Liberty One Investment Management

Pairing Advisory Business with Annuities

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Liberty One Investment Management

We deliver some of the easiest strategies you will ever position with a client.

INDIVIDUAL EQUITIES | RISING INCOME | TAX EFFICIENT | RECESSION RESISTANT

UMA sleeve minimums as low as $40,000 depending on platform.

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We make it easy for the advisor by making it easy for the client to understand.

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As of 3/31/24

Well Packaged Allocations

5-Year Beta Relative to S&P500

Beta	.45	.58	.73

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As of 3/31/24

TACTICAL GROWTH SOLUTION

Portfolio Summary

Equities	96%	Cash	.4%

Portfolio Holdings

Amdocs	.4%	Clorox Company	.4%
Eli Lilly & Co.	.4%	PepsiCo, Inc.	.4%
Pfizer, Inc	.4%	Cardinal Health, Inc.	.4%
Kimberly-Clark Corp.	.4%	Procter & Gamble Co.	.4%
Keurig Dr Pepper, Inc.	.4%	Southern Co	.4%
Waste Management	.4%	Hormel Foods.	.4%
Republic Services Group.	.4%	Duke Energy Corporation.	.4%
Mondelez International, Inc.	.4%	Lockheed Martin Corp	.4%
Coca-Cola Co	.4%	Alliant Energy Corporation.	.4%
Sysco Corporation	.4%	Starbucks Corporation	.4%
Nestle S.A.	.4%	McDonald's Corporation.	.4%
Microsoft Corporation	.4%	Cash	.4%
Johnson and Johnson	.4%		

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Tactical Growth Solution

Distinguishing Characteristics

- Consumer Foods
- Consumer Staples
- Utilities
- Pharmaceuticals
- Telecommunications
- Durable Technology

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As of 3/31/2024

Tactical Growth Solution

	Tactical Growth Solution vs. MSCI Min. Volatility			Tactical Growth Solution vs. S&P 500		
	3Yr	5Yr	10Yr	3Yr	5Yr	10Yr
Alpha	4.17	3.97	3.26	1.81	-0.31	1.80
Beta	1.00	0.99	0.93	0.56	0.58	0.55
R^2	80.39	85.62	76.94	61.01	67.25	56.47

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The Double Compounding Effect

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HOW DOES LIBERTY ONE STACK UP?

Tactical Growth Solution

Screening Method

- Fund asset size >$1 billion
- Funds with calculation benchmark: S&P 500 TR USD
- Morningstar Fund Category: US Fund Large Value
- 12 Month Yield >2%
- Morningstar Rating >4
- Mutual Fund & ETF Universe

Rank	Name	Alpha 10 Year	Beta 10 Year	Sharpe Ratio 10 Year	Net Return 10 Year	Standard Deviation 10 Year	Morningstar Rating
1	**Liberty One Tactical Growth Solution**	**1.80%**	**0.55**	**0.67**	**10.17%**	**11.08%**	**N/A**
2	**Benchmark: S&P 500 TR USD**	0.00%	1.00	0.67	12.96%	15.16%	N/A
3	Schwab US Dividend Equity ETF™	-0.14%	0.88	0.61	11.63%	14.58%	4
4	Integrity Dividend Harvest A	-0.63%	0.73	0.53	9.58%	12.78%	4
5	Vanguard Mega Cap Value ETF	-1.02%	0.88	0.56	10.68%	14.24%	5
6	WisdomTree US LargeCap Dividend ETF	-1.09%	0.89	0.57	10.74%	14.07%	5
7	Vanguard Equity-Income Inv	-1.20%	0.84	0.53	10.17%	13.86%	4
8	Vanguard High Dividend Yield ETF	-1.38%	0.86	0.52	10.12%	14.13%	4
9	FlexShares Quality Dividend Defensv ETF	-1.55%	0.89	0.54	10.32%	14.03%	4
10	WisdomTree US Total Dividend ETF	-1.58%	0.91	0.53	10.44%	14.43%	4
11	EIC Value Institutional	-1.65%	0.82	0.48	9.50%	14.05%	5
12	MainStay Epoch US Equity Yield I	-1.65%	0.80	0.49	9.29%	13.26%	4
13	Vanguard Value Index Inv	-1.68%	0.90	0.51	10.31%	14.64%	4
14	Hartford Equity Income Y	-1.78%	0.84	0.49	9.53%	13.73%	4
15	Victory Income Stock	-2.09%	0.87	0.48	9.54%	14.02%	4

Data and Morningstar Ratings as of March 31, 2024

Data Point Sources

10-year Alpha, Beta, and Total Return for Liberty One strategies are calculated internally using net composite returns. Data for other investments' 10-year Alpha is calculated internally for consistency, using the 10-year Treasury Note rate. Beta and Total Return for other investments were sourced from the third-party, Morningstar, as of month end 12/31/2023. Liberty One Investment Management does not guarantee the accuracy or validity of data received from third-parties. Calculation for 10-year Sharpe Ratio was internally calculated for all funds to ensure uniformity. Calculation methodology for 10-year Sharpe Ratio includes using portfolios' 10-year Total Annualized Return minus 10-year Treasury Note rate as of January 1, 2014 divided by 10-year portfolio Standard Deviation. 10-Year Treasury Note Rate as of January 1, 2014 was 2.67%.

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Client-Friendly Dividend Updates

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Client-Friendly Concept Pieces

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Report Card - 2020

Dividend Report	S&P 500 #	S&P 500 %	Tactical Income Solution #	Tactical Income Solution %	Tactical Growth Solution #	Tactical Growth Solution %
Companies that Increased Dividend	308	61.1%	**24**	**92.3%**	**23**	**95.8%**
Companies that Maintained Dividend	36	7.1%	**2**	**7.7%**	**1**	**4.2%**
Companies that Decreased Dividend	31	6.2%	0	0.00%	0	0.00%
Companies that Suspended Dividend	41	8.1%	0	0.00%	0	0.00%
Companies that do not pay a Dividend	88	17.5%	0	0.00%	0	0.00%
Overall 2020 Dividend Growth	**0.72%**		**5.51%**		**6.12%**	

% of S&P500 dividend payers that decreased or suspended their dividends in 2020:

17.3%

% of TIS and TGS dividend payers that decreased or suspended their dividends in 2020:

0%

Past performance does not guarantee future results. May lose value.

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Report Card-2021

Dividend Report

	S&P 500		Tactical Income Solution		Tactical Growth Solution		Spectrum	
	#	%	#	%	#	%	#	%
Companies that Increased Dividends	307	61%	26	100%	24	100%	49	98%
Companies that Maintained Dividends	53	11%	–	–	–	–	–	–
Companies that Cut or Decreased Dividends	43	9%	–	–	–	–	–	–
Companies that Do Not Pay Dividends	97	19%	–	–	–	–	1	2%
Average Dividend Growth Rate (%)	*See Below		6.18%		7.24%		9.07%	

% of S&P 500 dividend payers that decreased or suspended their dividends

2020	2021
17.3%	10.7%

% of TIS, TGS, and SPC dividend payers that decreased or suspended their dividends

2020	2021
0%	0%

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Report Card - 2022

Dividend Report

	S&P 500		Tactical Income Solution		Tactical Growth Solution		Spectrum	
	#	%	#	%	#	%	#	%
Companies that Increased Dividend	341	68.2%	26	100%	24	100%	49	98%
Companies that Maintained Dividend	40	8.0%	–	–	–	–	–	–
Companies that Cut or Decreased Dividends	8	1.6%	–	–	–	–	–	–
Companies that Initiated Dividends	8	1.6%	–	–	–	–	–	–
Companies that do not pay Dividends	103	20.6%	–	–	–	–	1	2%
Average Dividend Growth Rate (%)	*See Below		4.93%		5.97%		8.09%	

% of S&P 500 dividend payers that decreased or suspended their dividends

2020	2021	2022
17.3%	10.7%	2.0%

% of TIS, TGS, and SPC dividend payers that decreased or suspended their dividends

2020	2021	2022
0%	0%	0%

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Report Card - 2023

Dividend Report

	S&P 500		Tactical Income Solution		Tactical Growth Solution		Spectrum	
	#	%	#	%	#	%	#	%
Companies that Increased Dividend	329	66%	25	96%	24	100%	48	96%
Companies that Maintained Dividend	40	8%	1	4%	–	–	1	2%
Companies that Cut or Decreased Dividends	23	4%	–	–	–	–	–	–
Companies that Initiated Dividends	12	2%	–	–	–	–	–	–
Companies that do not pay Dividends	99	20%	–	–	–	–	1	2%
Average Dividend Growth Rate (%)	5.06%		5.23%		6.40%		7.07%	

% of S&P 500 dividend payers that decreased or suspended their dividends

2020	2021	2022	2023
17.3%	10.7%	2.0%	4.0%

% of TIS, TGS, and SPC dividend payers that decreased or suspended their dividends

2020	2021	2022	2023
0%	0%	0%	0%

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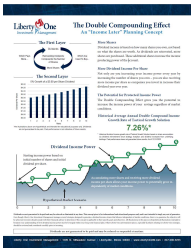
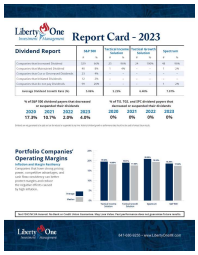
Inflation is top of mind. We make it easy for you to have the "Rising Income Strategy" conversation.





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As advisors, what do we solve for more than anything else?

Income

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What the environment brings	+	What your clients bring	=	What you need to bring
These three problems **1) Volatility** **2) Inflation** **3) Tax Reform**		What your clients seek to accomplish		Empathy, structure, and direction

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Growth & Income Buckets

$500,000

6/7 — 3/4

Growth $150,000

Income $350,000

1) A place to go when you need extra cash
2) Give yourself a raise
3) Protect your gains

The gains from the Growth Bucket feed the income bucket which feeds the bottom line

% ~~$17,500~~ $20,000

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$500,000

6/7 — 3/4

Growth $150,000

Income $350,000

UMA Growth Managers

Annuity w/ Living Benefit: $150,000 — 4.5 %

Liberty One Dividend-Focused: $200,000 — 7.9 %

$6,750 + $15,750 + Social Security $27,600 = $50,100

-20%

$40,080

$3,340 / Month

$22,500 = 4.5% of $500K

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$500,000

6/7 — 3/4

Growth $150,000

Income $350,000

Annuity w/ Living Benefit: $150,000

Liberty One Dividend-Focused: $200,000

4.5 % — 7.9 %

$6,750 + $15,750 + Social Security $27,600 = $50,100

-20%

$40,080

$3,340 / Month

$22,500 = 4.5% of $500K

- With Liberty One being large cap domestic dividend, the annuity is where you will own small cap, mid cap, international.
- These are non-income investment types that you get to wrap with a living benefit!
- If gains get dropped into the annuity, the income base steps up. Client get a built-in raise.

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$500,000

6/7 — 3/4

Growth $150,000

Income $350,000

Annuity w/ Living Benefit: $150,000 — 4.5 %

Liberty One Dividend-Focused: $200,000 — 7.9 %

$6,750 + $15,750 + Social Security $27,600 = $50,100

-20%

$40,080

$3,340 / Month

$22,500 = 4.5% of $500K

- 7.9% w/d look high at first glance.
- In this example, overall withdrawal is only 4.5% of overall w/d rate.
- Keep in mind, the dividend yield will offset half of the $15,750 they are taking out.
- They are only selling 4% +/- of their shares to free up cash.
- If gains get dropped into the Liberty One account, the income base steps up because more shares are being purchased.

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This is simply an example of a structure. Customized modifications are often necessary.

Some clients will not have enough saved to allow for a growth bucket.

Some clients may have so much saved that they will be able to have a large enough Liberty One account and will only need to take the dividends off the top.

Some clients will need a smaller growth bucket to accommodate the income need.

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Non-Qualified Annuities

- I put non-qualified money into annuities <u>only</u> if the client needs the living benefit.
- I never use annuities for the tax deferral.

Here's Why…

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Non-Qualified Annuities

MSFT $285 per share

How much tax is paid? **None**

$100K into MSFT @ $150 per share

$250,000

How much tax is paid? **None**

$100K into an annuity

Individual equities and annuities are both capable of delivering tax deferral

25

Non-Qualified Annuities

What if the client needs to take money out?

MSFT

- Gains are taxed as capital gains.
- Part of the withdraw is basis.

In other words, the distribution is taxed at a lower rate and only part of the distribution is taxable.

Annuity

- Gains are taxed as income.
- Withdrawals are LIFO. Gains come out first.

In other words, the distribution is taxed at a higher rate and is fully taxable until all gains are out. Gains come out first.

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Non-Qualified Annuities

What if the client passes away?

MSFT

- Basis steps up

Annuity

- No step up in basis.
- Beneficiaries pay tax as ordinary income on gain.

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Non-Qualified Annuities

From a tax standpoint:

Annuities are more expensive if the client needs the money when they are alive.

Annuities are more expensive when the beneficiaries inherit the money.

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Client-Friendly Concept Pieces

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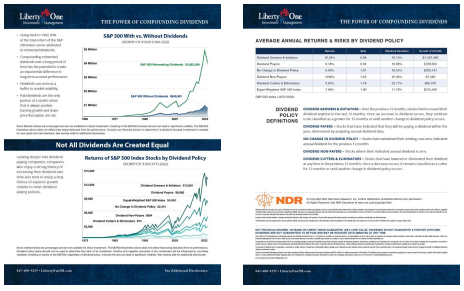
The Power of Compounding Dividends



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The Power of Compounding Dividends

- Going back to 1960, 83% of the total return of the S&P 500 Index can be attributed to reinvested dividends.
- Compounding reinvested dividends over a long period of time has the potential to create an exponential difference in long-term account performance.
- Dividends can serve as a buffer to market volatility.
- Paid dividends are the only portion of a stock's return that is always positive. Earning growth and share price fluctuation are not.

S&P 500 With vs. Without Dividends

GROWTH OF $10,00 (1960-2022)

Stock Market indices are unmanaged and are not available for direct investment. Investing in the S&P500 involves risk and can lead to significant volatility. The S&P500 illustration above does not reflect fees being deducted from its performance. Consult your financial advisor to determine if a dividend-focused investment is suitable for your goals and risk-tolerance. See reverse side for additional disclosures.

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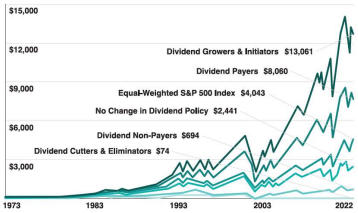
The Power of Compounding Dividends

Returns of S&P 500 Index Stocks by Dividend Policy

GROWTH OF $100 (1973-2022)



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Dividends matter - a lot.

Rising dividends matter the most.

A company that is increasing its dividend consistently over time is increasing its profits consistently over time.

A company that is increasing its profits consistently over time is increasing its share price over time.

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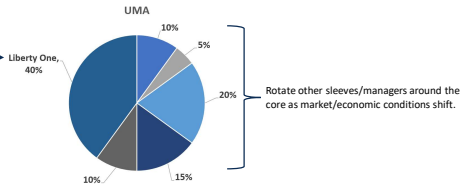
Leveraging Liberty One

With **core** clients all having essentially the same **core** long-term income planning objective, most advisors simply leverage our strategies as a **core** sleeve in a broader UMA.

Maintain a stable core:
- Easy to Position
- Rising Dividend / Combat Inflation
- Reduce Volatility
- Recession Resistant
- Reduce Sequence of Return Risk



Make your core story your lead story.

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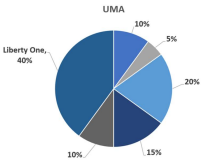
Leveraging Liberty One

Make your core story your lead story.

Easy for the client to understand.

When they understand it, they feel comfortable.

When they feel comfortable, they take action.



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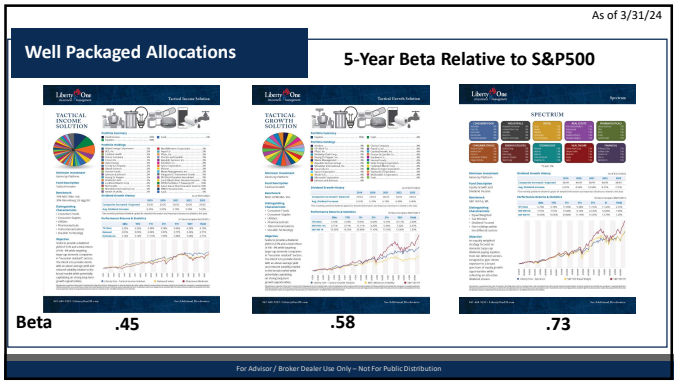

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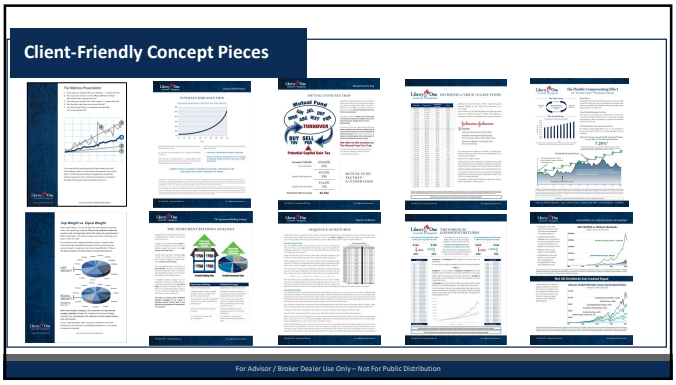

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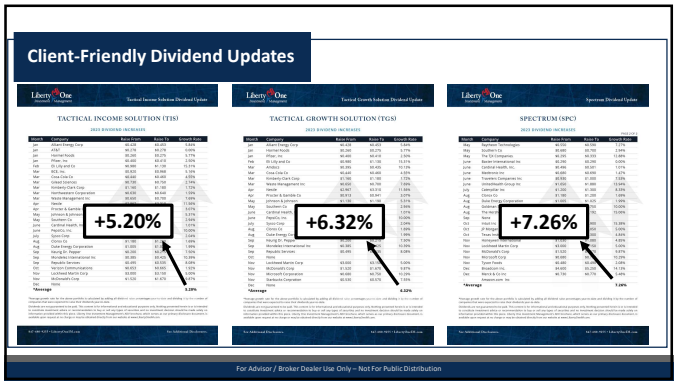

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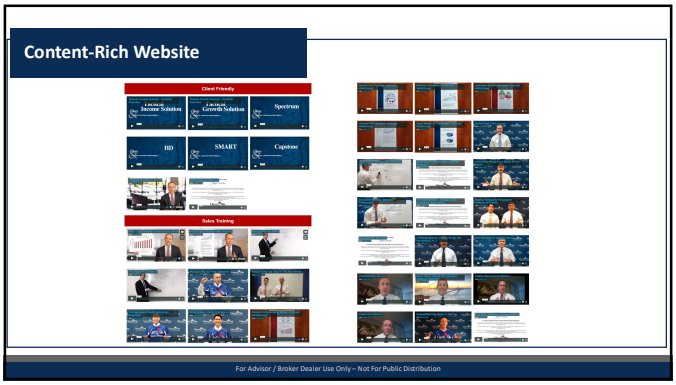

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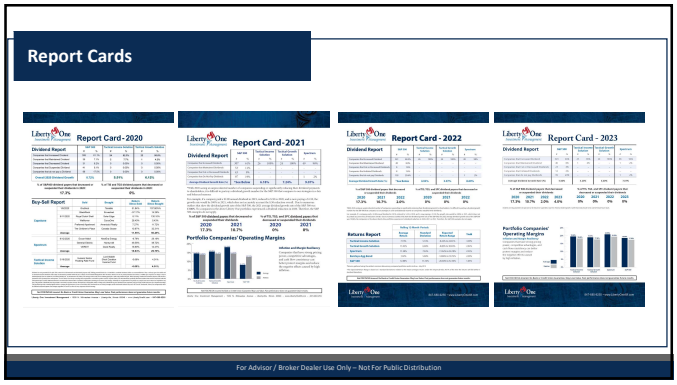

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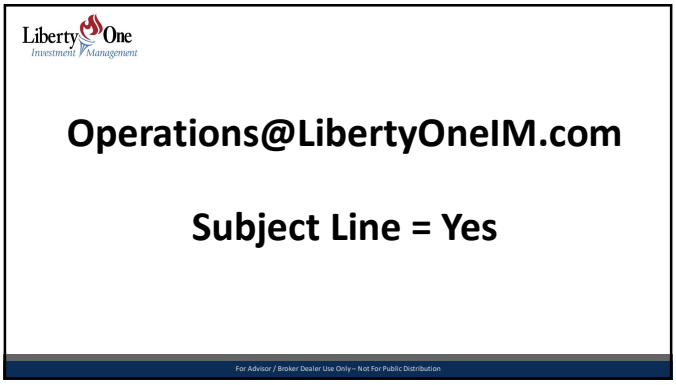

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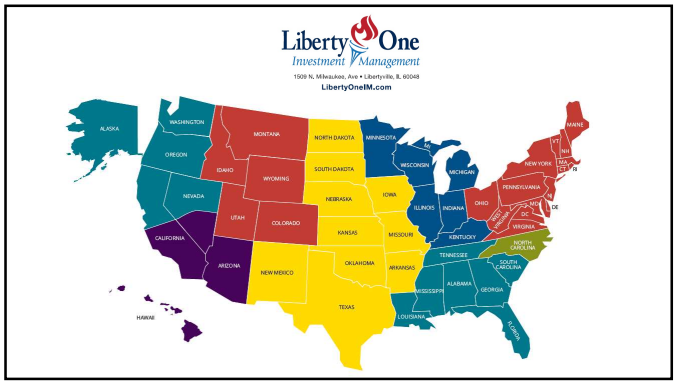

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