

5 QUESTIONS: JIM ARENS



CORY YOUNG/Tulsa World

Jim Arens is chief investment officer and a board of directors member of the Trust Company of Oklahoma, which has offices in Tulsa, Oklahoma City and Muskogee. The firm administers more than \$2.6 billion in assets.

TCO is a trust and more

Interview conducted by LAURIE WINSLOW • Tulsa World staff writer

1 What services does the Trust Company of Oklahoma provide?

TCO was founded in 1980 and has expanded beyond the trust business during the past 32 years. We manage assets for all types of accounts, including investment management accounts, IRAs, 401(k) accounts and trusts.

Some people think, given our company name, that they must have a trust to open an account with TCO. That's not the case. In fact, investment management accounts are the fastest growth area for our company.

We also offer retirement planning services, utilizing a sophisticated software program. TCO also administers 401(k) plans for small and medium-size companies in Oklahoma.

2 What is the firm's investment philosophy for individuals or organizations?

TCO's approach is to customize a portfolio that meets each client's unique goals and objectives.

For client bond portfolios, we focus our investments on short- to intermediate-term bonds. Our primary goal in managing client fixed-income investments is generating a suitable level of income while preserving principal.

For a client's stock portfolio, we primarily invest in high-quality

mid- and large-cap U.S. stocks. However for diversification purposes, we will invest a portion of our client portfolios in other equity asset classes such as international, small cap and real estate, i.e. REITs.

TCO uses mutual funds to invest in areas that TCO does not specialize, such as international markets.

3 At what point should someone consider setting up a trust? What are the advantages?

There is a common misconception that estate planning is only for the rich. Estate planning can be simple or complex depending on the amount and type of assets that are owned.

The type of trust most commonly used is called a revocable or "living" trust. It provides a number of benefits over a traditional will. For example, a trust can help to avoid the delay and costs of a probate proceeding while also protecting your privacy, since a will is a public document while a trust is not.

4 When it comes to retirement planning, how much should a person plan on saving to live comfortably in retirement?

That's a function of several factors, including how much they have saved to date, when they plan to retire and how much they plan to

spend once they retire. As a rule of thumb, a person should save at least 10 percent to 15 percent of his or her income (each year) to support a comfortable retirement.

Americans are living longer given the vast improvements in medical care. It is important to save as much as possible while working.

5 What is your outlook for stocks and bonds heading into next year? What kind of impact might the outcome of the presidential election have on the markets?

Our outlook for stocks next year is cautiously optimistic. While stock market valuations are reasonable, corporate earnings are beginning to decelerate and unemployment rates are slowly improving.

We expect positive but below-average stock returns in 2013.

As it relates to bonds, we feel investors need to be extremely careful. Given the current low interest rate environment, it is important for investors to avoid chasing yields. Investors who allocate too much of their portfolio in longer-term bonds could suffer large losses if interest rates rise.

Historically, in presidential elections, the market has done better if the incumbent party wins. However, while presidential elections are important, we think it is dangerous to invest based on these types of trends since every market cycle is different.