



Do You Have Access To Your Wealth?

Wealth is the American dream. Income, financial investments, real estate and fine art, are among the items that measure wealth. Wealth offers its owners the potential to live their days in pleasures and their years in prosperity. Yet many people who have wealth are cash poor. Consider the carrying costs of wealth owners: lifestyle expenses, taxes, maintenance, insurance, tuition and the list goes on. The wealth owner soon realizes that having wealth does not necessarily mean that she/he has access to enough cash to fund a wealthy lifestyle.

When it comes to investment portfolios, many wealth-holders have had to find the proper balance between growth and income. An investment portfolio that relies on capital appreciation and market liquidity is subject to the ups and downs of the securities markets. Growth is a concept that may or may not produce cash, or may produce too little when one needs it the most. Lessons learned in 2002 and 2008 are still fresh. Investing in Treasuries or high-grade municipal bonds on the other hand may not provide sufficient income and would require the owner to invade principal. How can the wealth owner access and preserve their wealth simultaneously?

The objective may be a tall order, but it can be achieved with an actively managed value and income oriented portfolio. While the strategy is value and income, the philosophy is to manage the portfolio as a business. By definition, successful businesses have profit, robust cash flow, strong balance sheet and positive reinvestment. The investment portfolio equivalents are positive total rates of return (annual), surplus portfolio income (income to exceed distributions), and surplus income reinvestment.

Active value management strategies focus on positive reinvestment. Income focuses on internal cash flow and is derived from dividends and interest from common stocks and bonds. Investment specialists in income yield management offer opportunities to augment traditional interest and dividend streams. Above average yields and positive reinvestment will ultimately lead to portfolio and cash flow growth.

Wealth owners can have generous income while preserving principal. After all, the purpose of wealth is to be able to enjoy it.

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