KEATING
WEALTH MANAGEMENT

What We Believe

These are the core guiding principles that define who we are, what we believe, and what we can and can't do:

1. ***Trust.*** The relationship between a client and a financial adviser must be built on the bedrock of mutual trust. We earn our clients' trust by telling them the absolute truth at all times. This is the only way to build an enduring relationship that benefits both parties.
2. ***Planning.*** A customized financial plan is a key element in our relationship with each client. The plan establishes investment portfolio goals and enables us to measure progress toward those goals.
3. ***Purchasing power.*** Preserving the dollar value of a portfolio is never an adequate goal, because inflation constantly erodes that value. With 3% inflation a year, the cost of living doubles every 25 years, and investors who merely preserve their principal will lose half their purchasing power over that time frame. The goal must be to preserve and grow purchasing power.
4. ***Equities.*** Over time, equities—not bonds—have been the best way to preserve and grow purchasing power. Since 1926, equities have delivered a 7% real return for large-company stocks and a 9% real return for small-company stocks—double and triple the 3% real return for bonds.
5. ***Volatility.*** Equities are more volatile than bonds, and the bumpy ride is the reason for the higher returns. But we don't equate equity volatility with risk. Volatility is a short-term disturbance, whereas the long-term returns from equities are enduring. Equities are a good investment because they go down temporarily and up permanently.
6. ***Growth.*** Volatility is the norm in the equity market. Since the end of World War II, intrayear declines have averaged 14%, and there have been temporary declines of 15% to 20% about one year in three. Roughly one out of five years, there's a bear market decline of 20% or more. Nonetheless, the equity market is now more than 70 times higher than it was in 1946, and dividends have increased by a factor of 40. Inflation has trimmed these gains, but not by much; consumer prices are now about 13 times higher.
7. ***Behavior.*** The real risk for equity investors is not volatility; it's their emotional response to volatility. All of us have an innate tendency to interpret large temporary declines in the market as the beginning of the end. And when we panic, we flee. Investor *behavior*—not investment performance—drives the financial outcomes experienced by most investors.
8. ***Patience.*** For decades, countless experts have tried—without success—to predict or time the markets. We conclude that it cannot be done. To capture 100% of the long-term return of equities, investors have to be in the market at all times. This means experiencing 100% of the short-term volatility. Since there is no effective way to buy or sell stocks in response to market or world events, we devote no time or effort to analyzing these events. Our advice is unchanging: Whatever may be happening in the world, we counsel clients to patiently hold the portfolio that offers them the best chance of reaching their financial goals. In other words, stay the course.
9. ***Value of advice.*** We are confident that over the years of our relationship with you, our behavioral advice against panic selling in falling markets and our discipline in helping you stick to a well-constructed financial plan will be worth multiples of our fee.
10. ***Index Funds.*** We believe that equity index funds should be the core holding for all our clients because these funds are broadly diversified, low-cost, and tax-efficient. Over every cycle, equity index funds have consistently outperformed the vast majority of actively managed mutual funds.

Data sources: Morningstar and J.P. Morgan Asset Management.