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## MAG CORNER VOL. 5

Dear Melia Clients,

I have said in the past that some of these MAG Corners will be more of a personal nature, and some will be more of a business tone. This one will be a little of both. Before I get started, I want to be a bit of a nag. We will also be a little bit of a nag when you come in for a visit. We are asking everyone if they have locked down their credit. If you have not, please take the time to do this. We care about each one of you and don't want to see you experience identity theft. I know people who have gone through it, and they tell me it's hellish, taking up to two years to resolve. If you do not know what I am talking about, please reread MAG Corner #2 for a full explanation. If you do not have it, please let us know and we will send you another copy.

On a more personal note, I was asked by a friend who lives in Nicaragua to be the best man at his wedding in Nicaragua. My wife got to see me in something she thought she would never see... a tuxedo. This was a Catholic wedding. If you're Catholic then you will know that weddings tend to be long, which wouldn't have been a problem if it were in an air-conditioned building. For you see it was about 95 degrees outside with high humidity in a beautiful 100-year-old church. Wearing that tux with three layers — coat, vest and long-sleeved shirt — with no moving air means I sweated like you wouldn't believe. I feel sorry for the person who has to clean that tux. Regardless of the heat, it was a beautiful wedding I will never forget. I am, however, not sure what I will remember more: the sweating or the beauty.

Now on to business. I wanted to give you an update as to the TD to Schwab transfer. I cannot begin to tell you what a headache it's been to work with Schwab. It has increased our workload by at least 50%. We have had weekly meetings to give them feedback on how to improve their systems. To their credit, they have been working hard to implement changes we have suggested, BUT the biggest complaint I have is that they cannot display accurate income numbers on their statements. As you probably are aware when you look at your statements, some of the holdings will show correct income numbers but many show NA or it's blank where there should be numbers listed. This means the total income numbers listed are inaccurate.

For us who teach retirement is about income, to have our provider unable to provide accurate numbers for you each month is completely unacceptable. Just so you know, every asset in your portfolio is producing income. We do not use assets that do not pay interest or a dividend. Our current model portfolio's gross yield before fees is approximately a little over 8%. However, your statements do not reflect this truth. We have been hoping that Schwab would solve this problem, and to our dismay, they have been unable to. We have now given up on this possibility and are actively seeking solutions. This is where I wanted to bring you into the fold as to what we are doing. We are looking at two solutions.



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One solution is we would move everyone to a different custodian. This means your account would be held at a different firm. We would still be your money manager. This is exactly what happened when TD, which was the custodian we were using prior, was bought by Schwab, another custodian, resulting in your accounts being transferred from TD Ameritrade to Schwab. Because of today's technology, this is not as big of a job as it once was. It is still a big job but very doable. I would tell you that we only use very strong and stable custodians. It's important to remember that all custodians must carry Securities Investor Protection insurance (SIPC) which protects customers of those firms against the loss of cash and securities in the event of a firm's failure. This coverage is up to \$500K per customer. To be clear this does not cover market losses. This coverage is provided at no cost to the customer.

The second option would be to partner with a third party that in a sense would provide a seamless overlay to Schwab. All of the securities would still be held at Schwab, but you would log into a different portal to look at your accounts that would provide better statements. I do not know about you, but I do not find Schwab's portals very intuitive. This third party would also provide new statements that would accurately reflect all of the incomes. These portals are very modern and user friendly.

We think both options are very good choices. Schwab is an old company with old tech systems. Both options would upgrade the tech significantly. I want you to know that we will not stop looking until we have found the very best solution for you, our clients.

One of the challenges we run into is that we would like to have portals and statements that are very robust in income reporting. As you probably know, most firms focus totally on growth and income is an afterthought which reflects in their statements and portals, Schwab being a good example of this problem. We want the opposite. We want income to be the priority not growth. Income is what you need in retirement. When you're the minority and not many are doing what you're doing, you find out most companies support the majority not the minority. It is like swimming upstream. This makes finding a solution more difficult.

I tell you this because I am asking for your patience with Schwab and us while we narrow down a solution and then when we implement that solution. We started this journey several months back. We have already talked to many different providers, and we are working hard to narrow down the best one on our income journey. If you just recently have come on board then you're not going to be aware how good we had it before with TD Ameritrade. Internally we feel silly at how we used to complain about some of the issues we had with TD. They do not begin to compare to the headaches Schwab has provided. If we could push a button and switch back, I would have pounded that button to dust.



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If you have any questions, please do not hesitate to reach out. I know some of you have expressed your frustrations with Schwab and even volunteered to be a guinea pig to any program we want to try. By doing a serious search for the right solution, that won't be necessary, but we appreciate the sentiment. Remember we are here for you.

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