OUR TRADEMARKED

13 7 FREEDOM™ PROCESS

A FEW DETAILS

The "13" represents the range of wealth management issues we focus on to help maintain clear financial health as we employ the Certified Wealth Strategist® (CWS®) processes with Cannon© Institute guidance. The "7" represents the seven-step CFP® Board of Standards process.

13 Wealth Management Issues - What are they - in more detail, questions to expect.

We advise clients in addressing all these wealth management issues: In fact, we help all prospects with these issues through a thorough conversational discovery engagement – its our way of building good will and trust. Please read on to learn more.

The **13 Wealth Management Issues** act like balancing scales. Once you do something to one side, it impacts or tips the other. It is vital that one have a thorough understanding of the overall financial picture and goals to have a disciplined wealth management plan.

Investment planning may be the single biggest issue for affluent and wealthy individuals. If this were not the case years ago, it is certainly now. Recent events have caused many to rethink investment plans; and even change their basic philosophy. When reviewing investment planning issues, make sure you gather information on **all** your assets in a consolidated view. The word **all** is emphasized because you want complete knowledge of all the assets without regard to individual advisors nor custodian. You will want to divide the investments into three basic categories: equities, fixed income, and cash. Other pertinent investment information you will need to understand is your expectations of income, risk tolerance, time horizons, feelings towards income and capital gains tax, constraints, attitude, and expectations for communication from your advisor(s), and liquidity needs. You will want to work with your advisor(s) to identify the issues in the consolidated portfolio that, if not addressed, could be detrimental to your families' goals.

Insurance is a unique financial tool. In addition to allowing protection of assets from loss or damage, it can also be used to solve both personal and business financial problems. For example, life insurance alone can be used for liquidity for taxes, funds to transfer a business, replacement of a charitable gift, reduction of debt, and equalization of inheritances, just to name a few. When it comes to your wealth protections strategies an

Insurance Efficiency Review is in order and should be incorporated into your overall risk management plan, you should cover four types of insurance. These are life, disability, long-term care, and liability. All four types need to be assessed from three distinct vantage points: adequacy of coverage, appropriateness of policies, and cost effectiveness.

When reviewing your **banking and credit management** resources and issues, there tend to be four broad categories that you and your advisor(s) need to focus on. First, advisor(s) should be helping you understand how credit can be used to effectively leverage their wealth. Second, the focus should be on the coordination of credit management with the accumulation or investment plan your maintaining. Third, is the relationship between tax efficiency and utilization of credit. Fourth and last, your advisor(s) should be helping you better understanding how credit can be utilized to mitigate cash flow crunches that can perpetuate poor decision making in other areas of your financial life.

With life expectancies increasing and some individuals wanting to "retire" sooner, rather than later, the need for sound **retirement planning** is crucial. When gathering information about your retirement (financial independence – freedom) and life income plan, you need to examine the results of using distributions from the plan during life versus distributing to descendants at death. Issues related to qualified retirement plan and/or IRA distributions that are important include timing of distributions, income taxation, estate taxation, and amount of control. Each family has its own unique situation and needs that will determine appropriate solutions. As you prepare for retirement with your advisor(s) you will likely need to answer the three most common questions in the retirement income planning discussion; one, do you have enough to retire or are you on track. Two, how are the assets invested and where are the assets. Three, when distributions are needed to meet an income stream, which pools of funds will be pulled from first versus last to generate that income.

When evaluating your records and contracts regarding **executive compensation**, you will need to organize around the main types of executive compensation those include cash, deferred compensation, life insurance, qualified retirement plans, nonqualified retirement plans, incentive stock options, nonqualified stock options, and lastly restricted stock. Each one of these areas is very important for you and your advisor(s) to better understand the overall wealth management plan.

Business succession planning is time consuming, complex, and often emotional for the party that is exiting the business. If you are a business owner there are typically two succession options for you to consider:
1) To transfer to children/descendants (family)
2) To sell the business to employees or a third-party entity
Both options are available to business owners during their lives or after their deaths. The timing of the transfer or sale, and the resulting transfer tax or income tax issues, need to be addressed in each business owner's wealth management plan. Not only is this

decision financially related, but the emotions are often a key ingredient in succession planning for not only the current owner(s) but the buyer(s).

Planning for incapacity is a crucial component of any wealth management plan. Most people would prefer to choose someone to act on their behalf, rather than have that person appointed for them by a court. Since this is a significant decision, when discussing this topic with your family and advisor(s), make sure to bring up three issues about your Power of Attorney:
1) Who is named
2) Is this person knowledgeable of where the pertinent documents are located
3) Who the incapacitated person has confidence in and should be consulted by the Attorney-in-Fact

The opportunity for you to provide **education and family support** drives most families financial gifting in some manner. It is critical for you and your advisor(s) to understand and best maximize the benefits tax-efficient gifting strategies. Giving to children, grandchildren and great-grandchildren are common, however, some family stewards often gift to many other family members. Also, it is very important for your advisor(s) to better understand the family including parents, grandparents, and great-grandparents as the need for support and elder care issues are potentially on the horizon.

Charitable giving is of great importance to many wealthy people. When reviewing this topic with your family and advisor(s), it is important to address tax-efficiency and control issues. You can gift with direct transfers or indirect transfers, and both come with many advantages and potential disadvantages. Also, you can structure gifts during your lifetimes and after death for very targeted reasons. It is your advisor(s) responsibility to understand you and the families' desires for making these charitable gifts. Our role as an advisor is to better understand the intent and the motivation of the client. The more effective and efficient we can help gifts to be managed during your life and facilitate it through transfers at death, the better the job that we are doing for as advisors for our client and their family.

A **titling and beneficiary designation** review is one of the most important discussions you and your family could ever have with you. How the assets are owned and titled is the key to proper planning. If this is wrong, the plan will be wrong. It is critical that your financial advisor understands the many ways an asset could be owned/titled, and then as your advisor gets to know you can advise on potential areas of concern. Likewise, proper beneficiary designations are imperative for you and your family to have their wants, wishes, and desires followed. This area of the 13 Wealth Management Issues is one of the most important. When it is done accurately, the plan design and execution is much more efficient and effective.

Death is something that many people are uncomfortable talking about, but in the case of wealth management, the inevitable must be addressed. One of the most important decisions a person must make is who to name as **executor** under their will or **trustee** selections. Trustees may be nominated under a Revocable Living Trust or maybe other documents, but it is important that your financial advisor know and form relationships with these critical individuals/firms during your lifetime. Designating this position should ensure continuity in the investment process and the utilization of advisors the decedent used during life. Your advisor(s) need to be heavily involved with this step to ensure not only full coordination of assets, but maximum control being maintained by the client and his/her wishes.

Maximizing after-tax benefits for your heirs and other beneficiaries is best planned. There are various solutions that can be implemented based on your desires in **distribution of the estate** either outright or through a trust that allows you – the decedent - to maintain some level of control and minimize estate taxes. This is typically to one of two beneficiaries, family, or a charity/philanthropy. Your advisor(s) should be helping you minimize the tax impact as much as possible, and transfer as much of the client's net-worth to the family/descendants or the selected charity. Many choices are involved, but things such as outright, strings attached, incentives, spend thrifts, and special needs are some of the areas of most importance.

Tax planning is a vital part of nearly every aspect of wealth management. In many cases, taxes represent the largest single expense for the affluent and high net worth families. Structuring investments, and personal and business transactions to minimize this expense is critical in helping families achieve their goals and objectives. There are nine specific areas of opportunity where a financial advisor can surface issues with you, **NOT** as a tax specialist, but to work with you and your professional tax advisors to help ensure long term success.

Remember, you and your family are not acting as experts in all the areas, nor is your financial advisor(s), who should not be making any kind of recommendation or solution when simply discussing each issue with you and the family. Your goal along with that of the financial advisor is to simply collect information to take back and analyze. Only after this will and should your financial advisor "Wealth Manager" return to with a recommended solution or a recommendation to meet with other specialists or the client's tax or legal advisors. Your Wealth Manager assists with coordinating tax and legal advisors, managing the big picture, investment details and producing a Wealth Manager.

Try thinking of this process as one that positions you and your Wealth Manager as a general practitioner, except for the Wealth Managers functional investment expertise. A good analogy is a general practitioner medical doctor with an expertise in internal medicine. He does all the diagnosis on your general health and the deeper work-up on physiology. He then refers your allergic reactions to the Ear, Nose and Throat specialist as symptoms are indicated.

SEVEN-STEP CFP® BOARD OF STANDARDS PROCESS

We follow this comprehensive financial planning process a practice standard established by the CFP® Board:

In complying with the Practice Standards, a CFP® professional must act prudently in documenting information, as the facts and circumstances require, considering the significance of the information, the need to preserve the information in writing, the obligation to act in the Client's best interests, and the CFP® Professional's Firm's policies and procedures.

1. Understanding the Client's Personal and Financial Circumstances
   - **a.** Obtaining Qualitative and Quantitative Information. A CFP® professional must describe to the Client the qualitative and quantitative information concerning the Client's personal and financial circumstances needed to fulfill the Scope of Engagement and collaborate with the Client to obtain the information.
     - i. Examples of qualitative or subjective information include the Client's health, life expectancy, family circumstances, values, attitudes, expectations, earnings potential, risk tolerance, goals, needs, priorities, and current course of action.
     - ii. Examples of quantitative or objective information include the Client's age, dependents, other professional advisors, income, expenses, cash flow, savings, assets, liabilities, available resources, liquidity, taxes, employee benefits, government benefits, insurance coverage, estate plans, education and retirement accounts and benefits, and capacity for risk.
   - **b.** Analyzing Information. A CFP® professional must analyze the qualitative and quantitative information to assess the Client's personal and financial circumstances.
   - **c.** Addressing Incomplete Information. If unable to obtain information necessary to fulfill the Scope of Engagement, the CFP® professional must either limit the Scope of Engagement to those services the CFP® professional can provide or terminate the Engagement.
2. Identifying and Selecting Goals
   - a. Identifying Potential Goals. A CFP® professional must discuss with the Client the CFP® professional's assessment of the Client's financial and personal circumstances, and help the Client identify goals, noting the effect that selecting a particular goal may have on other goals. In helping the Client identify goals, the CFP® professional must discuss with the Client, and apply, reasonable

assumptions and estimates. These may include life expectancy, inflation rates, tax rates, investment returns, and other Material assumptions and estimates.

b. Selecting and Prioritizing Goals. A CFP® professional must help the Client select and prioritize goals. The CFP® professional must discuss with the Client any goals the Client has selected that the CFP® professional believes are not realistic.

3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action

    a. Analyzing Current Course of Action. A CFP® professional must analyze the Client's current course of action, including the material advantages and disadvantages of the current course and whether the current course maximizes the potential for meeting the Client's goals.

    b. Analyzing Potential Alternative Courses. Where appropriate, a CFP® professional must consider and analyze one or more potential alternative courses of action, including the material advantages and disadvantages of each alternative, whether each alternative helps maximize the potential for meeting the Client's goals, and how each alternative integrates the relevant elements of the Client's personal and financial circumstances.

4. Developing the Financial Planning Recommendation(s)

From the potential courses of action, a CFP® professional must select one or more recommendations designed to maximize the potential for meeting the Client's goals. The recommendation may be to continue the Client's current course of action. For each recommendation selected, the CFP® professional must consider the following information:

a. The assumptions and estimates used to develop the recommendation.

b. The basis for making the recommendation, including how the recommendation is designed to maximize the potential to meet the Client's goals, the anticipated material effects of the recommendation on the Client's financial and personal circumstances, and how the recommendation integrates relevant elements of the Client's personal and financial circumstances.

c. The timing and priority of the recommendation; and

d. Whether the recommendation is independent or must be implemented with another recommendation.

5. Presenting the Financial Planning Recommendation(s)

A CFP® professional must present to the Client the selected recommendations and the information that was required to be considered when developing the recommendation(s).

6. Implementing the Financial Planning Recommendation(s)
    a. Addressing Implementation Responsibilities. A CFP® professional must establish with the Client whether the CFP® professional has implementation responsibilities. When the CFP® professional has implementation responsibilities, the CFP® professional must communicate to the Client the recommendation(s) being implemented and the responsibilities of the CFP® professional, the Client, and any third party with respect to implementation.
    b. Identifying, Analyzing, and Selecting Actions, Products, and Services. A CFP® professional who has implementation responsibilities must identify and analyze actions, products, and services designed to implement the recommendations. The CFP® professional must consider the basis for each selection, which must include:
        i. How the action, product, or service is designed to implement the CFP® professional's recommendation; and
        ii. The advantages and disadvantages of the action, product, or service relative to reasonably available alternatives.
    c. Recommending Actions, Products, and Services for Implementation. A CFP® professional who has implementation responsibilities must recommend one or more actions, products, and services to the Client. The CFP® professional must discuss with the Client the basis for selecting an action, product, or service, the timing and priority of implementing the action, product, or service, and disclose and manage any Material Conflicts of Interest concerning the action, product, or service.
    d. Selecting and Implementing Actions, Products, or Services. A CFP® professional who has implementation responsibilities must help the Client select and implement the actions, products, or services. The CFP® professional must discuss with the Client any Client selection that deviates from the actions, products, and services the CFP® professional recommended.
7. Monitoring Progress and Updating
    a. Monitoring and Updating Responsibilities. A CFP® professional must establish with the Client whether the CFP® professional has monitoring and updating responsibilities. When the CFP® professional has responsibilities for monitoring and updating, the CFP® professional must communicate to the Client:

i. Which actions, products, and services are and are not subject to the CFP® professional's monitoring responsibility?

ii. How and when the CFP® professional will monitor the actions, products, and services.

iii. The Client's responsibility to inform the CFP® professional of any Material changes to the Client's qualitative and quantitative information.

iv. The CFP® professional's responsibility to update the Financial Planning recommendations; and

v. How and when the CFP® professional will update the Financial Planning recommendations.

b. Monitoring the Client's Progress. A CFP® professional who has monitoring responsibilities must analyze, at appropriate intervals, the progress toward achieving the Client's goals. The CFP® professional must review with the Client the results of the CFP® professional's analysis.

c. Obtaining Current Qualitative and Quantitative Information. A CFP® professional who has monitoring responsibility must collaborate with the Client to obtain current qualitative and quantitative information concerning the Client's personal and financial circumstances.

d. Updating Goals, Recommendations, or Implementation Decisions. Where a CFP® professional has updating responsibility, and circumstances warrant changes to the Client's goals, recommendations, or selections of actions, products or services, the CFP® professional must update as appropriate in accordance with these Practice Standards.