a once-a-year “big picture” meeting, we’ll keep you in the loop. We will talk less about your money and more about your life, because ultimately our relationship with you is not just about money, it’s about helping you achieve your retirement goals.

Relax

Now sit back, relax, and watch your IRA grow.

While this sounds like hyperbole, it isn’t. Our proven methodology embraces the theory of “passive investing,” and not surprisingly, it requires a decidedly passive outlook on your money. You don’t need to check your statement every month (you can, of course, if you want) and move your money around based on how the market is behaving. You simply need to let the markets do what they do. Our hand-crafted asset classes, customized asset allocations, and automatic rebalancing will do the rest. You can be confident that passive investing has proven itself over forty years of academic scrutiny.

the industry's brightest minds...

Rebalance IRA puts some of the brightest minds in the investment industry to work for you. Burt Malkiel, Charley Ellis, and Jay Vivian make up our Investment Advisory Board and their world-renowned financial expertise informs every Rebalance IRA portfolio.



Burt Malkiel

A prolific author and highly respected voice in the investment industry, Dr. Burton G. Malkiel has written hundreds of scholarly articles and opinion pieces in publications such as *The New York Times* and *The Wall Street Journal*, and has authored no less than 17 books. Among those is the investment classic, *A Random Walk Down Wall Street*. Throughout Burt's career, there has been one unwavering constant: his passionate belief that the power of low-cost, diversified, and well-balanced index-based investing should be available to all American families. It is this passion that makes him a part of our team today.



Charley Ellis

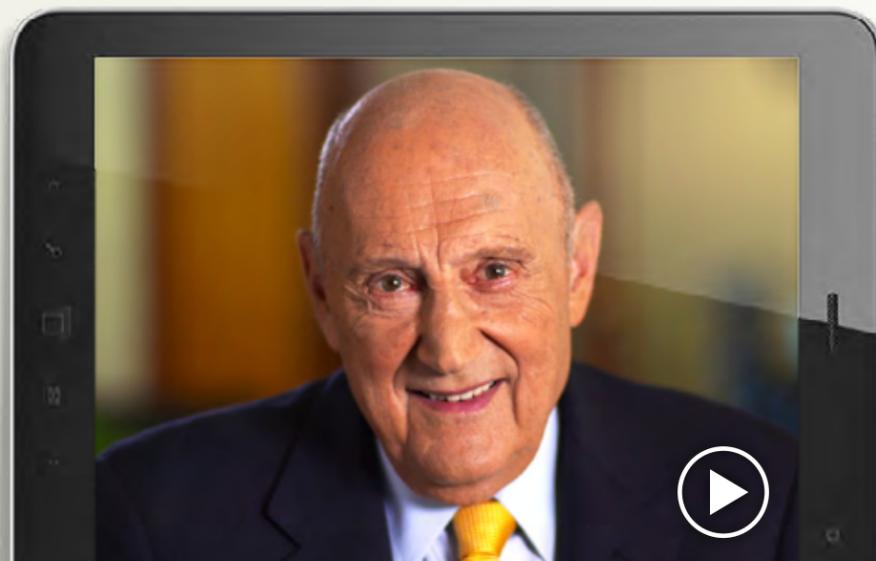
Dr. Charles D. Ellis is one of the most highly regarded and sought-after experts in the investment field. He has served on the governing boards of both Harvard and Yale business schools as well as the Board of Directors of America's largest fund company, The Vanguard Group. In his bestselling books *Winning the Loser's Game*, and *The Elements of Investing* Ellis helps guide individuals and families toward financial security through the use of low-cost, highly diversified passive investing — all core elements of the Rebalance IRA investment philosophy.



Jay Vivian

As the former Managing Director of IBM's Retirement Funds, Jay Vivian knows how to help people retire with more. *Treasury & Risk* magazine showcased Mr. Vivian among the "100 Most Influential People in Finance," and in 2010, *Plan Sponsor* gave him its Lifetime Achievement Award. Vivian holds an M.B.A. from Harvard Business School and has been quoted as an expert in many publications including *The Wall Street Journal*, *USA Today*, *MSN Money*. Given his wealth of knowledge and experience managing retirement assets, it comes as no surprise that Jay is a member of our Investment Advisory Board at Rebalance IRA.

...and the most respected voices.



Burt Malkiel

"Everything That I Believe In."

"I joined Rebalance IRA because what it does is everything that I believe in. It believes in broad diversification. That's just something I have believed in all of my life. It believes in low expenses. And low expenses not only in the funds that are bought, but in the overall fund. You know, one of the problems is in the investment advisory business, what happens is an investment advisor will often, in addition to what you pay the expense ratio for the fund you buy, will charge an additional fund for putting the portfolio together. And that could be another two percentage points."

Watch Burt's video

www.rebalance-ira.com/news/burt-malkiel-on-rebalance-ira ▶



Charley Ellis

"One Was Anger and One Was Love."

"There are two reasons for joining the board at Rebalance IRA. One was anger and one was love. The anger part is: it really bothers me that normal, everyday investors, real people, the people that I meet all the time need to have access to a low-cost, sensible program that will solve the problem that they know they've got, but they just don't have time to solve it themselves. They'd like some safe, sensible way to get pretty damn good investment advice and capability on a systematic and regular basis, somebody watching out."

Watch Charley's video

www.rebalance-ira.com/news/charles-ellis-why-i-joined-rebalance-ira ▶



Jay Vivian

"There's No Real Right Answer..."

"There's no real right answer as to how often an individual investor should rebalance back to their target weights or their target mix. There's research that says that every three months or every six months is probably right. Some people rebalance every quarter. Some people just look at it once a year. I lean towards three months, myself, for an individual investor."

"In the last few years, maybe even longer than that now, new products have come into the market which have multiple asset classes in them and which rebalance themselves within the investment opportunity. So you have balanced funds."

Watch Jay's video

www.rebalance-ira.com/news/jay-vivian-rebalance-frequency ▶

at your service...

At Rebalance IRA, our client relationships are very much like our retirement investments: stable, dependable, valuable, and long-term. You will have the same advisor as long as you are a member of the Rebalance family. We will be with you every step of the way: checking in with you, and looking out for you. From timely reminders to annual checkups, or just to see how your kids are doing, you will know that we are paying attention.



Mitch Tuchman

Mitch holds an M.B.A. from the Harvard Business School and is a frequent guest on CNBC and CNN and is regularly featured in major financial publications, including *The New York Times* and *The Wall Street Journal*. But it is his experience pioneering America's first online investment advisory service, MarketRiders, that helped him define and codify the retirement needs of working Americans. Rebalance IRA was born from this understanding. His wife and three children keep him happy, busy, and thinking years beyond his own retirement horizon and they all keep him motivated in his tireless drive to help everyday Americans retire with more.



Scott Puritz

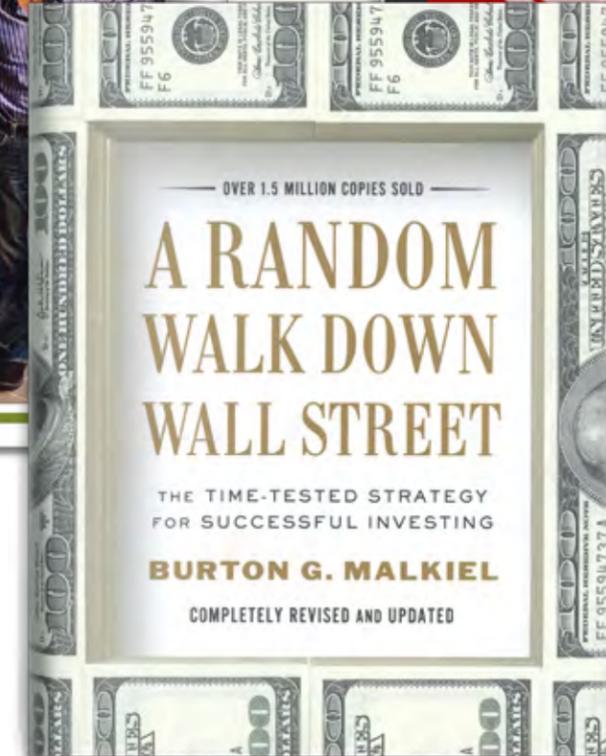
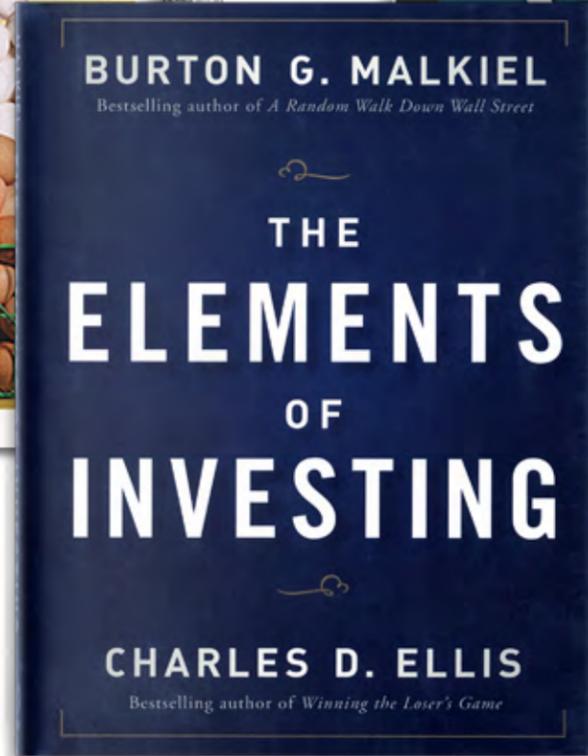
Scott Puritz received his B.A. in economics, with distinction, from Tufts University, holds an M.B.A. from Harvard Business School, and sits on Board of Directors and finance committee of the North Carolina Outward Bound School where he oversees the School's endowment. Although his professional career is diverse, Scott's endeavors all have had a common thread: harnessing technology and entrepreneurship to deliver value and effect change where the need is great. It is this experience that makes him ideally-suited to bring the fundamental change to the investment industry that lies at the core of Rebalance IRA.



Sally Brandon

Sally Brandon brings deep experience and a broad skillset in developing and maintaining strong and personal client relationships. Sally began her retirement investment career at MarketRiders, where she consulted with and advised many of the company's clients, who collectively have more than 10,000 portfolios and \$4 billion on the MarketRiders platform. But she takes the most pride and enjoyment in using her expertise to help Americans just like herself enjoy their lives and protect their loved ones through a safe, stable, and effective retirement plan.

we wrote the book on retiring with more



safe & secure...

Saving for retirement is challenging. The stakes are high and the repercussions of an investing misstep may not be evident for years to come. Our Strategic Partners are some of the most trusted names in the financial industry, ensuring your money is safe, secure, and accessible when you need it to sustain you and your family through retirement.



You Come First

Rebalance IRA has been, and always will be, independent. We are unencumbered by corporate ownership and serve only one customer – you. Being a Registered Investment Advisor (RIA) means that we are legally compelled to put your interests ahead of our own. (We, of course, would do so anyway, but it's important to know nonetheless.) Brokers do not operate under this standard. They get paid commissions to sell you products and increase their corporation's profits. Can you say, "Conflict of Interest".



charles SCHWAB

Custodians

Rebalance IRA clients maintain control of their own retirement investment accounts at Schwab or Fidelity. These special institutional relationships allow Rebalance IRA to manage our client portfolios on highly secure brokerage platforms, offer low-cost trading commissions, and bring tight controls and independent oversight to client securities and cash.



Insurance

All Schwab and Fidelity accounts are protected by the Securities Investor Protection Corporation (SIPC) for up to \$500,000 in securities and \$100,000 in cash. Both firms provide an extra level of coverage from Lloyd's of London for nearly unlimited amounts of securities and up to \$1.9 million in cash.

ARNOLD & PORTER LLP

Legal/Regulatory

Rebalance IRA is regulated by the U.S. Securities and Exchange Commission (SEC) as a registered investment advisory firm. We have retained Arnold & Porter LLP, one of the top 100 law firms in the United States, and one of the leading securities practices in the Country. Their legal team is comprised of former members of the SEC staff, and other lawyers who have been involved in precedent-setting securities matters.

Learn more at www.rebalance-ira.com/who-we-are ▶

let us help you retire with more

New ideas. No obligations.

Your free one-on-one discussion with a Rebalance IRA retirement investment advisor is your chance to ask questions, discuss ideas, and see if you're on track to meet your goals. No obligation — just an objective look at where you stand. We will help you:

1. Review your current goals and strategies.
2. Discuss ways to lower your fees.
3. Talk about ways to retire with even more.





www.rebalance-ira.com