

STEWARD

A Quarterly Publication of Allodium Investment Consultants

“Do you know the only thing that gives me pleasure? It's to see my dividends coming in.”

~ John D. Rockefeller

Due to the decline in short-term interest rates over the past few years, many investors are becoming increasingly impatient with the low returns available in the cash-equivalent markets, including bank savings deposits, money market funds and treasury bills. At the same time, many investors seem to be aware that the solution to these low rates is not simply investing in longer term bonds, since there are risks related to doing so if interest rates rise as many experts expect. This dissatisfaction with low interest rates and the hesitation to load up on longer term bonds for investment income is leading some investors to consider higher-yielding, dividend-paying investments for part of their diversified portfolios.

There are a variety of investment options that pay dividends, including preferred stocks, real estate investment trusts (REITS) and master limited partnerships (MLPs). But many investors are attracted to the growth and income features of common stocks. Ibbotson data shows that over the 83-year period from 1926 through 2009, the compound annual return on large capitalization common stocks averaged 9.8% with dividends accounting for over 40% of this return.

One of the most attractive aspects of dividend-paying common stocks is the potential for a rising income stream over time. Companies pay dividends to share profits with their shareholders. Many blue chip companies increase their dividends each year as profits rise, and some of the best-managed companies in America have been paying annual dividends for decades.

Interest rates rise and fall over time, and low interest rate environments have occurred before - with 1993 being one example when short-term interest rates fell to just over 3%. On December 31, 1993, the Dow Jones Industrial Average closed at 3,754. Making a long-term investment in a diversified basket of high-quality, dividend-paying blue chip stocks back then would have provided rising dividend income over the years while the value of the underlying stocks also appreciated handsomely during the same period, providing investors with the added benefit of capital growth. Similarly, with five-year and

ten-year US Treasury notes now yielding about 2% and slightly over 3% respectively, investors might want to consider a well-diversified mutual fund or exchange-traded fund (ETF) of high-yielding S&P 500 stocks that provide greater current yield with the added benefit of potential capital growth over time.

Dividend-paying stocks are an important component of a well-diversified, long-term portfolio for many investors. When investing in such securities, we recommend...

- Having a long-term investment perspective.
- Diversifying investments to manage risk.
- Avoiding investments in single-issue securities that could be at risk of default.
- Using mutual funds, index funds and exchange traded funds (ETFs) that focus on total return consisting of dividend income and capital appreciation.
- Letting the professional investment managers of these funds build and manage a well-diversified portfolio of dividend-paying stocks.

Please call me if you would like to learn more about how to appropriately incorporate dividend-paying securities into a long-term portfolio to potentially gain more investment income now with the added benefit of potential capital appreciation down the road. I'd enjoy the opportunity to talk with you.

David Bromelkamp

President and CEO

HEADLINES

- We were pleased to welcome six new clients to Allodium in the first quarter of 2011.
- In special sections of the January 2011 issues of *Mpls.St.Paul Magazine* and *Twin Cities Business*, our newest employee - Senior Investment Consultant Anne Ward - was named a Five Star Wealth ManagerSM for 2011 by an independent third-party research firm and local panel of financial services industry experts based on nominations submitted by local consumers and financial service professionals.
- In the January 20th edition of *Nonprofit News*, Allodium was profiled for our use of the Global Fiduciary Standards of Excellence as the guiding principles for our firm. [Click here for the link to the article.](#)
- In the February 18th issue of *The Minneapolis/St. Paul Business Journal*, Allodium was honored among the list of Premier Advisors designated by the National Association of Board Certified Advisory Practices (NABCAP). NABCAP is a non-profit organization that seeks to identify top quality advisory practices as a service to the public.
- FYI - our office will be closed on these upcoming New York Stock Exchange holidays: Friday, April 22 for Good Friday; Monday, May 30 for Memorial Day.

UPCOMING EVENTS:

As a client and community service, we welcome opportunities to share investment and fiduciary best practices with individuals, families and organizations. To this end, Allodium will sponsor the following events:

- On Wednesday, April 27 Allodium will hold an educational event on the topic of using the new estate tax laws to maximize wealth transfer to heirs and charity.
- Allodium will sponsor the following free educational lunch workshops for non-profit leaders:
 - Wednesday, June 15, 2011 - How to Make Financial Decisions that Reflect Your Values
 - Wednesday, September 15, 2011 - How to Develop a Request for Proposal for Investment Advice

Please contact Cristy Leaf at 612-230-3706 or cleaf@aicria.com to RSVP or to be added to our invitation list for future workshops.

ALLODIUM TEAM PROFILE:
SUE JOHNSON

Role At Allodium: Client Service Associate

Joined Firm In: 2005

Hometown:
St. Louis Park, MN

Favorite Book:
Stephanie Meyer's vampire series

Favorite News Source:
CNN & Star Tribune Sunday Paper



Favorite Gadget: My mother's antique ricer

Favorite Activity: Playing with my grandchildren

Person I Admire Most: Barack Obama

What I'm Most Thankful For: My Family

Click [here](#) to see more about Sue on our website.

We Appreciate Your Introductions:

We launched Allodium to provide objective investment advice and personal service to a limited number of individuals, families and organizations. We embrace our responsibility to always act in our clients' best interests. To maximize our objectivity and avoid conflicts of interest, we are a fee-only registered investment advisor that is completely independent from banks, brokerage firms and other financial product providers, and we do not receive commissions for the investment options that we recommend. If you know of a family member, friend or associate who may be looking for this type of objective investment advice, please contact Dave Bromelkamp at 612-230-3702 or dbromelkamp@aicria.com to arrange a friendly, no-obligation introduction.

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Published quarterly by
Allodium Investment Consultants.

Please contact Cristy Leaf at 612-230-3706 or cleaf@aicria.com if you have any comments about this publication or would like to be added to or removed from our mailing list.
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