

## Introduction to Samuel D. Skaggs Investments

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Whether you are approaching retirement and are concerned with outliving your savings or are just beginning to accumulate assets, Skaggs Investments aims to provide guidance and recommendations that take the mystery out of how much to save, where to invest and how to eventually use your retirement assets. The goal of our firm is to give peace of mind by assisting clients in organizing their finances, facilitate prudent management those assets, and asking the right questions to ensure a financial house that is in order. Indeed, comprehensive financial planning and active portfolio management furthers the best possibility for success in achieving one's financial goals.

Samuel D. Skaggs Investments has been serving Alaskans and nationwide clients since 1995. Our specialty is *active* portfolio management and retirement planning. The firm is registered with the US Securities and Exchange Commission (CRD #116383) and currently manages over \$47 million for individual/joint taxable accounts, IRAs, trusts, and for-profit and non-profit organizations. As a Registered Investment Advisor, we have a fiduciary relationship with clients and are required to provide advice and/or manage assets that are in the clients' best interests.

Sam Skaggs, Registered Investment Advisor, has thirty years of experience in counseling on financial matters including taxes, insurance, investing, retirement planning, cash flow management, and estate planning. (A current form ADV is available upon request or can be found on the SEC website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).)

### ***Financial Planning***

The financial planning *process* is as important as the final product—the process is meant to be educational, rather than produce a “quick fix.” In order to build a solid financial plan, we ask questions that are centered on the future you envision and your needs (for example, current expenses, children going to college, care of an adult parent, medical care for yourself, or saving for a vacation home). Along the way, we discuss risk, inflation and

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\*This brochure has not been approved by the SEC or any state securities authority.

taxes, and then we can project when and how you might be able to eventually live off your retirement investments and how much money you will need to invest/save to do so. By using estimates of income and expenses, assets and liabilities, current tax rates and future interest rates, we can determine your future capital needs and how best to protect your capital. If you are self-employed, we will discuss your business. Finally, if you are currently investing, your investments will be analyzed to determine if they will support your goals, in addition to an allocation check-up on current holdings. Investment recommendations are primarily made with risk in mind. (It is incumbent on the client to execute any trades necessary that are recommended.)

In most cases, the plan is a guide for at least one year, unless major events in your life dictate a change (such as marriage, child birth, or inheritance) or economic circumstances drastically change. Rather than rely on a “one size fits all” software product, we produce several future scenarios based on real economic assumptions to illustrate what will likely happen to your money. Additionally, if your needs warrant it, we can review taxes, pension and/or other retirement plan investments, investment portfolio performance versus goals, insurance policies, mortgages, wills and trusts.

### ***Financial Planning Fees***

Financial planning services are charged a non-negotiable, fixed rate between \$2,000 and \$3,000, depending on the amount of assets and the complexity of the planning reports. (A discounted price of \$1,000 is provided to current portfolio management clients.) The fixed rate fee includes all one-to-one consultation time, data entry, and report generation (multiple scenarios, if necessary). The plan is delivered in writing and we meet to discuss the results and our recommendations. Skaggs Investments will check-in with financial planning clients after the final plan presentation to update the completion of the recommendations and follow-up on any other needs addressed by the plan.

For those that don't fit our fixed rate planning products, an hourly fee of \$225 will be charged for all hours spent in one-to-one consultation, research and/or report generation (two hour minimum). The fee structure will be agreed upon before any work begins.

### ***Portfolio Management***

*Active* portfolio management is a valuable tool to preserve capital from the effects of inflation and deflation, while also maximizing the potential for capital appreciation and/or income. For those who have saved investment capital independently or through a retirement savings plan of at least \$500,000, we offer portfolio management services with full discretion over trading by the Advisor. (For smaller holdings, we can provide investment advice for an hourly fee—see financial planning rates above.)

The goal of Skaggs Investments' portfolio management is to develop a strategy for each client that:

- ✓ Assists you in meeting your cash flow needs;
- ✓ Abides by your risk tolerance and time horizon of investing;
- ✓ Is tax-efficient; and, most importantly,
- ✓ Attempts to obtain a rate of return that is commensurate with risk.

Our investment strategy is rooted in the allocation model that governs each portfolio: holding bonds/cash and fixed income investments as a percentage of the total portfolio in addition to stocks/stock mutual funds, and exchange traded funds (ETF's). The allocation ratio will depend on your particular needs and risk tolerance. Choosing the model that is used for directing the portfolio is an important decision agreed upon by both parties. Skaggs Investments has devised and currently uses five allocation models

comprised of 11 asset classes. The Advisor will rebalance the portfolio to the overall target allocation (fixed income to equities) at least once each year. The appropriateness of the model allocation is also reviewed annually during the annual meeting with the client. Other events that trigger an account review/portfolio rebalancing are a change of the client's financial circumstances, a change in risk tolerance, or a significant economic shift. Occasionally, the Advisor might temporarily overweight/underweight a certain sector for all or some of the models if he sees a market condition that warrants it.

To choose each holding (equities, ETF's, government or corporate bonds, mutual funds and CD's), Skaggs Investments uses a combination of technical, charting and fundamental analysis. We do not trade in options or sell short individual securities (mutual funds that have short positions may be held, however). We attempt to keep portfolio turnover at a moderate level (to avoid unnecessary trade fees that can reduce overall portfolio performance) and to maximize long-term capital gains in order to take advantage of current tax law. The Advisor has full discretion over portfolio management accounts and makes trades without prior approval of the client. By permitting Skaggs Investments full discretion over a client portfolio, it is understood that there is a risk of capital loss.

### *Portfolio Management Fees*

For managed portfolios totaling \$1 million or less, the annual fee is 1.0% of assets under management (including any cash balance in the "sweep"); fees are billed 0.25% each quarter on the value of the account on the last business day of the quarter (prorated for accounts that are opened or closed during the quarter). Unless arranged otherwise, fees are deducted by the Advisor from the account approximately two weeks after the closing of the quarter for which billing occurs. For portfolios between \$1 million and \$5 million, fees are 0.75%/year. Fees for portfolios greater than \$5 million are negotiable. No additional compensation is made on commissions or on a share of capital gains or capital appreciation ("performance fees") of the funds under management. Financial plans are offered for portfolio management clients at a reduced rate of \$1,000.

### *Custodian of Assets for Portfolio Management Clients*

Skaggs Investments uses TD Ameritrade Institutional Services, a brokerage firm and trade clearinghouse, as custodian for client accounts. (No client assets are ever in custody of the advisory firm.) Trade fees (at a rate of \$9.95-\$31.00 per transaction depending on the size of the household portfolio and whether the client elects paper or electronic statements/confirmations) and fund fees are charged to the client account separately by TD Ameritrade Institutional Services. There are no additional custody fees associated with client accounts at TD Ameritrade. Monthly transactional reports for each account are sent by TD Ameritrade directly to the client, in addition to mandatory company information such as annual reports and proxy voting materials. (Note that Skaggs Investments does not vote proxies on behalf of clients.)

While our past experience with TD Ameritrade has been exceptional, the custodian is reviewed every three years for fee reasonableness, trade execution and quality of service. TD Ameritrade Institutional accounts are insured through the FCIC for some money market funds and the Securities Investor Protection Corporation (SIPC). TD Ameritrade also carries "excess SIPC" insurance up to \$150 million per customer (including \$900,000 in cash).

## *Meetings & Reports for Portfolio Management Clients*

An annual meeting occurs with the Advisor on or about the anniversary date of the Client Advisory Agreement, although we may meet more times in the year to ensure close communication. For new clients and clients with certain cash flow needs, frequent communication is a necessity.

Each quarter clients receive a custom quarterly report from Skaggs Investments that details portfolio positions; quarterly and year-to-date performance as well as unrealized capital gains/losses; quarterly realized capital gains/losses (except on tax-deferred accounts); billing statement; and target versus actual portfolio allocation data, along with our own written market analysis for the quarter. At the end of every calendar year, Capital Gains/Losses reports for the entire year are also sent for clients to prepare their tax returns.

Additionally, Skaggs Investments publishes *P.S.*, an in-house newsletter sent out three times each year, which advises on simple ways to improve financial knowledge and health in topics we think are useful for our clients.

## ***Skaggs Investments Code of Ethics***

Samuel D. Skaggs Investments is committed to maintaining the highest standards of personal and professional conduct, in addition to complying with relevant federal and state securities laws. Primarily, we always strive to avoid any actual or implied conflict of interest. Policies and Procedures (P&P) are designed to avoid or, in the case of conflict of interest, disclose such conflict. In so doing, the P&P have been formulated to follow these tenets:

- ✓ Fiduciary responsibility. As a Registered Investment Advisor, we must, at all times, place the interests of our clients ahead of our own interests.
- ✓ Any personal securities transactions that take place must be made in a manner that avoids any actual or potential conflicts of interest.
- ✓ Activities conducted on behalf of the business may not abuse the employee's position of trust with respect to the client.
- ✓ Employees must, at all times, comply with relevant laws and regulations.

A copy of the entire Code of Ethics may be obtained by request.

## ***Biography of Samuel D. Skaggs***

-Alaskan resident since 1975; graduated from Hampshire College with a BA in Ecology and Public Policy  
-Investment portfolio manager for the non-profit Skaggs Foundation since 1978 and President since 1986  
-Began fee-based investment advising business in Fairbanks in the 1970's prior to moving to Juneau in 1985. Restarted business in 1995; passed Series 63 and 65 SEC exams  
-Other business experience: musk ox farm manager; comptroller, custom home contractor; child carrier manufacturing with worldwide sales  
-Hobbies: US Sailing Instructor, fishing, rowing, skiing, hunting, and extensive non-profit board experience for past 28 years