Investment Planners, Inc.
Integrity ★ Performance ★ Innovation

CONCENTRATED STRATEGIES

The stock of a single company may represent a considerable portion of your wealth because the proportional value of the stock contributes to your overall investment portfolio. When that happens much of your wealth is concentrated in that one position. Generally speaking, any individual stock position that makes up more than 20% of the value of your total investment portfolio is considered a "concentrated position."

Concentrated stock positions are built every day. You may develop yours through employer retirement plans, inheritances, employee stock options or selling businesses. You may also accumulate such a position over time when stocks achieve superior returns and/or through splits and dividend reinvestment opportunities. Plus, they can result from avoiding rebalancing a low cost basis stock that has grown in value because of capital gain tax consequences. Or they may be the product of owning restricted or controlled shares that may be difficult to trade because of securities regulations.

It is not uncommon for people to develop an emotional attachment with a concentrated stock position. While this is understandable given the role it may have played in your financial success, it can be a concern, because it may make diversification decisions difficult to both think about and follow through. Another possible problem is that a concentrated stock position makes a large portion of your wealth dependent on the movement of one particular stock. Which means you may be exposed to greater volatility, lower liquidity and higher risk compared to a more diversified portfolio.

A highly concentrated equity position can serve as a cornerstone of your financial security. So it may be prudent to develop an exit strategy to help maximize the value and minimize the risk intrinsic to your concentrated stock position, please discuss this further with your financial advisor.

Potential Risks

- Concentrated positions entail greater risks than a diversified portfolio.
- A concentrated portfolio holding a single position may be subject to greater risk of a collateral call than a diversified portfolio. A diversified portfolio will tend to be less subject to a sharp decline resulting from the negative performance of a single security; investments are subject to market fluctuation, investment risk, and possible loss of principal.
- Selling a large position of highly appreciated stock may create significant tax liability.
- A major stock collapse of a concentrated position could affect your portfolio's value drastically (e.g. Enron, WorldCom, Lehman, General Motors, Washington Mutual, etc.).

Three Solutions

1. **Hold the Position –** requires zero action by a client. However, history has shown that seemingly stable businesses with long operating histories can vanish overnight. Clients should be mindful of the potential risk involved.

2. **Selling the Position** –if the position resulted from the growth of a successful investment; it may come with a large tax bill.

3. **Hedging the Position** – buying or selling put options. These strategies are complex in nature. A client must be approved for options trading to consider this solution.

SECTION 3: SIGNATURES

I have reviewed this information and have discussed any questions or concerns with my financial advisor.
I fully understand and accept the risks of holding a concentrated position in my account.

Print Client's Name	Signature	Date
Print Joint Client's Name	Signature	Date
Financial Advisor	Signature	Date