

CIGX, LLC
WHITE PAPER

WHAT IS CIGX AND WHAT DOES IT MEAN TO YOU?

CIGX IS THE FORMULA FOR WEALTH

In economic terms, CIGX is the mathematical formula for wealth or economic output (E), also known as gross domestic product (GDP). The United States of America is the world's wealthiest nation because it has the highest GDP. A country's wealth or economic muscle is comprised of Consumption (C), Investment (I), Government Spending (G), and net eXport (X). $E=C+I+G+X$.

Consumption is consists of consumer spending or what people spend on their personal needs and wants, such as dishwashers, flat-screen TV's and entertainment.

Investment is driven by the capital expenditure of businesses, like computers and furniture for a service company or equipment for a manufacturing firm, or research and development for a pharmaceutical company.

Government Spending is the money the government pours into the economy in the form of welfare costs, public healthcare, or military spending, just to name a few examples.

EXports are goods and/or services sold to other nations.

At CIGX, LLC, we use this specific formula to help increase wealth in two ways:

1. Financial Planning
2. Investment Management

FINANCIAL PLANNING:

C+I+G+X applied

In the financial planning process, we apply the concept of GDP to the household or business level. After all, a nation is simply a legal entity, just like a person, partnership, or corporation. Similarly, the combination of consumption, investment, government spending, and exports equals the wealth of an individual or business as well.

1. The first step in the financial planning process is to look at spending or consumption. Developing a budget is perhaps the simplest task, but implementing that budget and sticking to that budget are the most difficult parts of the process. This requires discipline and vigilance. Maintaining a budget is the single most determinant factor in achieving wealth.
2. The second step in the financial planning process is to look at investments. This process entails, developing and implementing an investment plan, or reviewing, monitoring, and adjusting an existing investment plan. Again, discipline in adhering to this plan will impact your ability to generate wealth.
3. The third step of the financial planning process is to analyze the taxes you pay to the government. Governments spend money generated from taxes. The goal is to not pay more taxes than legally required. Tax planning can help reduce your taxes and have a beneficial impact on your ability to achieve wealth.
4. The fourth step of the financial planning process looks at estate planning and wealth transfer. This transfer of wealth to successive generations would equate to a net export.

Economics and wealth:

As we consider economics and wealth, certain considerations stand out.

First, wealth is certainly not achieved by consumption. Any consumable, by definition, loses some or all of its value at purchase. Consumption made possible by debt increases this loss of wealth. In financial planning, reducing consumption is not necessarily the goal. We want to manage consumption by

budgeting, managing cash flow, and reducing or eliminating debt. We want to insure that we do not use debt to finance consumption.

Second, investments are historically a good way to attain wealth. Within the financial planning process, we seek to increase investment by improving cash flow and developing an investment plan that will assist in attaining financial goals. These goals might include purchasing a home or second home, paying for college, saving for retirement, and increasing financial security by having additional sources of revenue. With these goals in mind, we attempt to develop an investment plan and strategy that we believe will best help meet your goals.

Third, governments use a variety of sources of revenue to pay for their expenditures. The primary revenue driver is taxes. The other ways of generating revenue include issuing and selling government bonds or printing money. In financial planning, we include tax planning as a way to enhance your chances of meeting your goals. Usually, a reduction in taxes is preferred. While government spending may or may not increase your wealth, taxation definitely will decrease your wealth.

NOTE: WHILE WE DISCUSS THE ADVANTAGES OF TAX PLANNING AND OFFER TAX ADVANTAGED INVESTMENTS, WE DO NOT OFFER TAX PLANNING, TAX ADVICE OR TAX COMPLIANCE SERVICES. PLEASE CONSULT YOUR OWN TAX ADVISOR REGARDING THE AVAILABILITY AND BENEFITS OF TAX-ADVANTAGED INVESTMENT OPTIONS. WE STRONGLY RECOMMEND THE USE OF A TAX ATTORNEY OR CERTIFIED PUBLIC ACCOUNTANT.

Finally, we look at exports. For financial planning purposes, we equate export with the transfer of assets, rather than goods and services, to heirs or beneficiaries, instead of a foreign country. The principal applies, because transferring wealth to heirs is preferable to paying it in taxes, just as exports are a better increasing factor of GDP than government spending would be.

Effectively, we strive to decrease consumption and taxation, and attempt to increase investment and wealth transfer. Services to achieve this goal include, budgeting, retirement, college, and investment planning, insurance planning, tax planning, and estate planning.

PORTFOLIO MANAGEMENT

C+I+G+X applied

In the Portfolio Management process we use CIGX to analyze both the asset allocation and the underlying investment in your portfolio.

Tactical Asset Allocation:

We take a tactical approach to asset allocation, assessing macro-economic factors to determine the overweight and underweight of asset classes within a fully diversified portfolio. Current and anticipated global economic conditions will affect the performance of assets classes and lead to an adjustment in the allocation of the assets.

The asset classes are:

1. Cash
2. Real Estate
3. Equities
4. Fixed Income
5. Commodities

Within the asset allocation model, we use CIGX to analyze and select the underlying investment.

Consumption: We look for countries or regions whose population has strong but sustainable consumption practices.

Investment: We look at the capital markets and availability of investments. Liquidity is of primary concern, but transparency, rule of law, and competition are also important factors. We also look at specific market sectors as investment opportunities that are expected to outperform the broader markets.

Government Spending: We look at the effectiveness and fairness of government spending at home and abroad and assess the revenue generation of the government. Tax receipts can indicate a strong domestic or export oriented economy, while high debt countries, or those that frequently monetize debt should generally be avoided.

Exports: Strong exports are generally indicative of a stable or growing economy. We overweight countries that we expect to have strong exports.

Sectors and Individual Securities:

CIGX is also applied at the corporate level. When analyzing securities we look at corporate spending and investment. We seek companies that are managing their cash flow and investing wisely. We also look at sales and market penetration, which we equate to exports.

Companies that have high debt spend a large percentage of revenue servicing that debt. We are not opposed to owning their debt, but would stay away from their equities without a compelling reason to the contrary.

Business sectors also perform on differing cycles depending on supply and demand issues, innovation, government policy and other reasons. These cycles are closely monitored to determine whether an overweight in, say technology or energy is warranted.

Our Model Portfolios:

CIGX, LLC offers multiple global investment strategies model portfolios. These portfolios are flexible both in asset allocation and in underlying security selection. We offer four model portfolios:

1. Conservative
2. Moderate
3. Growth
4. Aggressive Growth

These portfolios allow for a 10% variance in asset allocation, a rebalance option, as well as flexible security weighting within the asset class.

THE CIGX LOGO EXPLAINED:

The CIGX logo is a registered trademark. The CIGX logo derives from the concept of using macroeconomic variables to build wealth through applying those variables at the individual or business level. This concept assists in the financial planning process as well as the portfolio management process.

The circle represents the economic pie, or GDP, that economists believe can grow ad infinitum. The pie is carved into four slices representing the four variables that define GDP; CIGX. The two slices with arrows pointing out represent C and G, consumption and taxes, the variables that actually decrease wealth. The two slices with arrows pointing in represent I and X, investment and export, the two variables that increase and preserve wealth.