**Retirement Income Management Fixed Income Investment Approach**

Fixed income investing has historically been one of the best ways to preserve capital while reducing risk of other asset classes and providing a good level of income. Done correctly, fixed income portfolios should be diversified across different areas of fixed income including Investment Grade Corporate Bonds, High Yield Corporate Bonds, Treasury Bonds/Bills, Government Agency Debt, and Municipal Bonds when appropriate. Each individual fixed income model portfolio starts with the client's wealth accumulation and/or income needs in mind and takes into effect risk, return, and tax efficiency.

**Screening for Fixed Income**

Our screening process begins and ends with the larger fixed income universe, with a primary focus on corporate bonds and a secondary focus on treasury, agency, and municipal debt. In screening for corporate securities, we are looking at a broad universe of bonds based upon yield, maturity, and credit risk parameters. Treasuries and agency debt are utilized to offer a higher level of safety in certain portfolios and municipal bonds are utilized where a client has a special tax situation.

**Security Selection**

After screening broadly, certain securities are eliminated including the corporate bonds of private companies. These bonds, while offering competitive yields and diversification in certain sectors, many times become illiquid across the lifetime of the bond. In addition, some of the riskiest securities are removed from the selection process. Each fixed income portfolio model has its own yield, maturity, and credit risk standards, but broadly, we look to primarily hold BB or better fixed income securities, but will hold securities with ratings down to CCC if the company is in an improving financial situation.

**Portfolio Construction**

While fixed income investing is normally considered safer than stock investing, diversification is again the key here. Ideally, a diversified fixed income portfolio would have multiple asset classes laddered across differing maturities from differing companies and governments across the world. This type of diversified portfolio would protect from the risk of both inflation and deflation along with protecting from undue credit risk. We offer several bond portfolios that offer this type of diversified portfolio and the proper one for clients of course depends on their risk tolerance and return needs.

**Conclusion**

For those in retirement, fixed income investing is the core of a client’s investment portfolio. Having a portion of the total investment portfolio in quality short to intermediate term bonds of several types across multiple securities and industries gives the investor the opportunity to sleep at night while being able to take a higher level of risk with the remainder of the portfolio.