

# BDWM Ask the Experts | Diversification

George Sparks, Director

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George Sparks ([00:00](#)):

Again, when we talk about estate planning, too, I'm working with another one of our clients that's going through, he's getting to that point where he needs to be selling his business, he needs to understand that, "Hey, okay, I've got a financial plan. I know that I need to live on this much money. My wife and I need this much money during our retirement. How do I make this happen?" So we would get a list of all their assets, basically a personal financial statement. We look at all their investments. We do a deep in-depth study of the investments. We look at the retirement plan, funds that they have outside, other investments, and things like that, we bring that all together. We're able to do an analysis that really a lot of people think, and it was surprising to this client, "I've got Janus Funds, I've got Fidelity Funds, I've got American Funds. I'm well-diversified."

George Sparks ([00:55](#)):

Well, our analysis digs deep into what are the asset holdings of each of those funds and what you find out is they all own the same thing, right? So while they are diversified in name, their holdings are not diversified, so as the stock market goes up or down, the correlation between all the investments moves dramatically in the same manner, so when they think they're getting diversification, they're really not getting diversification, so that analysis is able to bring that to the table. We're able to talk about how you can do that with individual stocks to cover different business sectors of the market and bring true diversification, not where you have holdings that make up 0.1%. You need to have conviction about what you own and why, and you need to know why you own it.

George Sparks ([01:41](#)):

That's what we do inside of there from the investment management standpoint, but it really helped them understand that "Hey, I need a much broader perspective. I need somebody that's going to coordinate all these different investment accounts," along with all the different services from the attorney, from their insurance agent and things like that, "to make sure I'm really accomplishing my plan."