



# CHARTING THE COURSE



Special Series of Briefs About Beacon's Client Services

## Our Case for Consolidating Your Investment Accounts at Schwab "When It's Okay To Put 'All Your Eggs In One Basket'"

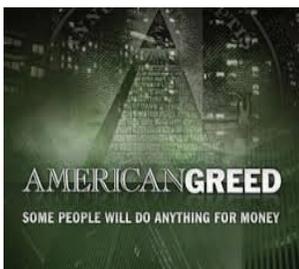
**King** Solomon gave wise counsel about spreading wealth among several baskets, cautioning that future dangers were unknowable. We agree! **Beacon** has always advocated balanced, global investing—diversifying among different asset classes like stocks, bonds, and alternative asset classes across the globe. That is always prudent because hazards do lurk, and it's impossible to always predict markets.

But this Service Brief is not about Asset Allocation of your money, it's about Brokerage Consolidation of your investment accounts—the practice of placing all your investment accounts under a single brokerage roof. The overarching benefit from Brokerage Consolidation is the managerial and organizational ease it provides you our client primarily, and secondarily to **Beacon**. In the "Brokerage Practices" section of **Beacon's** Form ADV Part 2A (our "Brochure") with the US Securities and Exchange Commission (SEC), we make our "case" for brokerage consolidation at Schwab and we encourage you to read that section and our complete Form ADV. An excerpt from "Brokerage Practices": [http://www.bfaltd.com/files/Beacons%20Brochure\\_2013.pdf](http://www.bfaltd.com/files/Beacons%20Brochure_2013.pdf)

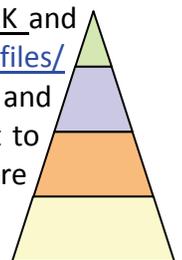
*"BEACON recommends (and in some cases requires) that you use Schwab Advisor Services™ (formerly called Schwab Institutional®), a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian...*

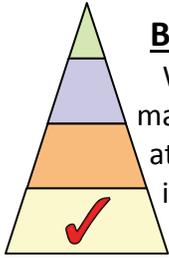
*(...some of your accounts that BEACON manages may be required to be held in custody at custodians other than Schwab. For instance, your employer's retirement account (e.g. 401k, 403b, 401a, 457b, etc.) is offered exclusively through an approved broker (e.g. Fidelity, Vanguard, etc.) and you haven't the option to use Schwab.) "*

When we meet prospective clients, it is common to learn they have accounts at numerous brokerages or mutual fund companies to custody their assets, usually to lessen anxiety about institutional risk. However, more often than not they lack a cohesive investment plan, and it is difficult to manage all the various paperwork, online accounts, etc. All of us warily recall the Bernard Madoff ponzi-scheme (and many others like it.) The CNBC network has ample material of real life scams, schemes, and broken dreams for their true crime series **AMERICAN GREED**. A concern sometimes expressed by new or prospective clients of **Beacon** is about asset safety at Schwab. What about the financial stability of Schwab as a public company and qualified custodian of your money? What happens if a rogue employee at Schwab misbehaves? And, if all that isn't enough we live in the era of cybercrimes in which our personal information could be at risk from outside hackers and cyber-thieves.



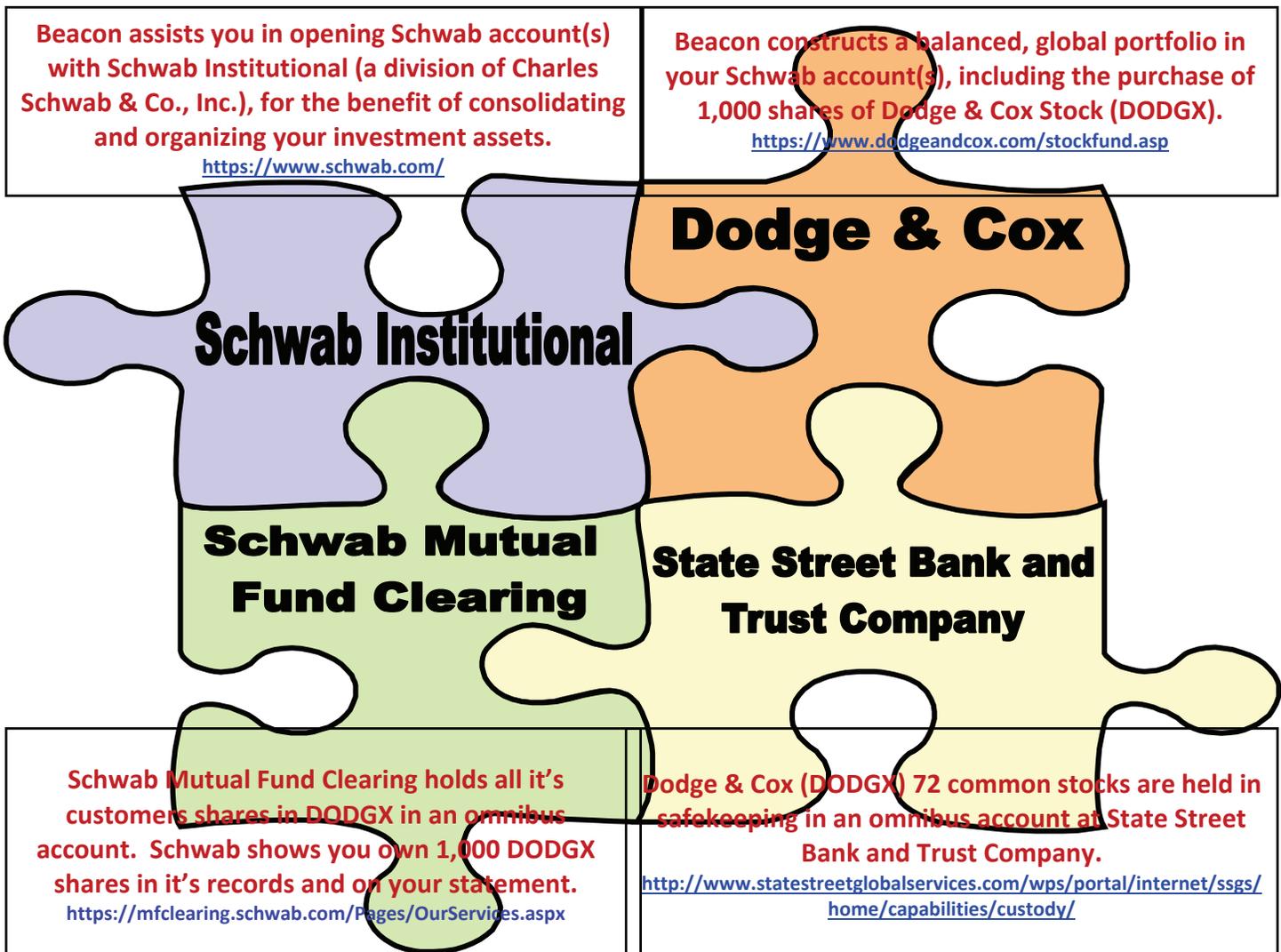
We introduce the concept of Brokerage Consolidation. We use our Service Brief: TEAMWORK and describe that **Beacon** does not have custody of your assets ([http://www.bfaltd.com/files/BEACON\\_TEAMWORK\\_TEAM.pdf](http://www.bfaltd.com/files/BEACON_TEAMWORK_TEAM.pdf)). Where are your assets? With custodians like Schwab and various third-party custodians that we'll discuss more fully. We have a duty to you our client to reveal and discuss that, while there is no way to completely remove institutional risk, there are significant layers of protection that are manifest with Brokerage Consolidation at Schwab.

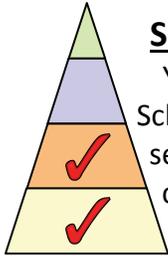




**Built-In Safeguards for Mutual Funds**

We focus on mutual funds because Beacon exclusively uses mutual funds to construct and manage your portfolio (see our white paper BALANCED, GLOBAL INVESTING USING MUTUAL FUNDS at <http://bfaltd.com/files/More%20about%20Beacon.pdf>). More formally known as “regulated investment companies” by the Internal Revenue Service (IRS), mutual funds are indeed highly regulated. All mutual funds are required by law to place their assets with third-part custodians for safekeeping. Let’s consider a practical example of this bedrock layer of protection: Your Schwab brokerage statement reveals ownership of 1,000 mutual fund shares of Dodge & Cox Stock fund (DODGX). A look at DODGX’s quarterly report reveals the fund owns common shares of 72 public companies, plus 2% in cash and equivalents. The reality of where your assets are involves the so-called “indirect” holding system. The underlying securities of the 72 public companies and the cash equivalent securities owned by DODGX are held by State Street Bank and Trust Company (HQ in Boston, MA) serving as custodian and as fund accounting agent. Additionally, Boston Financial Data Services (HQ Boston, MA) acts for DODGX as transfer and dividend disbursing agent. DODGX has an independent Board of Trustees, and the Board of Trustees has an independent registered public accounting firm (PricewaterhouseCoopers LLP) and independent legal counsel (Ropes & Gray LLP). Schwab reflects your beneficial interest in DODGX shares as book entries in it’s own records, as you are the legal, beneficial owner of the 1,000 shares of DODGX. The graphic below reveals the process and layers of protection using our example.





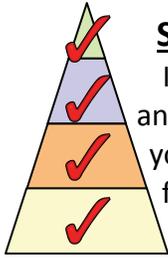
**Schwab + SIPC + Lloyd's of London for "Excess SIPC"**

Your assets are segregated at Schwab and are not commingled with other clients or customers. Schwab is a public company with a sound capital structure and leading position in the financial services industry. Schwab offers THE SCHWAB SECURITY GUARANTEE that stipulates Schwab will cover 100% of any losses in any of your Schwab accounts due to unauthorized activity. It is a program designed to work with you as you safeguard your account access information (see SchwabSafe® on page 4). Notably, this guarantee applies to your Schwab accounts managed by

**Beacon** if a person or party other than Beacon performs unauthorized activity. Transactions initiated by **Beacon** are considered "authorized" and are not covered by Schwab's guarantee.

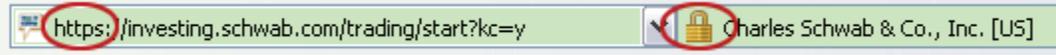
In the unlikely event Schwab becomes insolvent, your segregated assets are not available to Schwab's creditors. The Securities Investor Protection Corporation ("SIPC") is a nonprofit membership corporation to protect your investments if Schwab fails financially. If your assets are unaccounted for due to recordkeeping errors or misappropriation, you are reimbursed by SIPC up to \$500,000 for all accounts held in your name. Whenever possible, the actual securities you own are returned or, if necessary, SIPC funds will be used to purchase replacement securities. On top of SIPC coverage, Schwab provides "excess SIPC" protection for a combined return to you of up to \$150 million if SIPC limits are exhausted. Notably, losses due to normal market or asset investment performance are not covered by any of the named parties above.

<p><b>Your assets at Schwab are segregated and not commingled. Schwab is a well-capitalized publicly traded company.</b>  <a href="http://www.schwab.com/public/schwab/investing/why_choose_schwab">http://www.schwab.com/public/schwab/investing/why_choose_schwab</a></p>	<p><b>Schwab provides, at no cost to you, THE SCHWAB SECURITY GUARANTEE.</b>  <a href="https://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe/security_guarantee.html">https://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe/security_guarantee.html</a></p>
<p><b>The Security Investor Protection Corporation is funded for you in the unlikely event Schwab fails.</b>  <a href="http://www.schwab.com/public/schwab/nn/ispc_account_protection.html">http://www.schwab.com/public/schwab/nn/ispc_account_protection.html</a></p>	<p><b>Schwab provides, at no cost to you, "excess" SIPC coverage from Lloyd's of London.</b>  <a href="http://www.schwab.com/public/schwab/nn/ispc_account_protection.html">http://www.schwab.com/public/schwab/nn/ispc_account_protection.html</a></p>



**SchwabSafe® and Business Continuity Planning (Schwab and Beacon)**

Identity theft is a real threat in the Internet-age. Your individual efforts to guard your personal and account information is the cornerstone of identity theft protection. To assist you in protecting your personal and account information at Schwab, SchwabSafe® helps by using state-of-the-art firewalls and encryption technology. For example, each time **Beacon** accesses your account at Schwab's website, we enter through Schwab's secure site only after entering a complicated password followed by a 6-digit number that changes with each login. Schwab makes these tokens available to you as well for your safe access to your accounts.



In the event of a business disruption (power outage, natural disasters, etc.), Schwab has a Business Continuity plan to reduce the possibility that you cannot access information to your accounts. **Beacon** also has a written Business Continuity Plan (aka Disaster Recovery Plan) to minimize the possibility that you are not able to contact us, or we contact you, in the event of a business disruption. In closing, we think all these protections and safeguards strongly support our contention that the benefits from Brokerage Consolidation at Schwab outweigh the concerns and fears of risks to your assets from most types of malfeasance. ■

<p><b>Identity theft is a real threat in the Internet age prompting Schwab to use leading-edge web technology.</b></p> <p><a href="http://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe">http://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe</a></p>	<p><b>Beacon uses SchwabSafe® technology, including a numerical token to change account passwords.</b></p> <p><a href="http://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe/we_guard_your_account">http://www.schwab.com/public/schwab/nn/legal_compliance/schwabsafe/we_guard_your_account</a></p>
<p><b>In the event of a business disruption, Schwab has a written disaster recovery plan to you can access information to your accounts.</b></p> <p><a href="http://www.schwab.com/public/schwab/nn/continuity.html">http://www.schwab.com/public/schwab/nn/continuity.html</a></p>	<p><b>Beacon also has a written Business Continuity plan to stay in contact with you if needed.</b></p> <p><a href="http://www.bfaltd.com/disclosure.aspx?spid=120964&amp;Title=Disclosure">http://www.bfaltd.com/disclosure.aspx?spid=120964&amp;Title=Disclosure</a></p>