Motley Fool Rule Your Retirement™

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With
Robert Brokamp
Advisor

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Model Portfolios' Returns

More Than 10 Years From Retirement	Return
Active All-Stars	11.2%
All Index	12.5%
Benchmark	10.6%

Within 10 Years of Retirement	Return
Active All-Stars	8.6%
All-Index	9.1%
Benchmark	7.9%

In Retirement	Return
Active All-Stars	6.5%
All-Index	7.5%
Benchmark	5.8%

Returns since 9/1/09 inception.

Got subscription questions? Email ***membersupport@fool.com*** *or call 888-665-3665.*

Dear Fellow Fools,

How would it feel to make the most of your finances? To dissect and maximize your spending power, fill out all your IRA and insurance forms, and analyze and rebalance your portfolio?

Member rkellymcmurry knows how that feels. He completed every monthly exercise in our Year of Fiscal Fitness and then filled out each month's Weigh-In survey. Of the many other Fools who did the same, he was randomly chosen to be the winner of our grand prize, a free extra year of *Rule Your Retirement* and a one-year membership to *Motley Fool Million Dollar Portfolio*. Congratulations, rkellymcmurry!

And congratulations to all of you who persevered and completed our monthly missions. You don't have to imagine how it feels to get your financial plan on track; you've done it. You're probably in much better financial shape than you were a year ago — perhaps even the best financial shape of your life.

If you weren't able to complete every exercise — or any of them — you're still better off than you were a year ago. That's because it's a new year, and we've pulled together a Fiscal Fitness 2010 special report, which includes all 13 Fiscal Fitness articles from 2009 as well as an updated Fiscal Fitness calendar. You'll find the report on the *RYR* website. Use it as a guide for your own yearlong quest for fiscal fitness.

What's more, this month's Perfect Your Portfolio feature brings you the collective wisdom of all the Fools who responded to our Fiscal Fitness Weigh-In surveys during the past year. They shared what challenged them most, and I suggest solutions so you don't have to face the same roadblocks.

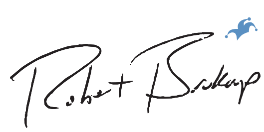
If you weren't able to tackle each month's task, I'm guessing it was either because you didn't have enough time or you felt like you didn't know enough to make a decision. If either is the case, be sure to read this month's Wealth Defense feature, in which we discuss the value of working with a fee-only financial planner.

Your Plan for the Year Ahead

Now that we've completed our Year of Fiscal Fitness, what's next? Yes, there's always a next — as any good personal trainer will tell you, fitness is a lifetime endeavor. So starting next month, we'll begin working on your written financial plan. In our November issue, we explained what goes into a solid financial plan. This year, we'll create one together, step by step. We'll start by taking an inventory of your assets and liabilities, move on to determining and prioritizing your financial goals, and then figure out what you need to do to accomplish them. Each month, we'll publish a PDF document on the *RYR* website that you can print out and assemble into a comprehensive written plan when we're done. Along the way, you'll also benefit from the help of several guest financial planners.

Creating your own written financial plan is a great way to build on the good work you accomplished over the past year and consolidate it into one place. Most importantly, it will ensure that all of your work pays off — when and how you want it to.

Fool on!



Perfect Your Portfolio: Success and Setbacks in Our Year of Fiscal Fitness

For the past 12 months, many of you practiced what I've preached. You took charge of your fiscal fitness, month by painstaking month, and wow, just look at your six-pack accounts now!

We know the tasks in our Year of Fiscal Fitness were tough — you told us so in your monthly Weigh-In surveys. But we also know how rewarding they were because you told us that, too. If you pressed on through the challenges to attain tip-top finances, congratulations! If you didn't, don't worry. There's still time for you to shape things up, and your fellow *Rule Your Retirement* members are here to help.

After all, the great spirit of Foolishness is partly founded on community and learning from one another. So here we bring you the three biggest challenges and rewards Fools encountered in our Year of Fiscal Fitness, as you told us in the monthly Weigh-In surveys. We hope reading about these successes encourages you to take action (or maintain your fitness), and we hope reading about the challenges — and the solutions I offer — brings you a sense of solidarity with your fellow retirement rulers and a new resolve to push through together.

So without further ado, we present our Year of Fiscal Fitness — in review.

Make Better Decisions and Have More Money

Several of you appreciated the benefits of having a budget, such as the money it helped you find. In your own words:

"Running a budget was very insightful — it allowed me to see exactly where I'm spending my money and where I can trim."

"I am increasing savings by $500 a month."

When money is involved, it all begins and ends with the bottom line. The fact is, a financial plan will sharpen your spending, saving, and investing, which will lead to more money. It won't turn you into a multimillionaire overnight, but years from now you will be very grateful you took the time now to make the most of your money.

As we mentioned in our "Create Your Own Financial Plan" feature available on the *RYR* website, a study by Annamaria Lusardi and Olivia Mitchell found that people with written financial plans had more wealth. You want to be one of those people.

Enjoy Peace of Mind

Some of you found another benefit in addition to the cold, hard cash that can come with having a financial plan — the ability to sleep better at night. Really! Here's what you told us:

"I feel lighter knowing that my money is more organized and accessible."

"I feel more in control when I have a plan."

"It is better to know your financial facts than worry what they might be."

Let's face it: Much of what we do is in pursuit of feeling good — usually right now, but often later, too. Think of your top financial goals. Chances are they can be boiled down to wanting enjoyment ("I want a vacation home in retirement!") or security ("I don't want to eat Ramen noodles in retirement!").

Having a written financial plan gives you a certain level of confidence that you'll attain those goals, relieves the emotional stress of trying to keep your plans straight in your head, and allays the guilt that comes with procrastinating about something you know you should do.

Design the Best Portfolio for You

Creating a comprehensive financial plan includes taking a hard look at your investments, and many of you learned valuable lessons from that. As you said:

"We took stock of our investments late last year, selling some and investing six months in a row during the economic downturn (a la Warren Buffett's advice to take advantage of the situation). We just sold two of our stocks for a tidy sum!"

"I moved one-half of my long-term Treasury bond money back into the market and have found that to be a good choice since the market has moved up steadily."

Toward the end of the Year of Fiscal Fitness, we asked you which monthly mission was the most helpful. The winner was "Take Stock of Your Investments," with "Get a Fix on Your Fixed Income" getting plenty of votes, too. These articles encouraged you and your fellow retirement rulers to evaluate your investments, and — if you had the guts — to rebalance your portfolio.

For most of you, this meant selling bonds (which had held up through the recession) to buy stocks (which were down around 42% from their October 2007 peak). This has worked out very well so far, as those articles were published at the beginning of the recent rally. It just goes to show that having the right portfolio for you, and a willingness to stick with it through thick and thin, can really pay off.

But I Don't Have the Time

Still, we know it's difficult to carve out time for financial planning between work and family responsibilities and all those *MASH* reruns. Here's what challenged you:

"My work and kids' extracurricular activities kept getting in the way."

"Since I can work on the data any time, that is easier. Finding the time to call during the day when the companies are available is harder."

"The biggest challenge: imposing the self-discipline to take a hard look at my spending."

One of our Weigh-In surveys asked whether you had rebalanced your portfolio. If you answered "No," we asked why. Among the responses: "Plan to, but haven't acted yet," "Busy month, no time, "Procrastination," and "Too lazy."

Finding the time to get our financial ducks in a row is a challenge we all face on a daily basis. It's not just a matter of blocking off an hour to fill out some forms. This is complicated stuff. We often don't act out of fear that we'll do something wrong. That's understandable, but here are three things that can help you move forward.

First, one of my favorite quotes from personal management expert David Allen is, "Perfection and productivity are mutually exclusive." If you want to get a lot done, you have to accept that most of it won't get done as well as you would like. But when it comes to financial planning, getting something done is better than doing nothing.

Second, you might want some professional help to get you going. In this month's Wealth Defense feature, we explain the benefits of a good fee-only financial advisor. That's an investment that will definitely pay off.

Finally, you have to elevate the urgency of financial planning. There are some things you do no matter what — go to work, get the kids to school, eat a few meals a day, and get some sleep. You just have to find a way to make financial planning one of those must-do things. When you do, you'll see why planning is so valuable.

I'm Only Half the Battle

Several of you were frustrated that your spouse wasn't as committed to fiscal fitness as you were. You said:

"Being married to a spender is the biggest challenge I face."

"Shortly after the house was paid off, my wife now wants to redo the kitchen, bathroom, and put in hardwood floors. Can't win for losing, it seems."

In one of our Weigh-In surveys, we asked readers to offer their financial tips. One member offered this simple advice: "Don't get married."

As a very happily married man, I can't second that advice. In fact, studies show that couples tend to be better off, financially, than singles. But I also know the studies that show money is the No. 1 stressor in a marriage, and your responses to our Weigh-In surveys are proof.

For couples struggling with different financial priorities and personalities, there are several good books on the topic (including *The Motley Fool Guide to Couples & Cash*). It also might help to get the input of an objective third party. For strictly monetary matters, consulting a financial planner can help break the stalemate. You may also seek out a couples counselor that specializes in financial disagreements, which is an emerging specialty among psychologists.

I Couldn't Plan for This

Some of you were stymied by the unexpected. Here's what you shared:

"My biggest challenge was my mother (age 89) passed away on Jan. 15. Even when you think you're prepared, you're not. And to add insult to injury, our house was robbed on the 14th."

"Because of an extreme family change, I had to move from retired to semi-retired. Never think you know right where you are headed. We thought we were prepared, but not to take on four dependent grandchildren. ... Life, it gets in the way of your plans. Sometimes the best of prepared is not prepared enough."

Over the holidays, I spoke with a relative in her 70s who — because of a divorce, bankrupt business, and an unscrupulous employer — is looking at the possibility of a retirement income of $12,000. She told me, "I never dreamed I would be in this situation."

The truth is, even the best plan can't insulate your family and your finances from every unexpected event. The key, however, is to acknowledge that not everything will go smoothly and to build in a margin of safety. Regardless of what happens, you will be better prepared to handle it if your emergency fund, insurance, investments, estate plan, and human capital (your ability to earn a paycheck) are in tip-top shape.

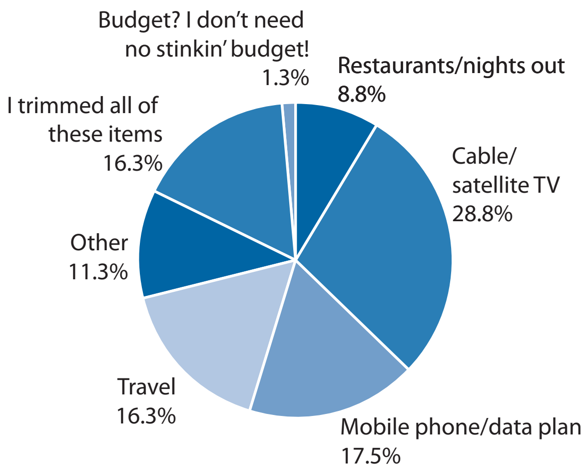
The Foolish Bottom Line

I hope you learned something from your fellow Fools' experiences in our Year of Fiscal Fitness. Perhaps you identified with their elation — or frustration. But however you were inspired, I urge you to take charge and stay on top of your finances. It's never too late to reap the rewards that every Fool can enjoy.

Year of Fiscal Fitness Results

All year long, you've been reporting on your progress in our Year of Fiscal Fitness. Here's what you told us in those Weigh-In surveys.

JANUARY: What one budget item can you simply not bear to trim?



MARCH: Time to find out about your tax refund!

47% of you got a tax refund. Of those who did,

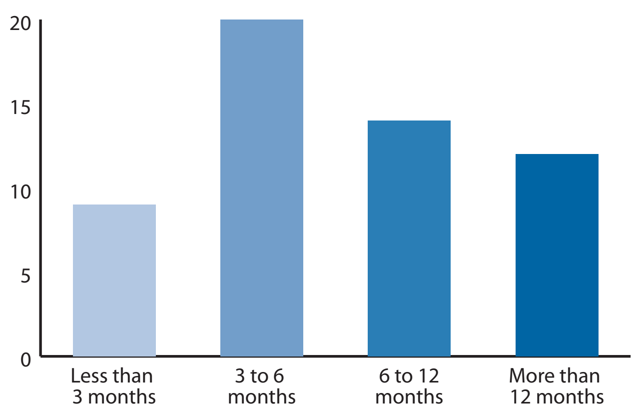
54% saved or invested the refund, and **none of you** spent the money on something fun!

Speaking of saving and investing...

One member said, "Following *RYR*'s advice, I've held tight on my stock mutual funds in both my individual and retirement accounts with just a few trade adjustments. Also following *RYR*'s advice, I have backup cash and good bond funds that will hold me for the next several years. I plan to keep following *RYR*'s advice."

APRIL: Saving up for emergencies

97% of you who took our survey have an emergency fund. How long will those funds last?



MAY: How are your investments doing?

73% of you said most or all of your funds are beating their indexes.

Halfway through the year, it was time to think about major expenses...

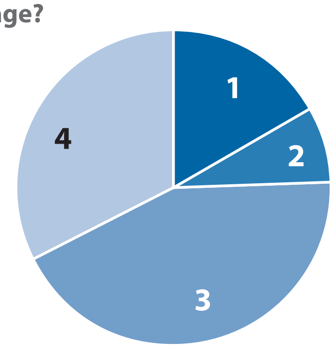
JULY: Evaluating your insurance policies

44% of you found ways to save on insurance.

8% of you realized you needed *more* coverage than you currently had.

48% of you thought your current insurance coverage was just right.

AUGUST: Did you evaluate the feasibility of paying off your mortgage?



1 **16.7%** Yes, and having more equity in my home makes sense for me right now

2 **7.8%** Yes, but I think I can get a better return than my mortgage rate elsewhere

3 **43.3%** Yes, and that is not the best option for me right now

4 **32.2%** No

SEPTEMBER AND OCTOBER: Identifying major expenses and cutting costs

68% of you have major expenses coming up, such as a home purchase or renovation, wedding, or vacation.

Of those of you who identified your top five biggest expenses, **64%** said at least two of them are housing-related.

52% of you found ways to cut back on expenses. Your fellow Fools suggested giving up expensive housecleaning services, getting books at the library, waiting before a big purchase to see whether you really need the item, and even evaluating whether you need life insurance.

Expert Corner: Preparing for Prosperity

William Bernstein is a neurologist, financial historian, and author of The Intelligent Asset Allocator, The Four Pillars of Investing, *and the newly published* The Investor's Manifesto: Preparing for Prosperity, Armageddon, and Everything in Between.

Robert Brokamp: Your latest book predicts that there are "generous returns to be had for the brave, the disciplined, and the liquid." Stocks ended 2009 with their best annual gains since 2003, so do you still feel this way? And what about bonds?

William Bernstein: The book was written in early 2009, when both stock and bond prices were a good deal lower than they are now. That said, stocks are still a good deal cheaper than they were in 2007, so I'm still relatively sanguine about equities for the long term at present.

Bonds are another story. In early 2009, credit spreads were enormous; now they're merely above average. Further, an unprecedented amount of liquidity has been pumped into the system by the Fed and the Treasury; there's a real possibility of inflation down the line, and short-term rates are very low. In the book I do talk about how to estimate future bond returns, and that metric is now telling us that they will be low, particularly [in the short term].

RB: You don't advocate market timing, so how can investors deal with the urge to adjust their asset allocations when certain classes seem historically cheap or expensive?

WB: A belief in the efficient market hypothesis does not absolve the investor from estimating long-term expected returns. The key words in that last sentence are "long-term." Market timing usually means trying to forecast the next month's or year's return, which is a mug's game. But you can certainly make intelligent guesses about expected long-term returns. Should you make allocation changes on the basis of those? Yes, but they should be very small, only in response to very large changes in valuation, and, it goes without saying, in the opposite direction as valuation.

RB: How should investors determine the rates of return to use in retirement calculators?

WB: The real [after-inflation] expected return of the whole stock market is about 1.3% plus the dividend yield, which is currently 1.8%, for a total of 3.1%. That may be a conservative estimate, since companies lowered their payouts by a large amount in 2008 and 2009. And for bonds, it's simply the Treasury inflation-protected securities yield, which is about 1% to 2%, depending on the duration. So a 2% real return [5% nominal return, if inflation averages 3%] for a mixed portfolio is about the ballpark most investors are in.

RB: Many studies show that a 4% savings withdrawal rate in retirement, and maybe even a tad higher, is safe. However, you write that "at 4%, you are taking real risks; and at 5%, you had better like cat food and vacations very close to home." What makes you less confident in those withdrawal rates?

WB: History. We've been very fortunate in this nation, with good political and financial continuity over the past few hundred years. Other places have not been so lucky, and even in the U.S., in the past two centuries we've had a Civil War and the near-death of the capitalist system during the Great Depression, so the odds of something like that occurring at least once during an investor's lifetime is actually quite high. That's why my withdrawal assumptions seem pessimistic to most folks.

RB: You wrote that you have "long been troubled to observe that caring, emotionally intelligent people often make the worst investors." On the other hand, "the most callous ... people make the best decisions." Why is this? Can the good people of the world be better investors?

WB: One of the best ways to get whipsawed is to pay too much attention to market sentiment, which in large part gets transmitted through friends and family. Empathetic, caring people have real problems tuning that out. S.O.B.s, by contrast, find it easier to ignore the emotions of other people, which is an advantage in investing. The cure for this "problem" is to explicitly recognize its nature and consciously say to yourself: "Everyone I know is panicked; now's the time to buy," or vice versa.

Read the rest of this interview on the *RYR* website.

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Wealth Defense: Find a Pro Who Works on Your Terms

We know that you and your fellow *Rule Your Retirement* members are do-it-yourselfers. You probably manage most, if not all, of your financial dynasty on your own.

But we also know you're sometimes curious about professional financial advice. Perhaps you just don't have the time to do everything you know you should. Maybe you have a big financial event coming up, such as your actual day of retirement, and you want to make sure you're doing everything right. Or maybe you just want an objective, professional second opinion about your financial plan. Whatever your reason, there are plenty of legitimate reasons for a Fool to hire some help.

Are You Being Advised or Sold?

Unfortunately, getting professional financial advice can be like swimming with the sharks. The system is rife with conflicts of interest, where brokers — who call themselves "financial advisors" but are really salesmen — often recommend whatever generates the biggest commission for them instead of what's best for you.

That's why we're proud to announce that the Motley Fool has formed a partnership with the Garrett Planning Network, a group of reputable fee-only financial planners that we've long admired.

Rule Your Retirement has often recommended fee-only planners as a source of sound advice. These professionals get paid for providing counsel, not selling a product. You work out the method of compensation with your planner. It can be an hourly fee, a flat rate for a comprehensive financial plan, or based on a percentage of your portfolio. But regardless of the method of payment, a fee-only financial planner's only incentive is to provide you excellent advice and help you increase your wealth.

Here's another important distinction between a broker and a fee-only planner: The broker cares almost exclusively about your investments, specifically those that can be held in an account at her firm. She won't give you advice on the investments in your 401(k) or encourage you to pay off your mortgage. Why bother? That advice won't earn her a commission. A fee-only planner, however, will look at your entire financial puzzle — debt, insurance, investments, retirement analysis, and even estate planning.

The Motley Fool has for years highlighted the Garrett Planning Network as an outstanding resource for finding fee-only planners. The network was founded by a former Expert Corner guest and Certified Financial Planner Sheryl Garrett, who wrote the *Personal Finance Workbook for Dummies*, *Garrett's Guide to Financial Planning*, and the *On the Road* series of books that cover buying a home, paying for college, planning an estate, and surviving the loss of a spouse.

There are two things you should know about working with Garrett planners. First, about 90% of them are Certified Financial Planners or are on the way to becoming one. (The rest have earned other financial designations such as Certified Public Accountant or advanced degrees in finance.) Since I'm a CFP myself, I can tell you that this isn't an easy designation to earn. It generally requires taking two years of classes and passing a two-day exam that has just a 50% pass rate.

Second, Garrett Planners are fiduciaries. That means they are legally obligated to put their clients' interests first. You'd think that all financial advisors would do that, but sadly, they don't.

For example, the typical broker at a big-name company such as Morgan Stanley or Merrill Lynch is not a fiduciary. The only thing those brokers are required to do is recommend actions that are "suitable or reasonable" for you and give you basic disclosures about the investments. That means they can give you a prospectus and a few other pieces of paper to satisfy their duty of disclosure — leaving you on your own to try to untangle the documents' finance-geek-speak and make an educated decision.

Fiduciary standards, on the other hand, require that advisors make investment recommendations that are in your best interests. They face greater liability for their investment recommendations than brokers do. And they're also required to tell you about all risks, expenses, and real or potential conflicts of interest.

I had the pleasure of attending the annual retreat for Garrett Planning Network planners this summer, and I left with the belief that they're serious about their professional integrity.

Start the New Year Right

Back here in *RYR* land, we've completed our Year of Fiscal Fitness, and we'll start creating a written financial plan together next month. We've always strived to help you take control of your finances.

But we've also heard from members looking for personalized, objective advice, whether as a onetime review or on an ongoing basis. For those of you seeking to start 2010 with a professional review of your finances, consider taking advantage of this new partnership between The Motley Fool and the Garrett Planning Network. You can learn more, and see if there's a Garrett planner in your area, by visiting www.GarrettPlanningNetwork.com.

Asset Focus: REITs

They Go Their Own Way

One of the benefits of owning REITs has been their historically low correlation to other asset classes. They tend to move in slightly different ways than bonds and other types of stocks.

Zigzag Factor

REITs made money in five of the nine years that the S&P 500 posted a negative return since 1972. Though that hasn't been the case during our recent recession, over the past decade, the Vanguard REIT Index fund posted an average annual return of 10.4%, compared with an average annual *loss* of 1% for the S&P 500.

Historical Data

Compound Average Annual Return	11.6% (1972 to 2009)
Best Years	47.6% (1976), 37.1% (2003)
Worst Years	-37.7% (2008), -21.4% (1974)

Source: FTSE NAREIT

Investment Ideas

Fund	1-Year Return	5-Year Return	Expense Ratio	Management Tenure
CGM Realty (CGMRX)	38.1%	10.6%	0.9%	15 years
Cohen & Steers Realty (CSRSX)	35.3%	2.5%	1.0%	18 years
Third Avenue Real Estate Value (TAREX)	36.6%	1.4%	1.1%	11 years
T. Rowe Price Real Estate (TRREX)	34.1%	0.8%	0.8%	12 years
Vanguard REIT Index (VGSIX)	33.0%	1.0%	0.2%	13 years

Data as of 1/4/10

Real estate investment trusts (REITs) began 2009 staring into the abyss. The **Vanguard REIT Index** fund (VGSIX) dropped 40% from Jan. 2 to March 6, compared with "just" a 26% decline in the S&P 500 index.

But then things turned around for REITs, as they did for just about every other type of equity. The Vanguard REIT Index fund has skyrocketed 109% since March 6, and that's not including dividends. The fund returned 29.6% for the year, a tad better than the S&P 500 index's performance, and the other funds listed in the Investment Ideas above did even better.

But at the end of 2008 and the beginning of 2009, REITs — which own and operate commercial properties, including malls, offices, apartments, and hospitals — were facing falling rents, falling property values, and increasing vacancy rates while also preparing to pay back hundreds of billions of dollars in loans over the next few years.

To conserve and create cash, REITs reduced dividend payouts and issued more stock. This has shored up their balance sheets and led the market to believe that the sky might not be falling on commercial real estate after all.

However, it also has significantly reduced payouts to investors. As of the end of November, the yield on equity REITs was just 3.9%, compared with an average of 7.3% from 1972 to 2009. This suggests that REITs are historically pricey right now, since yield and valuation are inversely related.

Plus, several studies have shown that equity investments post better long-term returns when they have higher-than-average yields and worse returns when their yields are lower than average. The recent history of REITs is one example: Since January 1972, there have been just eight months when REITs yielded less than 3.9%. That was the span from October 2006 to May 2007, and it marked the peak of the commercial real estate bubble. REITs went on to post steep losses in 2007 and 2008.

REITs also aren't cheap by another measure: Peter Beller at *Forbes* calculates that REITs trade at 17.7 times next year's estimated cash flow, compared with the long-term average of 14.4.

So we have an investment that's a tad pricey and one that has historically relied on dividends for more than half its return — yet is now yielding near all-time lows. Plus, many of the challenges REITs faced a year ago haven't gone away. Cash flow will probably continue to decline, and hundreds of billions of dollars' worth of mortgages will come due. As fund manager Rob Arnott told us in a December 2009 interview available on the *Rule Your Retirement* website:

> I think we're probably going to see a REIT implosion in the coming year, with the soaring rate of defaults and foreclosures in the REIT industry. But I think that will set the stage for an incredible buying opportunity sometime in the next six to 18 months that will allow us to buy into what is historically a wonderful inflation hedge really cheap.

This is a conundrum for us buy-and-hold investors. I've held onto my two REIT funds through the downturn, though the *RYR* team decided to no longer include the asset class as part of our model portfolios. For now, we're excluding them until the industry figures out how it will pay back all the loans coming due. Our decision might prove to be a mistake, but the historically low yields and weak fundamentals suggest that REITs might not be suitable for everyone right now. Risk-tolerant investors will eventually be rewarded for investing in REITs, but conservative investors seeking a dividend payer should look elsewhere.

Robert owns shares of the Vanguard REIT Index fund and the Third Avenue Real Estate Value fund.

Follow the Money: Health Care Heats Up

By Amanda Kish, CFA

Though political pundits talked about health care until they were blue in the face last year, some investors are betting that the sector will breathe new life into investments well into 2010. When Bank of America Merrill Lynch recently surveyed fund managers, health care popped up as one of the hottest spots for investments this year. Here's what two top fund managers are doing.

Amanda Kish
Champion Funds
Advisor

A Lot to Like in Large Caps

Bruce Berkowitz's skilled stock-picking at **Fairholme** (FAIRX) has helped the fund outrank 99% of its large-cap blend peers over the past 10 years — and he has his sights set on health-care stocks as the next big thing. In fact, they account for 36% of the fund's assets, according to data from Morningstar.

The fund's biggest health-care bet is on **Pfizer** (NYSE: PFE), which accounts for nearly 13% of its assets. Berkowitz likes companies with strong free cash flow yields, and Pfizer's low double-digit yield puts it far above industry norms. What's more, he thinks Pfizer's cash position and distribution system will make it the No. 1 generic drug company in the world. **United Health Group** (NYSE: UNH) and health-benefits company **Humana** (NYSE: HUM) also make the short list of health-care stocks at Fairholme.

Although Berkowitz acknowledges that the debate over health care has held the sector's stocks back, he expects them to perform well given the legislation and spending aimed at reshaping this sector.

Finding Middle Ground

At **T. Rowe Price Health Sciences** (PRHSX), however, smaller health-care stocks are the order of the day, with most of its holdings in the mid-cap range. Lead manager Kris Jenner thinks a potential drug breakthrough at a smaller company would have a much larger effect on its stock price than one would at a large company like Pfizer. Therefore, the fund isn't afraid to own less-established companies that management thinks could produce big drug winners.

Mid caps **Alexion Pharmaceuticals** (Nasdaq: ALXN) and **Henry Schein** (Nasdaq: HSIC) are in the fund's top 10 holdings, and small cap **BioMarin Pharmaceutical** (Nasdaq: BMRN) and micro-cap drug maker **The Medicines Co.** (Nasdaq: MDCO) are included in the portfolio.

Jenner thinks the sector is well positioned to generate stronger returns than it has in the past. He has certainly proven adept at picking winners, though: During his tenure over the past decade, Health Sciences has beaten the S&P 500 index by 9.6 percentage points on an annualized basis and has outranked three-quarters of all health-care-focused funds. If you're looking to increase your broad exposure to this promising sector, this fund is one of your best options.

Though the political fight over health care is nearing an end, these smart fund managers have found good ways to tap into the industry's promise. Make sure you have a healthy dose of the sector in your portfolio, too.

The Motley Fool owns shares of Fairholme and United Health Group. Amanda owns shares of Fairholme.

Get It Done This Month

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And even if you faithfully completed each exercise this past year, you can still use the new Fiscal Fitness calendar as a reminder of what you should review or update once a year. Plus, it's a complete calendar on just two pages! What value!

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