Wealth Management:

Financial Planning for the New Economy

Contents

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Are You Positioned for Financial Success?

The financial headlines are intimidating for even the savviest investor. How/where should I invest my savings? What's the best way to minimize my tax burden? Is my retirement at risk?

People today are living longer, healthier, and more active lives — and becoming increasingly aware that they need to take an equally active role in planning for retirement.

According to the Bond Market Foundation, a non-profit organization that focuses on financial education, four in 10 retirees are forced to leave the work force earlier than expected due to health problems, disability or company downsizing. Many more are leaving money on the table by not maximizing the matching funds in their company's 401(k) plan or cashing out when the change jobs rather than rolling a 401(k) into an IRA to avoid tax implications and continue saving.

Even investors who have planned well and maximized their savings opportunities are reconsidering their current strategies based on the wild swings in the financial markets. Many are finding it difficult to evaluate how balanced their investments may or may not be, and if their current strategy is still the best one to help them reach their financial goals.

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Evaluating your position

Popular wisdom recommends reviewing your financial position when life circumstances change significantly, such as when getting married, having or adopting a baby, launching a business, or purchasing a home.

During times of change or turbulence, many people turn to a professional for advice. Advisors can range from investment brokers and insurance professionals to independent financial planners or CPAs, all of whom may take different approaches to the art of financial planning.

What is Wealth Management?

Today, what was historically called financial planning has a new name —wealth management, a term that originated in the late 1990s among banks and insurance companies to describe the high net worth consulting offered to top clients.

At its inception, wealth management was classified as an advanced type of financial planning that included private banking, asset management, legal service resources, trust management, investment management, taxation advice,and portfolio management.

According to the Financial Dictionary, the process of wealth management can be broadly defined as follows:

> *"A professional service which is the combination of financial/investment advice, accounting/tax services, and legal/estate planning…In general, wealth management is more than just investment advice, as it can encompass all parts of a person's financial life."*

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Today, wealth management and financial planning are often used interchangeably. But the wealth management process typically takes a more holistic approach, viewing an investor's larger financial picture and considering the broader ramifications of financial decisions. In brief, it can be described as the process of systematically and simultaneously building and protecting wealth.

Am I wealthy?

Often, wealth is defined in comparison to others, such as being in the top 10% of all Americans when it comes to net worth. In his book, Rich Dad, Poor Dad, author Robert Kiyosaki says that wealth is measured by how long you can survive at your current standard of living if you quit your job today.

Hence, the term wealth management can be off-putting to many investors who don't exactly view themselves as rolling in cash.

But in today's terms, wealth can be defined as more of a mindset than a specific income level or dollar amount of assets. Rather than viewing each financial decision — for instance, applying for a mortgage — as an independent activity, do you look at it in a larger context: how will this get me to my ultimate financial goal?

Wealth management also takes into account the tax ramifications of every financial decision. Here's where many solo investors get themselves into trouble. Given the prodigious size and intricacies of the United States Tax Code, it is difficult for the average investor to make informed decisions without professional advice.

Granted, you need some "wealth" to manage in order to receive optimal value from the wealth management process, but it may not be as substantial as you think.

If you have at least $100,000 in investable assets, you should explore the benefits of wealth management. Wealth management becomes increasingly more important for individuals or families with at least $250,000 in investable assets to maximize what you've worked hard to earn.

Finally, if you have $500,000 or more in investable assets, comprehensive wealth management guidance becomes truly critical for growth.

Am I a candidate for wealth management?

The wealth management process is best utilized by individuals who are looking to make sound financial decisions and leverage the successes that can be pursued with financial planning. Use this checklist to determine if wealth management might be for you:

- ❑ Do I have at least $100,000 in investable assets? This might include stock holdings, bonds, CDs, real estate, and other items you are pursuing solely for their rate of return.
- ❑ Have significant changes occurred in my personal or professional life, such as a marriage, divorce, birth of a child, job change or launch of a new business?
- ❑ Have I recently received any significant cash income — an inheritance, an employment bonus, or proceeds from the sale of an asset?
- ❑ Do I plan to send my children to college, or assist my grandchildren with their education?
- ❑ Have I begun planning for a comfortable retirement?

The need for wealth management generally becomes more pressing as assets begin to accumulate, major life changes occur, or an inheritance or estate tax issue becomes a concern. In other words, as life unfolds.

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The Wealth Management Process: A Snapshot

The process of wealth management will vary depending on the type of service provider you choose to perform this service for you. Many firms use a variation of the basic four-step strategic planning process for wealth management:

`1. Identifying your objectives`
During the initial phase of the wealth management process, your advisor will work with you to review your overall financial picture, determine and prioritize your goals, and gain an understanding of your tolerance for risk.

`2. Setting a strategy`
A significant component of effective wealth management is asset allocation: how to apportion your investment funds to best pursue your goals, using factors such as your objectives and risk tolerance as determined in Step 1.

`3. Implementing the chosen strategy`
In this phase, a wealth advisor will suggest a plan of action — from specific new investments and activities to restructuring existing assets — to get you closer to your goals.

`4. Ongoing monitoring`
The most effective wealth management strategies are dynamic, requiring periodic monitoring and assessment of performance to ensure your strategy stays on course.

Other providers may prefer to structure their wealth management process according to specific areas of the finance continuum, for example, addressing your investment management needs separately from tax planning.

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Though their approach may vary, effective wealth management providers do have one thing in common: their services are designed to uncover your financial goals, get you moving in the right direction, and ensure you have the assets to get there. It's all about managing risk.

In every case, the wealth management process is highly individualized and ongoing. No one-size-fits-all solutions could possibly be effective, as everyone's needs and goals vary.

Finances are a highly personal subject to most people, with investment decisions often driven by emotion rather than rational thinking. A good wealth manager will provide the objective advice you need to make more informed decisions and evaluate your progress toward your financial goals.

Note: Asset allocation does not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Why Consider a Wealth Management Firm?

Books. Magazines. The Internet. Today, there are more resources than ever before for investors to educate themselves on building and maintaining wealth. Google a term like "wealth management" and you're likely to receive nearly eight million results.

Of course, independent research has its limitations. It can be vastly time consuming, with many sources less than objective or credible, especially online. And when it comes to tax planning, even the most diligent research is no replacement for in-depth knowledge of the tax code.

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In addition to their broad mastery of complex tax and investment issues, wealth management advisors bring a very important skill to the table: objectivity. As stated previously, money and finances are highly personal subjects for many people, so it's often difficult to be 100% objective about our own goals and choices.

Certainly, through intensive research you could obtain broad answers to common investment and taxation questions. But, wealth management is an area in which mistakes can be extremely costly. For example, poor estate planning on a larger estate can easily result in hundreds of thousands of federal estate tax payments. These needless expenses can be eliminated or mitigated with intelligent wealth management planning.

Wealth managers can be of assistance to both novices and more experienced investors. For those just starting out, the right wealth manager can help you establish a plan. For seasoned investors, professional advice ensures that you're on the right course toward your short-term and long-term objectives.

Choosing the right wealth management firm for you

When evaluating potential money managers, the good news is that there's a broad array of options available depending on your needs. Consider these criteria when choosing a wealth management firm:

Background and expertise — Does the firm handle many clients similar to you? For example, if you run a family business, is the firm experienced in dealing with succession issues? Do they handle business tax returns as well as individual returns? Are they full-service CPAs or strictly financial planners who limit their practice to investment advice?

Personal connection — You'll be working closely with your chosen advisor and sharing some pretty intimate financial details, so a "good fit" is essential in terms of personality and approach. Does the advisor make you feel comfortable and confident that you're in good hands? Does he or she keep jargon to a minimum when answering questions or explaining recommendations?

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Process — The wealth management process can vary fairly significantly from firm to firm. Ask your advisor how his or her process was developed, and how it fits with his/her personal wealth management philosophy. Do they consider the tax ramifications when making recommendations? How versed are they in the complexities of the tax code?

Depth — Does your wealth manager work alone or with partners? Is someone equally knowledgeable available to answer questions when your representative is on vacation or otherwise unavailable?

Compensation — Because every situation is unique, one-size-fits-all is rarely in the best interest of the client when it comes to compensation. Does the firm offer both commission-based and fee-only compensation plans — or a mix of the two— depending on your individual needs and objectives?

Preparing for Your Initial Meeting with a Wealth Management Firm

You've decided to explore how wealth management might help you in creating a financial plan or evaluating your existing financial situation. Of course, the firms you choose to interview will offer guidance on preparing for your first meeting, but here are some general guidelines so you know what to expect: View the meeting as a conversation. Your initial meeting with a wealth advisor should be a healthy give-and-take, with both sides asking questions and evaluating how comfortable you might be working together. After all, you're looking for a long-term relationship. Be prepared to listen as much as you speak.

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Be forthright about your goals. Many people are uncomfortable discussing their finances. Now is not the time to be shy. Wealth management professionals are not there to make judgment calls about your income, lifestyle, or decision-making. Their only goal is to learn about your goals — and to see how they can assist you in achieving them.

Bring along basic financial documents. In many cases, your wealth advisor will review your current financial documents as you're talking to better frame your discussion. Bring along copies of current investment statements, life insurance policies, your most recent income tax returns, and benefit statements from your employer.

"Tax planning factors into everything we do at the firm. As CPAs, we help clients identify issues without having to guess at the tax ramifications."
Nelson Couto, Partner
Couto, DeFranco, PA

Couto DeFranco: Bringing the CPA's Perspective to Wealth Management

Couto DeFranco embodies the strengths of the wealth management concept as a whole, using their experience as both Certified Public Accountants and advisors to help clients manage all aspects of their financial lives.

Firm partners Nelson Couto and Anthony DeFranco have been advisors with H.D. Vest Investment Services, a non-bank subsidiary of Wells Fargo & Company, since 1996. Together, they take a team approach to the accumulation and protection of wealth, using a systematic process honed during their decades of experience in taxation, private money management, education planning, and multi-generational estate planning.

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The firm offers unparalleled technical competence, with tax planning factoring into every recommendation so clients can make decisions based on the tax benefits or ramifications.

A systematic framework for wealth management

Couto DeFranco uses a proprietary process built around eight key wealth management issues to systematically help clients build, maintain, and distribute wealth. The firm's wealth management process addresses the following areas:

- Investment management*
- Cash flow and debt management
- Family risk management
- Retirement planning
- Education planning
- Legacy planning
- Business planning
- Special situations planning

During an introductory meeting with a new client, a Couto DeFranco partner will perform a detailed "financial checkup" designed to assess your current financial situation and identify major areas of risk. They also review how the firm structures its wealth management engagements, including its systematic process for evaluating options, implementing recommendations,
and monitoring progress.

Moving forward, the firm provides a customized level of service to address immediate needs and map out a long-term plan. The one thing Couto DeFranco does not do is insist on a one-size-fits-all approach. "There are noabsolutes here," says partner Anthony DeFranco.

*Securities offered through H.D. Vest Investment ServicesSM, Member SIPC. Advisory services offered through H.D. Vest Advisory ServicesSM. Non-bank subsidiaries of Wells Fargo & Company."As independent advisors, we have access to a broad array of investment tools and strategies, so clients are never locked in to something that's not 100% right for their needs."

Best of all, Couto DeFranco clients benefit from the thorough,
methodical nature of the professional accounting mindset, receiving a CPA level of due diligence with every recommendation. "It's not in a CPA's nature to 'wing it,'" says DeFranco, "so clients appreciate the detailed research that is behind every single plan or suggestion we present to them."

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Building Lasting Wealth

Though income provides short-term enjoyment, it is wealth that delivers true long-term benefits and the ability to provide a lasting legacy for your family. By choosing the right wealth management partner, you'll enjoy the ability to protect what you've worked so hard to build, enjoy a comfortable retirement, and leave a legacy for generations to follow.

For more information on Couto DeFranco's wealth management process, call (973) 325-3370 or visit www.coutodefranco.com.

Couto DeFranco is not a registered broker/dealer or independent investment advisory firm.

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