



# VECTORS & VIEWPOINTS®

VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE



## THE POWER OF ANSWERING TWO KEY QUESTIONS

*Jason Brown, Lead Advisor Manager*



READ TIME  
2 minutes

We met with clients a few days ago who were nearing retirement.

They had two key questions:

1. **Do we have enough?**
2. **Do we have enough to provide some for our kids and grandkids?**

As financial advisors, we quantified their spending needs and desires and identified their sources of income. From that basic information, we were able to show them that the answer to these questions, with a very high level of confidence, was “Yes.” That’s what good financial planning looks like.

Not only did they have enough to meet their spending needs and provide a good gift to their kids and grandkids (they had a specific dollar amount in mind), but they also had a good deal more. Perhaps they suspected this, but now they could put a number on just how much they might have “left over.”

So, the conversation turned. The clients began to wonder aloud what they might do with the “left-over” money. “Perhaps we could invest it differently, with a long-term focus.” That’s not necessarily the

way retirees typically think about their investments and, in this case, they wondered about taking more, not less, risk.

Why the change in their perspective? Here’s my best guess on what it was: They began to see the “left over” money as not their own. They didn’t need it. Their kids and grandkids didn’t need it. **So, who, or what, might need it? And, depending on that answer, how might they steward this money?**

We didn’t answer these new questions. Frankly, it was significant enough to realize they had new, and potentially, exciting questions to answer. They certainly seemed excited to think about the good this money might be able to do in the world. The hope is that we’ll be working with these clients for many years, not only to answer these new questions, but also to help them have front row seats as those answers play out.

If you’re asking the first two questions but haven’t taken the time to answer them concretely, we’d be glad to help. After that, we can work creatively on answering the next two questions.

*Income projections are not guaranteed and are based on assumptions that may not come to pass. It is unknown if the client approved or disapproved of the services rendered.*



# THE PROFITABILITY FACTOR

Ryan Lamoureux, Investment Analyst



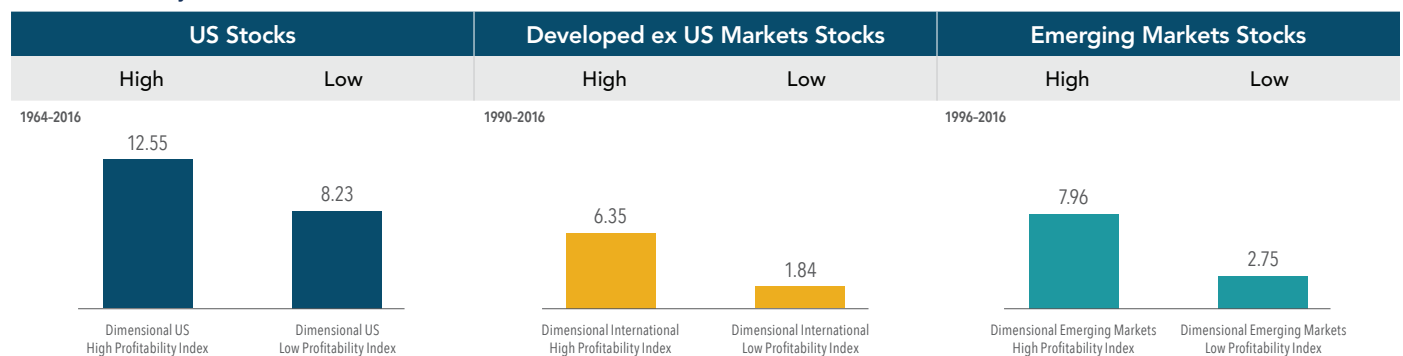
Foster Group's investment philosophy is rooted in academic research and recently, we have made some incremental improvements in our portfolio, based on well documented research around the profitability premium.

What is the profitability premium? According to the academic description, "Profitability is measured as operating income before depreciation and amortization, minus interest expense scaled by book." Simply put, companies that are more profitable tend to outperform companies that are less profitable; makes sense, right? The research shows that a company's current profitability contains information about its future profitability. Research on profitability was conducted by academics, Eugene Fama and Kenneth French, and later by Robert Novy-Marx.

Dimensional Fund Advisors then expanded on the academic research and found a way to capture this premium in the market and pass the returns along to investors. In 2017, they launched two funds focused on profitability in large companies, one in the domestic market and the other in the foreign market. The table below illustrates how the profitability premium has performed historically.

Foster Group is in the process of implementing these funds in all of our model portfolios. There are several advantages to adding the profitability premium to our portfolios, including exposure to a third factor premium (along with small and value) which increases expected return, and which further diversifies the portfolio.

## The Profitability Premium



Profitability is measured as operating income before depreciation and amortization minus interest expense scaled by book. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower. The Dimensional Indices have been retrospectively calculated by Dimensional Fund Advisors LP and did not exist prior to their index inception dates. Accordingly, results shown during the periods prior to each Index's index inception date do not represent actual returns of the Index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Eugene Fama and Ken French are members of the Board of Directors for and provide consulting services to Dimensional Fund Advisors LP.

This chart does not represent the performance of the Foster Group or any of its advisory clients. Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. There are no assurances that an investor's portfolio will match or outperform any particular benchmark. All investment strategies have the potential for profit or loss. Asset allocation and diversification do not ensure or guarantee better performance and cannot eliminate the risk of investment losses. A list of all specific recommendations made by the firm for the past year is available upon written request.



Wade A. Den Hartog,  
MBA, CAP®, CFP®,  
Advisor

# IN THE COMMUNITY

*Wade A. Den Hartog joins us for a short Q&A about his involvement with Unity Point Health Foundation's Day of Compassion*



READ TIME  
1 minute

- 1. What is your role with Unity Point Health Foundation's Day of Compassion?**

The Day of Compassion is a 'day of giving,' to encourage individuals to support compassion funds at Iowa Methodist, Iowa Lutheran, John Stoddard Cancer Center, and Taylor House Hospice. All the money raised provides support for patients and families in need, with things such as gas cards for transportation, lodging, onetime prescriptions, etc.

I served on the committee to help brainstorm ways to get more of the community involved, to generate fundraising ideas, find fun ways to celebrate the day, and create greater awareness of the event.
- 2. Why did you decide to volunteer with Day of Compassion?**

I decided to volunteer to be part of a community-wide project that has a tremendous impact on families in need. I was also glad to support the Day of Compassion because Foster Group was the presenting sponsor.
- 3. What do you like best about this volunteering opportunity?**

The creativity and uniqueness of the campaign was a fun way to give back. Also, watching the ripple effect of giving and the community learning more about this cause was rewarding.



Jon Evans, CFP®, AIF®,  
Lead Advisor - Business  
Development

## EMPLOYEE SPOTLIGHT

### What is a hobby you enjoy?

I enjoy riding dirt bikes. Don't think big gap jumps and tracks; that's too scary for me! Think endure-style trail riding. I grew up riding small bikes but didn't really pick it back up until my kids were old enough to start riding. Now, we have a 'stable' of 4 bikes, ranging from small to large, and it has become something that we do as a family.

### What is a random fact that some may not know about you?

I used to be in a band! We were called Simeon's Dream; I'm sure you've heard of us. Three of my closest high school friends and I started playing for a church youth group. The rest, as they say, is history. We played at coffee shops, summer festivals, and churches around the state. I was the lead singer and rhythm guitar player. We ended up writing our own songs and recording an album. I still have a box full of our CD's in my basement, in case anyone is interested!

### What was your first job?

My first 'official' job was at Famous Dave's BBQ. I was a host and bussed tables. I wanted to work there because I was learning how to play guitar and I loved the blues music they played. My big take-away, bussing tables at a BBQ restaurant is a dirty job!

## NEW CERTIFICATIONS



MATT MOKLESTAD,  
CFP®, CIMA®, AIF®, MBA

The Certified Investment Management Analyst® (CIMA®) certification signifies that an individual has met initial and ongoing experience, ethical, education, and examination requirements for investment management consulting,

including advanced investment management theory and application. To earn a CIMA® certification, candidates must submit an application; pass a background check and have an acceptable regulatory history; complete an in-person or online executive education program through a Registered Education Provider; pass an online Certification Examination; pass a second background check; and have three years of financial services experience at the time of certification. Matt is currently the only Foster Group employee with this certification.

## RECENT AWARDS



### 2019 ADVISORYHQ BEST FINANCIAL ADVISORS IN IOWA AND OMAHA

For the third year in a row, AdvisoryHQ News has recognized Foster Group as a top ranked advisor in both Des Moines and Omaha!

AdvisoryHQ is a national review and ranking news media for the investment management, wealth, and financial advisory industries. AdvisoryHQ uses a multi-step selection methodology for identifying, researching, and generating its list of top ranked firms. AdvisoryHQ's review and ranking articles are always 100% independently researched and objectively written.\*

# RECENT AWARDS CONTINUED



## 2019 GALLUP GREAT WORKPLACE AWARD

Gallup recognized Foster Group as a 2019 Great Workplace Award winner. The Gallup Great Workplace Award recognizes the world's most elite workplaces. Backed by Gallup's world-class analytics and research into high-performance workplaces, Gallup presents this honor to organizations that have proven their ability to achieve exceptionally high levels of workplace engagement by investing in their people. Foster Group is one of only seven small employers to make the list of the 40 total employers chosen. This is the second consecutive year Foster Group has received this award.

*Working with a highly-rated advisor does not ensure that a client or prospective client will experience a higher level of satisfaction or performance. This award should not be construed as an endorsement of the advisor by any client.*



L-R: LISA GOTSDINER, *Gallup Business Solutions Consultant*; BUCK OLSEN, *Foster Group CEO*; SUNNY ROEDER, *Foster Group Director of Finance*



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## VECTOR: SMALL CHANGES MAKE A BIG DIFFERENCE

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Save the Date!  
**7 WAYS TO THE  
GENEROUS LIFE**

Thursday, September 12, 2019

**Featured Speaker: Brad Formsma**

Author of best-selling books, *I Like Giving: The Transforming Power of a Generous Life* and *Everyday Generosity: Becoming a Generous Family in a Selfie World*

*Event details to come!*

\*For specific details about the award, visit [www.fostergrp.com/who-we-are/industry-recognition/](http://www.fostergrp.com/who-we-are/industry-recognition/), <https://www.advisoryhq.com/articles/best-financial-advisor-des-moines-reviews-of-iowas-top-advisors-planners/>, and <https://www.advisoryhq.com/articles/best-financial-advisors-in-omaha-nebraska/>.

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# VECTORS & VIEWPOINTS®

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