

Asset Class Returns

October 31, 2013

	YTD 2013	Past 10 yrs.*	2012	2011	2010
Bonds (%)					
One-Year	0.4	2.3	0.9	0.6	1.2
Five-Year	0.3	4.0	4.8	4.5	5.3
Intermediate	-2.3	5.3	3.7	9.4	6.9
Long-Term	-8.6	7.4	3.5	29.3	8.9
U.S. stocks (%)					
Large Market	25.3	7.0	15.8	2.1	14.9
Large Value	31.2	8.4	22.1	-3.1	20.2
Small Market	33.1	10.9	18.4	-3.2	30.7
Small Micro	34.9	10.4	18.2	-3.3	31.3
Small Value	31.9	11.3	21.7	-7.6	30.9
Real Estate	6.8	11.4	17.5	9.0	28.7
International stocks (%)					
Large Market	17.9	8.4	17.8	-12.3	9.3
Large Value	20.1	10.2	16.6	-16.9	10.6
Small Market	23.5	12.8	18.9	-15.4	23.9
Small Value	27.9	13.5	22.3	-17.5	18.1
Emerg. Mkts.	-0.6	17.4	19.2	-17.4	21.8

All returns except "YTD" (Year to Date) are annualized.

Descriptions of Indexes

One-Year bonds	DFA One-Year Fixed Income fund
Five-Year bonds	DFA Five-Year Global Fixed
Intermediate bonds	DFA Intermed. Gov't Bond fund
Long-Term bonds	Vanguard Long-term U.S. Treas.
U.S. Large Market	DFA U.S. Large Co. fund
U.S. Large Value	DFA Large Cap Value fund
U.S. Small Market	DFA U.S. Small Cap fund
U.S. Small Micro	DFA U.S. Micro Cap fund
U.S. Small Value	DFA U.S. Small Value fund
Real Estate	DFA Real Estate Securities fund
Int'l Large Market	DFA Large Cap Int'l fund
Int'l Large Value	DFA Int'l Value fund
Int'l Small Market	DFA Int'l Small Company fund
Int'l Small Value	DFA Int'l Small Cap Value fund
Emerging Markets	DFA Emerging Markets fund

"Past 10 yrs." returns are ended 12/31/12.

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Past performance is not a guarantee of future results.

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Transitioning Your Abundance

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*Abundance is not something we acquire;
it's something we tune into.*

—Wayne Dyer

The chapters of our human existence are written by our transitions. Although challenging, if managed wholeheartedly, transitions offer us opportunities for nurturing reflection. If courageously kindled, they can be immensely rewarding.

At Equius we build investment plans to support pivotal life-altering transitions. Our work with clients and for ourselves has taught us that we all have the precise amount of abundance to effect a transition. What's needed to inspire an optimal one is time to reflect on our rich inventory of financial, human, social, intellectual and emotional capitals. From that reflection a wisdom is born that facilitates reallocating those sources of wealth in ways that transition our abundance to support deeply meaningful transformations.

Transition's Characteristics

A change moves us from or to a person, place or event. It involves shifting a physical landscape. In order for a change to be meaningful, a transition is required. A transition is driven by a need to meet a calling that resides deeply within us and therefore requires canvassing our psychological landscape.

Three stages define a transition's evolution: an ending; a period of lying fallow when disorientation, disassociation, disappearance and dislocation, although initially troublesome, eventually become welcome guests on the pilgrimage; and, finally, a new beginning. The seasons remind us that transitions are perfectly natural.

A client I'll call Sam courageously navigated a seminal transition that took him from the seduction of financial safe harbor within a company he created to an open sea of possibilities with his family and other pursuits he now more fully, deeply and consistently enjoys.

Continued on page 2

Sam started this journey in his early forties as he realized the company he founded was no longer delivering him meaningful emotional dividends. But before he could transition from his firm, Sam was convinced he needed much more material wealth than what he had amassed. Millions more. Enter Equius.

Our first task was to determine what cash flow Sam and his wife, Sally, needed. In a rediscovery meeting it became clear to us there was enough material wealth to allow Sam to focus on what was deeply important to him: directing more of his energies and time to Sally and their daughter, Suzie, who has special needs. It was not that clear to Sam. A course was needed to release Sam from anchoring on a quantification of his material wealth that was sinking him emotionally rather than tethering him to lasting security. And so began Sam's transition.

Transitions are challenging because they begin with an ending, when typically we let go of a person, place or thing that usually has defined a safe dynamic. Endings are not fun. In Sam's case, there was the additional fear of terminating a significant cash flow and most likely selling a business that kept him in a comfortable eddy of financial security. What kept Sam moored by the anchor of financial security was his midbrain.

The human brain has developed into three parts over five hundred million years. The part that first emerged, the reptilian brain, lies at the bottom of our brain. It helps us wake up and go to sleep and makes sure our heart beats. Sitting on top of that is the midbrain. It started to evolve three hundred million years ago. It's our body's thermometer and the source of our emotions. Like fear. It kept our ancestors off the saber-toothed tiger's menu. The third part of our brain is the cortex. It's only one hundred million years old and is responsible for the miracle we call being human. It's the source of creativity, including the arts, science and music. If you want a transition to be meaningful, your cortex has to be fully engaged.

Sam's cortex wasn't engaged, because the fear of not being able to afford his transition kept

his midbrain in control of his thoughts. Three hundred million years of keeping humans off the saber-toothed tiger's dinner table kept Sam trapped in fear. No time to think about creative solutions when survival is at stake! The solution: baby steps. Baby steps work because small, easily achievable goals are less frightening than big, audacious ones. Baby steps would more effectively guide Sam's thinking process to sneak past his fiercely protective midbrain and encourage the development of new nerve pathways directly to his cortex, where his creativity resides. Brains are malleable. The more steps Sam takes, the more his brain's plasticity engages his cortex, home to his spirit for adventure and a key to meaningful transitions.

Sam's first baby step was agreeing to take one day a week off work. This called forth the transition's second stage: purposefully taking time for deep and deliberate introspection. Insights began to populate Sam's thoughts as he turned his attention from the familiar internal and external landscapes defined by past connections with people, responsibilities and places and started focusing on frontiers that offered more meaning.

This second stage of a transition can be particularly daunting and unsettling since it often is laced with inaction, which, in Sam's case, flew in the face of decades consumed by habitual, hectic and intense busyness. This part of the journey is easily littered with doubts. All the more reason to be patient and nonjudgmental. And all the more reason to seek help to avoid pitfalls.

Sam brought two tools to his transition that helped him successfully work through this second stage: membership in a men's group and personal counseling. Transitions surface intense feelings. Handled gently and with deeper awareness, they can add insightful color at each phase: the sadness that comes with the ending; the anxiety that riddles the period wrought with confusion and disorientation; and finally the euphoria that paves the beginning of a new path. Sam's mindful attention to his feelings taught him how to be at ease with the transition's risks. My dad coached me not to make a decision

Continued on page 3

when angry or sad. He was a banker, not a psychologist. Nonetheless, his experiences as a survivor of World War II and through the battles of building a banking presence in an emerging country taught him the value of managing emotions before taking actions.

Katie Calagui, one of our relationship managers and our CEO, and I structured meetings to manage Sam's emotions and take actions to lead him through his transition. Soon two days off work became Sam's weekly norm. Then three days a week.

Continued conversations about how their material wealth could support their cash flow needs, coupled with Sam and Sally's confidence in our investment approach, allowed Sam to become more comfortable with letting go of the business he had created.

As Sam began reallocating his time and energy from obsessing with his financial capital to a more regular focus on his human, social, intellectual and emotional capitals, it became easier for him to release himself from his company's financial and emotional clutches. Sam eventually sold his company with the condition that he not be involved in its management.

Sam is now fully engaged in the third and final stage of his transition: a new beginning. He now directs all his precious time and energy to his family and projects that hold a deeper meaning to him. He has successfully transitioned his abundance.

With hindsight, the light that now shines brightly on Sam's next chapter seems to have appeared somewhat suddenly. That illumination is highly correlated to the time given to lying fallow between the transition's ending and beginning. John Galsworthy reminds us, "The beginnings of all human undertakings are untidy." Their timing is also unpredictable. But given the work and reflecting Sam had done, it became very clear to him when it was time to begin the next chapter of his life's story.

Transition Leadership

Because it is fundamentally psychological, a transition requires inner leadership. Six aptitudes are needed to nurture a transition

effectively and align it with its overarching purpose. Sam developed each of these qualities, which made it easier for us to don our cheerleading outfits. They are the same characteristics we at Equius seek as we mentor, groom and transition team members into our next generation of leaders. Those aptitudes are:

- ✓ The creativity to articulate the transition's story in a way that captures its essence. This most likely requires a vocabulary different from the language that led to the transition. As the late Tom Clancy reminds us: "The difference between fiction and reality? Fiction has to make sense."
- ✓ An ability to be mindful of and open to what it takes to design the transition's path through its ending, dormancy and new beginning.
- ✓ The capacity to orchestrate the symphony of capitals (financial, human, social, intellectual and emotional) that support the transition.
- ✓ A high degree of empathy that allows for extraordinarily generous doses of gentleness and curiosity throughout the pilgrim's journey.
- ✓ The wisdom to define, pay relentless attention to and keep returning to what is meaningful.
- ✓ The courage to play in the midst of a very stressful time.

Transitions become meaningful changes when guided by empathy, creativity, curiosity, kindness, gratitude and enormous courage. Lest we forget, the origin of courage is the Latin word, *cor*, meaning heart: "To speak one's mind by telling all one's heart."

Transitioning Your Abundance

You have the precise amount of capital to achieve what is important to you. Taking stock of your capital sources and then deliberately allocating and rebalancing your time and energy to underutilized capitals can

Continued on page 4

lead you through any transition and to a more conscious tuning in to your abundance.

Transitioning your abundance is achieved by managing two sources of wealth:

✓ **Your outer wealth.**

Outer wealth is defined by your financial capital (your material valuables).

✓ **Your inner wealth.**

Inner wealth is informed by your human, social, intellectual and emotional capitals (what you value).

Your financial capital's protection, growth and deployment will be defined by your investment plan. As your advisor, our goal is to promote comfort and confidence in how your financial capital is managed so as to relieve you of the stress caused by the meaningless cacophony of chatter that deafens, deflates and distorts the stewarding of your material wealth.

Freed from the stress that the media's mindless noise can cause, and in quiet places of reflection, the other and parallel path of a transition invites you to allocate your time and energy to capital sources that define your inner wealth to achieve that transition's overarching purpose: what you value and what is meaningful to you. Your inner wealth is made up of four capitals:

✓ **Human Capital, or what you are.**

This capital takes stock of how you are caring for your health through eating, sleeping and exercise habits. Sam is now considering training for a triathlon.

✓ **Social Capital, or who you are in your community.**

This capital is defined by your social networks including your family, work, avocational and personal relationships. Sam is finding himself in enormous abundance as he spends more time with his daughter.

✓ **Intellectual Capital, or what you've learned.**

This capital is built through your schooling and the education you've attained through your life's experiences. Sam just finished reading a book on the framers of this country's constitution. To be able to let his intuition guide him on his journey of discovery imbues Sam with surprisingly healthy doses of abundance.

✓ **Emotional Capital, which is formed by your spirit.**

This capital is created as you develop your core competencies. What I see in Sam today is a more optimistic, adaptable, self-confident and straightforward human. The empathy he exhibited as he worked through his transition has allowed him to exude a more self-knowing, if not self-actualized, state of abundance.

Sam continues to move through his next chapter, rebalancing his and Sally's human, social, intellectual and emotional capitals that nurture what they value. And our investment plan continues to finance their now newly discovered abundance.

Each transition asks that you find a way of being that is radically and genuinely you. By deliberately and consciously rebalancing his time and energies to his inner and outer wealth, Sam is now expressing himself fully and has transitioned himself into a more meaningful state of abundance.

As we transition into the glorious holiday season and revel in the Thanksgiving spirit, we remain deeply grateful for the relationships we've built over decades of counseling our clients and enormously blessed by the abundance that imbues us as we tune in to all that informs our wealth.