RUIZ FINANCIAL GROUP LLC

OUR INVESTMENT PHILOSOPHY

A disciplined, personalized approach to investment management.

Your investment plan starts with you, not the market.

Investment Philosophy & Management Guide

2026 EDITION

OUR STARTING POINT

Investment Management Starts With You

Good investment management should not begin with an investment. It should begin with the person whose money is being invested.

That sounds obvious. Too often, it is not how investment advice is delivered. The strategy comes first - a model portfolio, a preferred methodology, or a product already waiting on the shelf - and the client is fit into it. We start at the other end. We start with you.

> *The client comes first. The investment methodology comes second.*

Two people can have the same age, the same account balance, and even the same retirement date - and still need very different investment strategies. Their income, taxes, family responsibilities, liquidity needs, existing holdings, past investment experiences, and personal preferences may have almost nothing in common. We take those differences seriously and use a disciplined process to make decisions for a reason - not because of a headline, a hunch, or a one-size-fits-all philosophy.

That independence matters. We are fee-only. We do not earn commissions, and we are not paid more for choosing one investment product or manager over another. When an investment earns a place in your portfolio, it should be there because we believe it serves a purpose for you.

This guide explains how Ruiz Financial Group thinks about investment management: how we evaluate risk, how we use active and passive strategies, why taxes matter so much, and what you should expect from our ongoing process.

A sound process should be explainable.

You should be able to understand why an investment is in your portfolio, what job it is doing, and how it fits with the rest of your financial life. A portfolio is not sophisticated because it looks complicated. It is sophisticated when the decisions behind it are thoughtful, coordinated, and appropriate for you.

SMART INVESTING™

A Process, Not a Product

Our investment philosophy is organized around SMART Investing™. The five principles give us a repeatable way to make decisions while preserving the flexibility to customize each portfolio.

S	**Strategic Allocation** We build the portfolio around your goals, timeline, cash needs, and tax picture. The allocation is the foundation - not a generic recipe.
M	**Manage Risk** We look at the risks that matter to you, not just a falling market: inflation, concentration, liquidity, and the quieter risk of taking too little.
A	**Active Oversight** Strategic does not mean set-and-forget. We monitor the portfolio, managers, and your circumstances, and we adjust when the facts call for it.
R	**Rebalance with Discipline** When a portfolio drifts away from its purpose, we bring it back - while weighing taxes, cash flows, and trading costs before we act.
T	**Tax-Aware Investing** We care about what you keep, not just what you earn. Where an investment is held and when gains are realized can matter as much as the investment itself.

SMART Investing™ is not a promise that markets will cooperate. No process can eliminate uncertainty. Its purpose is to help us make better decisions before, during, and after periods of market stress - and to keep your portfolio connected to the reasons you invested in the first place.

CUSTOMIZED BY DESIGN

The Portfolio Starts With Your Situation

There is no universally correct portfolio. The right investment strategy is personal because the tradeoffs are personal. Before we decide how a dollar should be invested, we ask what the portfolio actually has to do.

Goals and priorities What are you funding, protecting, or building - and which goals matter most?	**Time horizon** When might the money be needed, and how much flexibility exists around that timing?
Risk: willingness, ability, and need How much of a bumpy ride can you handle, how much loss can your plan absorb, and how much risk does the plan truly require?	**Liquidity and cash flow** What income, reserves, distributions, or near-term spending needs must the portfolio support?
Taxes and account structure What is taxable, tax-deferred, or tax-free - and what gains, losses, or tax consequences already exist?	**What you already own and prefer** What do you own today, what do you want to avoid, and how do a business, real estate, or outside accounts change the picture?

Consider three people. A physician five years out of training may have high income, a late start on saving, a large tax bill, and almost no time; the portfolio may need to help catch up efficiently while managing taxes just as intentionally as the investments. A couple about seven years from retirement may fear a major decline just as paychecks stop; the job may be to protect what they built without starving the plan of growth. A business owner may have most of their net worth tied to one company; the job may be to build wealth outside the business so their future does not rise and fall with one asset. That is why age, account balance, or a standardized "risk score" alone tells us very little.

Your Investment Policy Statement

We bring these decisions together in an Investment Policy Statement, or IPS. Think of it as the blueprint for how your money will be managed: your goals, risk considerations, time horizon, cash needs, preferences, restrictions, and the investment approach we intend to use.

The SEC describes asset allocation as a highly personal decision that depends largely on time horizon and the ability to tolerate risk.[1]

We go a step further because a questionnaire score alone cannot tell us whether a portfolio is right for you. The conversation matters. Your financial plan matters. Your preferences matter. The IPS is designed to reflect your situation - not anyone else's.

> ***We do not fit clients into portfolios. We build portfolios to fit clients.***

MANAGE RISKS

Risk Is More Than a Questionnaire

People tend to talk about risk as if it means one thing: the market dropped. That is real, but it is only one kind of risk. Inflation quietly reduces what your money can buy. Too much in one stock can make a single company too important to your future. Not enough cash can force a sale at the worst possible time. And taking too little risk can leave a long-term plan short of its goal.

So we separate three questions that are often blended together:

Willingness to take risk
How much of a bumpy ride can you handle emotionally without abandoning the plan?

Ability to take risk
How much loss can your finances actually absorb before an important goal is at risk?

Need to take risk
How much risk does your plan truly require to have a reasonable chance of reaching its goals?

These answers are often different. Someone may be perfectly comfortable investing aggressively but have no need to take that much risk. Someone else may hate market swings yet have a long runway and a plan that requires real growth. Our job is not to stamp you "aggressive" or "conservative" and move on. It is to understand the tension and design around it.

> *The goal is not to eliminate risk. It is to accept the right risks, avoid unnecessary ones, and make sure the portfolio can still do its job when markets become uncomfortable.*

USE THE RIGHT TOOL

Active or Passive? We Do Not Choose Teams.

The investment industry has spent decades debating active management versus passive investing. We think the argument is usually framed too narrowly. Passive strategies generally seek to track a market or market segment with broad exposure and relatively low cost. Active management gives a manager greater discretion over what is owned, how positions are sized, and when changes are made in pursuit of a specific objective. Sometimes that objective is outperforming a benchmark. Sometimes it is tax management, income, customization, or managing a particular risk. Both can be useful tools. Neither deserves automatic loyalty.

Where passive often fits

Low-cost index funds and ETFs can provide broad, efficient exposure to a market or market segment, with clear benchmarks and low expenses. They can be especially hard to beat when cost and persistence hurdles work against active managers.

Where active can earn a place

A more hands-on approach may earn its place when tax management, control over individual holdings, a careful portfolio transition, income needs, downside objectives, client restrictions, or another specific purpose justify greater discretion and potentially higher cost.

The evidence against blindly choosing active managers is strong. In the 2025 SPIVA U.S. Scorecard, 79% of active large-cap U.S. equity funds underperformed the S&P 500.[2]

79%

Active large-cap U.S. equity funds that underperformed the S&P 500 in 2025

4.5%

Above-median large-cap active funds that stayed above median over the five-year period studied

Yesterday's winners are also hard to identify in advance. S&P's 2025 Persistence Scorecard found that none of the top-quartile large-cap funds from 2021 remained in the top quartile through 2025. Only 4.5% of above-median large-cap active funds stayed above median over that five-year measurement period.[3]

To us, that argues against chasing last year's hot fund or assuming a higher fee buys a better result. It does not prove every active decision is a mistake. The more useful question is always the same: what job is this strategy being asked to do?

> ***We don't ask whether active or passive is better in the abstract. We ask which one is right for this client, this account, and this job.***

ACTIVE OVERSIGHT

Strategic Does Not Mean Static

Evidence matters. History matters. But you cannot drive by staring only in the rearview mirror. Economies change, industries change, and new technology reshapes where value gets created. A disciplined process should lean on evidence while staying willing to notice when the ground has shifted.

Valuation is an input, not a verdict.

Valuation helps us understand the price being paid and the expectations already built into it. But an old rule of thumb can mislead when it is applied without considering how an industry, a business model, or the broader economy has changed. We weigh valuation alongside growth, durability, market structure, risk, and the job an investment is meant to do.

Diversification is a tool, not a religion.

Diversification can reduce the damage caused by being wrong about a single company, sector, or economic outcome. That is genuinely important. But diversification is not a contest to own the greatest number of investments. A portfolio can look diversified while still hiding real concentration - and it can become so diluted that deliberate investment decisions lose their meaning.

Meaningful tilts require meaningful reasons.

Our strategic allocation is the starting point. We may intentionally lean a portfolio one way when there is a real reason: long-term conditions have materially changed, an industry is reshaping the broader economy, risks have become meaningfully lopsided, valuation creates an opportunity or concern, or your own circumstances support a different position.

> ***Conviction without discipline is speculation. Discipline without adaptability becomes dogma.***

Rebalance with discipline - not on autopilot.

Rebalancing helps keep risk aligned with the plan, but the calendar should not make investment decisions for us. We weigh how far the portfolio has drifted, cash flows, taxes, trading costs, outside accounts, and the reason an allocation changed before we act. Sometimes the right move is to rebalance. Sometimes it is to wait. Either way, there should be a reason.

TAX-AWARE INVESTING

It Is Not Only What You Earn. It Is What You Keep.

Tax management is not an afterthought in our investment process. For clients with significant taxable assets or more complex financial lives, taxes can shape where an investment is held, when something is sold, how cash is raised, and whether an otherwise good idea still makes sense once the tax bill is considered.

> *The return you keep is the return that ultimately funds your life.*

Our tax-aware investment process may consider:

- **Which account holds what:** Some investments are taxed harder than others, and some accounts shelter them better. We coordinate holdings across taxable, tax-deferred, and tax-free accounts based on the role of each account and the tax characteristics of the investments.
- **Turning losses into an asset:** When appropriate, we may realize a loss to offset gains or create a tax asset, while considering wash-sale rules and the need to stay invested.
- **Managing gains:** Before selling an appreciated investment, we review the embedded gain, holding period, charitable opportunities, and whether a more thoughtful transition could improve the after-tax result.
- **Raising cash thoughtfully:** When you need money from the portfolio, we consider your broader income picture, required distributions, and the purpose of each account before deciding what to sell.
- **Working with your other advisors:** We coordinate with your CPA, enrolled agent, attorney, or other professionals when investment decisions intersect with tax planning or legal matters.

Academic research has long shown that asset location - deciding which investments are held in which account types - can materially affect the risk-adjusted result of retirement savings.[4]

Research on tax-loss harvesting has also estimated meaningful potential tax benefits under specific historical and tax-rate assumptions. One study using U.S. stock data from 1926 through 2018 estimated 1.10% of annual "tax alpha," declining to 0.85% when constrained by the wash-sale rule.[5]

Those figures are research estimates - not expected returns, client results, or guarantees. The actual value of any tax-aware strategy depends on your tax situation, gains and losses, holding period, future tax rates, portfolio design, and ability to use the benefit. The point is simpler: taxes change the math on an investment decision, so they deserve a seat at the table.

IMPLEMENTATION

Every Investment Should Have a Job

We are comfortable using different kinds of investments when each one has a clear purpose. Depending on your situation, a portfolio may include individual stocks, ETFs or mutual funds, individual bonds or other fixed-income strategies, separately managed accounts, cash and short-term reserves, or - for appropriate qualified investors - carefully evaluated private-market or alternative investments.

Not every client needs every type of investment. Complexity does not make a portfolio better, and nothing should be included simply because it is available.

Costs matter. But "cheapest" is not a philosophy.

The SEC cautions that even small ongoing fees can have a meaningful impact on a portfolio over time because investors lose both the fee and the future return that money might have earned.[6]

Index funds often have a cost advantage. The Investment Company Institute notes that index mutual funds generally have lower expense ratios because they tend to trade less, often focus on broad market segments, and benefit from scale.[7]

We take costs seriously. We also do not assume the lowest-cost option is automatically the best one. A higher-cost strategy or manager may be worth it when it does a specific job - such as tax management, customized security ownership, a thoughtful transition from embedded gains, specialized risk management, or another clearly defined objective - that gives us a reasonable basis for paying more.

> ***Every additional cost should have a clear reason. If we cannot explain what you are paying for, it is difficult to justify.***

Private markets and alternatives

Private and alternative investments may provide access to opportunities or return patterns that differ from traditional public markets. They can also be harder to sell, more complex, more expensive, harder to value, and may lock up your money for years. We evaluate them in the context of your entire financial picture. Complexity alone is not an investment thesis.

FROM CONVERSATION TO PORTFOLIO

What Working With Us Actually Looks Like

1. Understand what you already own

Before we change anything, we review your current portfolio, account types, embedded gains and losses, concentrated positions, cash needs, outside retirement plans, and other assets that affect the investment picture. Often, the most important information is not what we might buy. It is what you already own and what changing it would cost you.

2. Establish the investment framework

We use your financial plan, our conversations, your risk profile, preferences, and constraints to build an Investment Policy Statement. The IPS is the blueprint that keeps future decisions connected to your goals.

3. Build or transition the portfolio thoughtfully

Accounts that are appropriate for our management are generally held with an independent qualified custodian, currently Charles Schwab & Co., Inc. Schwab provides custody and account servicing; Ruiz Financial Group provides investment advice and management. We are not limited to Schwab investment products.

A portfolio does not always need to change overnight. Taxable gains, trading costs, market conditions, benefit-plan limitations, or a concentrated legacy holding may make a gradual transition more appropriate. We may also use carefully selected third-party investment managers or separately managed accounts when we believe the additional expertise, customization, or tax-management capabilities have a clear role.

4. Monitor, rebalance, and refine

The work continues after the money is invested. We monitor the allocation, underlying holdings and managers, cash needs, tax opportunities, and changes in your circumstances. When the facts change, we reassess. When they do not, discipline may mean staying put.

5. Keep the portfolio connected to the plan

Your investments should not live in a vacuum, separate from retirement decisions, charitable goals, business changes, estate planning, major purchases, or tax planning. We keep the portfolio connected to the broader financial plan and, when appropriate, coordinate with your other professional advisors.

> *We do not react to every headline. We also do not ignore changes that matter.*

OUR COMMITMENT

What You Should Expect From Us

Investing involves uncertainty. No adviser knows which market, sector, or security will lead next. What we can control is the quality of our process and the discipline we bring to it.

A reason behind every decision	We should be able to explain why an investment or strategy is being used and what job it is intended to do.
A portfolio built around you	Your goals, taxes, risk, liquidity, preferences, and broader financial life should shape the portfolio.
Oversight without needless activity	Watching closely does not mean trading constantly. Sometimes action adds value. Sometimes patience does.
Attention to what you keep	We consider how investment decisions affect your taxes and coordinate with your tax professionals when appropriate.
A willingness to adjust	Strategic does not mean frozen. We remain open to new evidence, changing circumstances, and better ways to serve the portfolio's purpose.

The RFG View

Good investing is not about proving one methodology right and another wrong. It is about matching your money to your purpose. A simple index fund may be the best tool in one corner of a portfolio. A more hands-on approach may earn its place in another. A concentrated position may need trimming for one client and may make sense to keep for another. The right answer depends on the person.

Our philosophy is simple to say and hard to do well: understand the client, build the strategy around the client, make every decision for a reason, manage risk on purpose, and never forget that taxes and the rest of the financial plan shape the outcome.

> ***Your investment plan starts with you, not the market.***

LINKED REFERENCES

Research Notes & Sources

The research below supports specific data and concepts referenced in this guide. It is included so readers can review the underlying sources directly. Third-party research informs our thinking; it does not replace client-specific analysis or create a guarantee of investment results.

1 **U.S. Securities and Exchange Commission, "Beginners' Guide to Asset Allocation, Diversification, and Rebalancing."**
The SEC describes asset allocation as a personal decision influenced by time horizon and risk tolerance and discusses diversification and rebalancing.
URL: https://www.sec.gov/about/reports-publications/investorpubsassetallocationhtm

2 **S&P Dow Jones Indices, "SPIVA U.S. Scorecard Year-End 2025."**
The 2025 scorecard reports category-by-category rates of active-fund underperformance, including 79% for active large-cap U.S. equity funds and 41% for active small-cap funds.
URL: https://www.spglobal.com/spdji/en/documents/spiva/spiva-us-year-end-2025.pdf

3 **S&P Dow Jones Indices, "U.S. Persistence Scorecard Year-End 2025."**
The scorecard examines whether prior top-performing active funds remain top performers over subsequent periods and reports limited long-term persistence.
URL: https://www.spglobal.com/spdji/en/documents/spiva/persistence-scorecard-year-end-2025.pdf

4 **John B. Shoven and Clemens Sialm, "Asset Location in Tax-Deferred and Conventional Savings Accounts," NBER Working Paper 7192.**
The paper studies what assets to own and where to hold them across taxable and tax-deferred accounts and concludes that optimal asset location can significantly improve risk-adjusted retirement-savings performance.
URL: https://www.nber.org/papers/w7192

5 **Shomesh Chaudhuri, Terence C. Burnham, and Andrew W. Lo, "An Empirical Evaluation of Tax-Loss Harvesting Alpha."**
Using historical CRSP data and stated tax-rate assumptions, the study estimates annual tax alpha of 1.10%, falling to 0.85% when constrained by the wash-sale rule. These are research estimates, not guaranteed client outcomes.
URL: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3351382

6 **U.S. Securities and Exchange Commission, "How Fees and Expenses Affect Your Investment Portfolio."**
The SEC explains how ongoing fees reduce a portfolio directly and also reduce the future returns that could have been earned on those dollars.
URL: https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf

7 **Investment Company Institute, "2025 Investment Company Fact Book."**
ICI explains why index mutual funds generally have below-average expense ratios, including lower turnover, investment focus, and economies of scale.
URL: https://www.ici.org/system/files/2025-05/2025-factbook.pdf

Important Disclosure

All investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. Diversification and asset allocation do not ensure a profit or protect against loss. Tax-aware investment strategies are not appropriate for every investor, and tax laws and individual circumstances may change. Ruiz Financial Group does not prepare tax returns or provide accounting or legal services. We coordinate with clients' tax and legal professionals when appropriate. References to third-party research are provided for educational purposes and do not constitute an endorsement or a guarantee that any strategy will achieve a particular result. Investment advisory services are offered through Ruiz Financial Group, LLC, an investment adviser registered with the State of Ohio. Registration does not imply a certain level of skill or training.

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