Evaluating Your Wealth Management Team





OUTSOURCED FAMILY OFFICES

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An **Outsourced Family Office** is a team of professionals that surround a small number of families with highly personalized advice and guidance, customized investment management, resources, and technology to make sure their clients are making the best possible financial decisions based on their unique situation.

A specialized team's goal is to have their client delegate the many financial and non-financial ongoing administration and tasks to their team. The team always acts as a fiduciary and is solution-agnostic, continuously striving to find the best option for the client regardless of provider, then educating and advising the client on their options so they can make the best decisions. The result leads to a family who feels in control of their financial situation and is comfortable with their plan.

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WEALTH PLANNING

HOW MANY RELATIONSHIPS DOES YOUR CURRENT WEALTH MANAGEMENT TEAM SERVE?

Your team should target no more than 50-75 total unique client relationships per advisor.

WHO DOES YOUR TEAM SERVE?

An advisor should be able to provide you with examples of other clients they have helped with similar complexity (a representative list). Be sure these clients work with your specific team, not the overall firm.

Many times, the advisor could ask one of their clients to speak to prospective clients as a reference.



DOES YOUR TEAM INCLUDE:

CERTIFIED FINANCIAL PLANNER (CFP®), CHARTERED FINANCIAL ANALYST (CFA®), PERSONAL FINANCIAL SPECIALIST (PFS™), ESTATE PLANNING OR BUSINESS TRANSACTION ATTORNEY (J.D.)?

You wouldn't go to a family physician for specialized treatment or surgery. Your family should seek out qualified professionals to help you manage your financial needs.

Your team should have a deep bench of team members who bring a wide variety of skills and expertise. Many of them bring designations and degrees that require years of rigorous study to earn. That team works with a small list of clients so they can know their clients in a great deal of depth.

DOES YOUR ADVISOR RETAIN AND ORGANIZE YOUR RELEVANT FINANCIAL AND NON-FINANCIAL DOCUMENTS?

- Documents from what they manage and from other providers;
- Business assets and entity documents;
- Tax documents: 1099's, K-1's, charitable contributions, bank accounts, tax returns, etc;
- Trust & Estate Plan Documents;
- Risk Management: Life insurance, health care, property, and casualty policies and dec pages;

Clients and their tax professionals appreciate an advisory team who can simplify and organize all their documents in one place, so when anything is needed it can be found and used appropriately.

Top advisors offer an electronic vault system with folders and organizing methods. They can share those folders with other trusted advisors such as CPAs and attorneys.

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DOES YOUR FINANCIAL PLAN EMBODY THE FOLLOWING?

- Encompasses a deep understanding of liquid/illiquid assets, liabilities, and cash flow projections.
- Includes realistic capital market assumptions, risk barometers, and tax assumptions.
- Models layered financial decisions for current and future years using sophisticated wealth planning software.
- Stress tests and solutions for the potential of lower market returns, if interest rates/inflation are higher, and other risk factors.
- Your advisor team should be reviewing your withdrawal rates constantly and target a 4-5% gross long-term withdrawal rate unless the client directs or is comfortable with higher. Being dynamic and projecting out withdrawal rates over time is crucial to the success of the client's plans.
- Appropriate titling for all assets and accounts, as financial plans may be completely undone if not executed effectively.
- Recommendations supported with academic evidence or evaluation from third parties such as a CPA, attorney, or another CFP®. That team works with a small list of clients so they can know their clients in a great deal of depth.

> ***An advisor should be able to provide you with examples of other clients they have helped with similar complexity (a representative list). Be sure these clients work with your specific team, not the overall firm.***

NOTES

WEALTH PLANNING

HOW OFTEN DO YOU REVIEW YOUR FINANCIAL PLAN?

Effective families review their progress towards achieving financial objectives with their team of advisors at a minimum annually, if not quarterly. For complex wealthy families, they find benefit in more regular communication and education specific parts of their plan.

Your advisor should be comfortable running family meetings with a process and educating all, especially the next generation. You should have a relationship manager or lead advisor as your first point of contact that is available to communicate within 24 hours of request.

HAS YOUR ADVISOR PROVIDED A REVIEW AND ADVICE AROUND YOUR ESTATE PLAN?

Advisor teams that work with high-net-worth families and may have the potential for a future estate tax problem, should have a deep understanding of all basic and advanced estate planning strategies.

They either have a former practicing attorney on their team or work with outside estate planning attorneys to develop recommendations and potential opportunities.

Your advisor team will be able to give advice on the pros and cons of each strategy, weighing the goals, tax impact, and potential unintended consequences of each decision.

> ***You wouldn't go to a family physician for specialized treatment or surgery. Your family should seek out qualified professionals to help you manage your financial needs.***

IS YOUR TEAM DEVELOPING THE BEST TAX STRATEGIES FOR PORTFOLIO DISTRIBUTIONS NOT ONLY IN THE CURRENT YEAR, BUT ALSO MANAGING PROJECTED TAX LIABILITY IN THE FUTURE?

Top advisors know how to control taxes for current and future years by identifying the appropriate account types or combination depending on the client's age, tax bracket and underlying securities.

There are three main types of account, each with a different tax treatment:

- Qualified Pre-Tax;
- Tax Free/Roth;
- Non-Qualified;

Navigating types of accounts and the specific holdings is crucial for the best after-tax returns and distributions.

HAS YOUR ADVISOR REVIEWED THE NON-STOCK MARKET RISKS IN YOUR LIVES?

Many times, people don't know they have gaps in property and casualty insurance and other risk areas.

Your advisor team should help solve this by searching for neutral, best-in-class solutions. They will:

- Refer out to the best independent providers, not sell products, and gain a commission;
- Provide clients with a list of all exclusions in your coverage and identified risk gaps;
- Assess strategies to provide unique ways to self-insure or create a captive insurance company;
- Provide data protection and cybersecurity review;

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HAS YOUR ADVISOR REVIEWED YOUR LIFE INSURANCE? HAVE THEY ANSWERED WHY YOU OWN LIFE INSURANCE AT ALL?

An advisor team should be insurance licensed or have an independent insurance provider review and benchmark the health of current providers and policies and review at least annually.

Many high-net-worth families self-insure, and there is no need to have life insurance or long-term care insurance.

> ***Your advisor should be comfortable running family meetings with a process and educating all, especially the next generation.***

TAXES

Taxes are the biggest issue high-net-worth wealth creators can manage and control with proper planning within the bounds of tax law.

DOES YOUR ADVISOR PREDOMINATELY USE MUTUAL FUNDS OR INDIVIDUAL BONDS, ETFS, AND PRIVATE INVESTMENTS?

Individual securities, like stocks and bonds, do not issue capital gains distributions like mutual funds, making them more tax efficient.



CAN YOUR TEAM PROVIDE SPECIFIC TAX STRATEGIES?

An advisor should be able to provide you with examples of other clients they have helped with similar tax strategies (a representative list). Be sure these clients work with your specific team, not the overall firm.

Many times, the advisor will confirm tax strategies with your tax professional.

DID YOUR TEAM PROACTIVELY REVIEW YOUR SPECIFIC PORTFOLIOS FOR ANY MUTUAL FUNDS THAT WERE ANNOUNCING CAPITAL GAINS DISTRIBUTIONS?

Mutual funds can distribute realized gains even though you did not sell it during the calendar year.

Your advisor should be aware of your specific tax situation, perform the appropriate research on each mutual fund, and would typically look to make changes to your funds before year end to reduce your tax liability.

DOES YOUR ADVISOR IMPLEMENT TAX LOSSES TO OFFSET CAPITAL GAINS – DEPENDENT UPON THE INVESTMENTS AND CLIENT SPECIFIC SITUATION?

Top advisors whose clients would like tax advantaged or managed accounts many times implement tax loss harvesting strategies even when portfolios are gaining value.

> ***Your advisory team should be dedicated to serving you as an individual, addressing your unique goals, needs, and values, while also honoring your family's legacy for generations to come.***

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PHILANTHROPIC PLANNING

DOES YOUR FAMILY HAVE A PHILANTHROPIC MISSION?

Gifting and philanthropy can be very important to a family. Helping you define and implement that mission can help make a lasting impact in your desired communities.

Your advisor should be discussing if your mission and passions fulfilled this year either financially or non-financially. Many of these gift plans should be considered with your tax situation.

DOES YOUR ADVISOR HAVE A DEDICATED PHILANTHROPIC SPECIALIST ON THEIR TEAM OR USE A THIRD PARTY?

Many top advisor teams have a philanthropic specialist on their team or a Chartered Advisor of Philanthropy (CAP). In cases they do not, they should be able to work closely with a third-party provider in coordination with the client's plan.

DO YOU DONATE CASH TO PHILANTHROPIC ORGANIZATIONS?

Most high-net-worth clients have appreciated stock, privately held companies, real estate, art and other assets that would be much better candidates for gifting due to the increased tax benefits.

Rarely should a client gift cash. Your advisor team should help identify which assets to use for gifting purposes.

WERE YOU ADVISED ABOUT THE POTENTIAL BENEFITS OF A DONOR ADVISED FUND, PRIVATE FOUNDATION, CHARITABLE REMAINDER OR LEAD TRUST, OR OTHER PHILANTHROPIC GIVING STRATEGIES?

There are many philanthropic gifting strategies which can be used to meet the client's goals and tax outcomes. Top advisors should be educating clients on all their options.

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INVESTMENT MANAGEMENT

WHO IS ON YOUR INVESTMENT TEAM AND WHAT IS THEIR EXPERIENCE? DO THEY HAVE AN INVESTMENT COMMITTEE?

Do they have professional designations related to investment management and analysis (i.e. Chartered Financial Analyst, or CFA)?

Making sound judgment calls and taking out emotion is imperative for creating suitable long-term results. Having at least three investment professionals on a committee helps accomplish structure for voting on decisions.

Their investment committee should be utilizing research from multiple sources, compiling the information, and working as a team to create assumptions, opinions, and advice to implement across different client risk profiles and goals.

Clients should be provided with evidence and research to support their advisory team's approach and decisions.

DO YOU FEEL LIKE YOUR INVESTMENTS ARE TRULY CUSTOMIZED TO YOU?

The fact is most advisors manage clients within models where you are placed with other clients in similar risk profiles. Changes are made from the top level without consideration for the end client's specific goals or tax situation.

Your advisor team should look to take advantage risk dislocations and customize the approach depending on the individual client and their overall financial picture.

HAVE YOU REVIEWED OR DEVELOPED YOUR PERSONAL INVESTMENT POLICY STATEMENT (IPS) WHICH SERVES AS A GUIDE PATH FOR YOUR INVESTMENT TEAM TO MANAGE WITHIN THE TERMS?

An IPS should be a written document that is customized to your specific situation.

It should define the client's target rate of return and the risk they are willing to take.

It outlines any asset classes or securities that are off limits, detail cash flow needs and gives a framework for allocation ranges based on your entire financial plan.

DID THEY BRING PRIVATE CAPITAL AND UNIQUE OPPORTUNITIES?

For qualifying investors, private capital investments can offer attractive expected returns and diversification, where appropriate.

A specialized advisor team has the expertise and capability to provide you with recommendations outside of traditional stocks, bonds, and mutual funds. Such options include:

- Pre-IPO;
- Private equity;
- Private debt;
- Private real estate opportunities;

> ***Making sound judgment calls and taking out emotion is imperative for creating suitable long-term results.***

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WHAT STRATEGIC CHANGES WERE MADE TO YOUR PORTFOLIO RECENTLY TO TAKE ADVANTAGE OF TRENDS AND OPPORTUNITIES?

Markets are not static, and your portfolio shouldn't be either. Your advisor should be able to provide you with a rationale and a list of changes made within your portfolios.

For example: Has your team questioned why you may be taking risks in the stock market that is as an all-time high when your required rate of return is less than 7% to meet your goal…and suggested the appropriate changes?

EXAMPLES OF INVESTMENT OPPORTUNITIES:

- **Change in interest rates:** Long-term bonds presented a unique opportunity for investors. For example, "Barbelling" bond portfolios between short-term (< 3 years) and long-duration bonds (> 10 years) while avoiding intermediate term (3-10 years) with lower risk-to-reward metrics was an attractive portfolio trade. Locking in these bonds provided the opportunity for investors to achieve higher required rates of return in exchange for taking less risk than investing in equities.
- **Asset allocation strategic weightings:** Did they rebalance and overweight or underweight across different asset classes given their expectations on risks vs. expected returns relative to your customized investment policy statement? Are they able to protect equity portfolios with hedging and options strategies? Did they take advantage of Private Capital opportunities?

NOTES

REPORTING AND ACCESS

DOES YOUR ADVISOR USE AN INDEPENDENT CUSTODIAN OR DOES THEIR FIRM TAKE CUSTODY?

Choosing the best custodian for clients should be one of the highest priorities for advisor teams to offer clients and educate them on why they chose that specific custodian. Many top advisors use reputable independent custodians like Fidelity or Schwab, as an example. The custodians are important because they can:

- Be no-cost to the client or have fees associated;
- Offer different money market or bank sweep rates;
- Offer different technology, reporting and trading capabilities;

Independent family offices can accommodate a client for whichever custodian they choose.

ARE YOU BEING PROVIDED WITH PERFORMANCE REPORTING AND GETTING THE INFORMATION YOU FIND MOST IMPORTANT?

In addition to custodian reporting, many top advisors integrate technology like "Orion" to provide on-demand reporting, benchmark performance with specific indexes, and report on all the client's accounts in one place.

Top advisors can create custom reports for clients at any time, and clients should have direct access to up-to-date data.

> ***Your advisor team should provide clients a decision to electronically receive all documents, including third-party custodian reporting.***

ARE YOU RECEIVING A LOT OF PAPER STATEMENTS AND TRADE CONFIRMATIONS?

High-net-worth clients tend to have many accounts, which can lead to frustration if the advisor is sending out paper documents constantly and does not have a process around electronically organizing.

Your advisor team should provide clients a decision to electronically receive all documents, including third-party custodian reporting.

DO YOU HAVE AN ONLINE LOGIN WHERE YOU CAN SEE ALL YOUR ACCOUNTS HELD BY ALL YOUR PROVIDERS IN ONE PLACE?

The answer should always be yes. Some advisors pay for additional technology for clients to see all their accounts and documents in one place, i.e. eMoney Advisor.

CAN YOUR ADVISOR INTEGRATE WITH QUICKBOOKS OR BILL.COM TO CREATE MONTHLY/QUARTERLY PROFIT AND LOSS STATEMENTS FOR YOUR PERSONAL EXPENSES OR ANY OPERATING COMPANY/LCC?

Outsourced Family Office clients appreciate the integration of these systems. Clients with complex wealth have many forms of income, bills, and companies where tracking and management is time consuming and challenging.

Most advisors do not have the time or interest to offer this service to their clients.

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> *Top advisors can create custom reports for clients at any time, and clients should have direct access to up-to-date data.*

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FEES

DO YOU KNOW ALL THE COSTS ASSOCIATED WITH YOUR PORTFOLIO AND PLANNING RELATIONSHIPS?

Assets Under Management (AUM) fees are most commonly used, i.e., a specified annual percentage fee of the aggregate account balance.

Once balances are large enough, some firms will offer a fixed maximum dollar fee, where the fee will not increase past a specified dollar amount.

Flat dollar planning/consulting fees are offered by many Outsourced Family Offices for their services rendered, as some clients have significant planning needs and insufficient liquidity to justify an AUM fee.

The fees should be simple and easy to understand.

ARE YOU PAYING TRANSACTION FEES BASED ON TRADES WITHIN YOUR PORTFOLIO? IF SO, WHAT ARE THEY?

Most advisor teams use independent custodians that do not charge transaction fees.

ARE YOU PAYING COMMISSIONS TO YOUR ADVISOR?

Fiduciary advisors are exclusively fee-only and get paid for the advice and financial management they provide, not for selling products, stocks, or other financial instruments.

Your advisor team should not be recommending proprietary products, leading with insurance, or selling commissionable products. These transactions are an indication they are not always held to a fiduciary standard.

IS YOUR ADVISOR ALWAYS HELD TO A FIDUCIARY STANDARD?

Have you asked for your advisor's ADV or Advisor Public Disclosures? Many times, advisors don't have to uphold the fiduciary standard in all practice areas.

Your advisor team should hold a series 65 or Certified Financial Planner™ license, which requires them to advise under the fiduciary standard. Advisors who hold series 7 or 66 are not always required to act with a fiduciary standard.

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A Better Approach to Private Wealth Management

Private Wealth Asset Management is a privately held, independent wealth management and planning consulting firm that serves as an Outsourced Family Office to successful business owners, families with generational wealth, people with unique or complex financial situations, and wealth creators who are in need of sound wealth planning.

Navigating the world of financial, legal, tax and risk management is challenging for many familie. We built our firm around being solution-agnostic and bringing the right team to the table when these opportunities arise.



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