



PROFIT

FOUR
FACTORS
THE
AFFLUENT
MUST KNOW

**TO AVOID FINANCIAL DISASTER
AND SECURE THEIR DREAMS**

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

Table Of Contents

03 <i>Executive Summary</i>	07 Asset-based Fees For The Affinity <hr/> <i>Traditional Planning Is Hazardous To Your Wealth</i>	13 Your Next Step
04 <i>How Taxes And Fees May Be Taking Huge Chunks Of The Affluent's Wealth</i> <hr/> Taxes	09 What Does The Jackie Onasis Story Have To Do With Having The Right Wealth Manager?	14 About The Authors
05 Avoiding a “fire sale” on your business <hr/> Avoiding capital gains taxes on appreciated assets <hr/> Taxes on large IRAs	10 Investment advisors/money managers <hr/> Financial advisor Wealth manager	
06 Additional tax-saving techniques <hr/> Trading Commissions/Fees Management Fees	11 Is Your Money Being Managed To Secure A High Degree Of Confidence Of Allowing You To Live The Life You Dream Of And To Avoid Financial Disaster?	

No part of this publication may be reproduced or retransmitted in any form or by any means, including, but not limited to, electronic, mechanical, photocopying, recording, or any information storage retrieval system, without the prior written permission of the publisher. Unauthorized copying may subject violators to criminal penalties as well as liabilities for substantial monetary damages up to \$100,000 per infringement, costs and attorney's fees. The information contained herein is accurate to the best of the publisher's knowledge; however, the publisher can accept no responsibility for the accuracy or completeness of such information or for loss or damage caused by any use thereof. Situations mentioned in this guide are drawn from real-life examples but may have been changed or expanded to illustrate special points the authors are trying to make and to protect the privacy of the clients involved. Significant portions of this paper are either excerpts or concepts of copyrighted material owned by Financeware, Inc. or other intellectual property of Financeware, Inc., who retains all rights to their materials and intellectual property. © Financeware, Inc., 2008. All rights reserved.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

Executive Summary

All of us have different dreams. You may want to achieve financial freedom so that you never have to work again – even if you plan on working the rest of your life. You may want to make a top-level college education possible for your children or grandchildren. You might want to provide the seed capital that will give your children or grandchildren a great start in life, whether that's with a home or a business. you may dream of a vacation home on the beach or in the mountains. Or you may have achieved tremendous success throughout your career and believe that it's important to leave a legacy that lives on. You want to leave something behind for your favorite charity that will enable it to continue its good work. Whatever your dreams are, they are important to you, which makes them extremely worthwhile. Let's get started making your financial dreams a reality.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

How Taxes And Fees May be Taking Huge Chunks of The Affluent's Wealth

When it comes to costs associated with investment management and financial services for the affluent, there are two critical issues. First, let's make sure they are reasonable and, secondly, if they are reasonable, let's make sure you get the biggest bang for your buck. While it sounds simple, the truth is it can be tricky to spot and calculate all the tax, investment management fees and costs that are eating away at your wealth. Costs can take big bites out of the returns you actually get. Here is a sample of how you may be over-paying without even knowing it.

TAXES:

As we reflect on the past year and why families with large estates, those exceeding \$8 million, came to us looking for advice, what we conclude is that there is a surprising amount of confusion over estate taxes. Most affluent families have heard of the devastating effects of estate taxes, but few realize the true and dramatic extent of the devastation that this can cause to their estates and loved ones.

Here is a sample of real life reasons of why we were contacted in the past year by families with net worths ranging from \$8 million to \$50+ million:

- a) I recently lost my spouse and I heard that estate taxes could ultimately cost me over \$12 million, plus when my \$4 million IRA is taxed, I stand to lose over \$1.4 million to income taxes, what should I do to protect my wealth and pass it along to our kids?
- b) We have a \$12 million net worth and keeping Uncle Sam's sticky fingers out of our estate is our top priority.
- c) My family set up a living trust in the '70s, I am retired and very interested in philanthropy. What should I be doing?

Although it may appear that these families have different concerns, the issue at heart is taxes or in other words, how they can get the most income or pass along the maximum net worth to their loved ones/-causes. Did you know that without proper planning, a \$15 million estate can lose about \$7.5 million to estate taxes, leaving the heirs to split the other \$7.5 million? Instead, why not give your entire estate away twice – 100% to charity and 100% to your heirs. What is wealth management all about if not efficiently transferring the most you can to your heirs? What we described above uses a little-known strategy of

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

obtaining a tax-deductible \$15 million life insurance policy by donating the premium to your own charitable foundation. The tax savings of approximately 50 percent are gifted to your heirs or an irrevocable trust to purchase a \$7.5 million last-to-die or individual policy for your heirs. After your death, your beneficiaries receive about \$7.5 million from the estate after taxes and \$7.5 million tax-free from the proceeds of the life insurance policy.

Your favorite charity also receives \$15 million upon your death.

Another tax the affluent face is the capital gains tax. Assuming you make money, you'll pay a capital gain tax to Uncle Sam. but not all capital gains taxes are equal. If you had a choice, you would hold securities for at least 12 months so you only get hit with the federal long-term capital gains tax of 15 percent rather than a short-term capital gain tax, which can be more than double the long-term rate (not to mention state taxes)

If you use a money manager, however, this can be tricky. Fund managers are not paid to fret about taxes; they are rewarded for taking profits – short-term or long-term – and hopping in and out of stocks is their business. you could easily lose 30 percent or more of the return you make due to taxes. put another way, how would you like to make \$100,000 but only pocket \$70,000 after you pay Uncle Sam?

One way to reduce the pain would be via gain/loss cultivation. Cultivating gains or losses to minimize your tax bite is a great planning strategy. For example, let's say you sell a house you've been living in for three years for \$2.4 million. If you have a cost base of \$1.5 million, after using the gain exemption of \$500,000, you'll be left with a capital gain event of \$400,000. If you can cultivate \$400,000 in losses from your miscellaneous managers and investments, you would save approximately \$96,000 in taxes.

It's not enough to look at the simple return on an investment; we must know the net after tax rate of return before we conclude how good it is. What really matters to all of us is how much we pocket when all is said and done. If you're a high-net-worth individual, here are some tax-saving techniques you might want to contemplate. but keep in mind if your net worth is under \$5 million, this is probably not for you.

Avoiding a "fire sale" on your business:

If you don't want your heirs to have to liquidate a business or sell assets to pay estate taxes, consider a wealth replacement trust. A businesswoman with a \$22 million company, a \$3 million retirement plan and a \$2 million home could lose well over 50 percent of her net worth to estate taxes and income

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

taxes. A large chunk of those taxes are due soon after death. If the beneficiaries wanted to hold onto the business and the home, they would need to come up with well over \$13 million to pay the taxes. Without a wealth replacement trust to pay those taxes, they may be forced to give up the business through a fire sale.

Avoiding capital gains taxes on appreciated assets:

Would you like to sell a highly appreciated asset, such as a stock or real estate, and avoid capital gains taxes, receive a tax deduction and get an income for life? We had a client who accumulated a startup's stock for 17 cents per share. Within three years, the stock was worth \$71 per share after splits. When it was time to retire, her wealth was concentrated in that stock, which paid no income. We set her up in a charitable remainder trust and gifted her stock to the trust. The trust, in turn, sold the stock and, as a charity, avoided capital gains taxes. She is now receiving a guaranteed income for as long as there is money in the trust. By gifting the stock to the charitable trust, her estate was reduced by the value of the stock thus reducing future estate taxes. And gifting the stock to a charity gave her a deduction on her income taxes. The only difficulty with a charitable remainder trust was convincing the heirs to go along with the concept because assets gifted to the trust will go to charity upon her death. Our client got around this by establishing a wealth replacement trust to replace the gifted assets to the heirs tax-free.

Taxes on large IRAs: If your estate is worth more than \$5 million, your maximum estate tax is 40+ percent. Upon your death, your retirement accounts (401(k) accounts, IRAs etc.) will need to be distributed to your heirs and will be taxed at their income tax bracket. If the heirs are employed, they could lose another 40 percent or more of these dollars due to income taxes. In the end, you could lose 70 percent of your retirement account assets to Uncle Sam. Though proper beneficiary designations, charitable gifting strategy and advanced planning, this problem can be tackled.

Additional tax-saving techniques: Supporting organizations, limited family partnerships and institutional guarantee installment sales are just a few other techniques that can help you accomplish your goals related to philanthropy, tax deferral, estate tax reduction, creditor protection or spousal protection and much more.

The bottom line is, taxes and tax strategies are complex. Too many wealthy individuals and business owners think they are well-protected because they set up a living trust 10 years ago with their attorney. Well, if you're worth more than \$5 million, it's probably time for you to have advanced planning beyond the living trust.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

TRADING

COMMISSIONS / FEES :

An often overlooked cost with actively managed investments is the trading commissions. Actively managed investments are just that – active. And each time there is a buy or a sell, you are being dinged with a commission. Often you don't even see these commissions, yet rest assured you are paying for them one way or another.

MANAGEMENT FEES :

Actively managed investments' fees are typically in the range of $\frac{3}{4}$ of 1 percent to $1\frac{3}{4}$ percent of assets. That's \$15,000 on the lower end and \$35,000 on the high end for a \$2 million portfolio. Several studies conducted by Brinson, Beebower and Hood demonstrated that over 90 percent of the variation of the return on your portfolio can be explained by your asset allocation to stocks, bonds and cash. This study is often misquoted to state that asset class selection to subclasses like value, growth, international, bonds, mid-cap, small-cap. etc. was part of that 90 percent, but in reality they explained 10 percent or less of the variations of returns. Only about 6 percent of your return is due to the particular securities selection. This clearly illustrates how much more critical asset allocation is vs. securities selection and market timing.

Actively managed investments' fees are typically in the range of $\frac{3}{4}$ of 1 percent to $1\frac{3}{4}$ percent of assets. That's \$15,000 on the lower end and

\$35,000 on the high end for a \$2 million portfolio. Several studies conducted by Brinson, Beebower and Hood demonstrated that over 90 percent of the variation of the return on your portfolio can be explained by your asset allocation to stocks, bonds and cash. This study is often misquoted to state that asset class selection to subclasses like value, growth, international, bonds, mid-cap, small-cap. etc. was part of that 90 percent, but in reality they explained 10 percent or less of the variations of returns. Only about 6 percent of your return is due to the particular securities selection. This clearly illustrates how much more critical asset allocation is vs. securities selection and market timing.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

ASSET-BASED FEES FOR THE AFFLUENT:

An often overlooked cost with actively managed investments is the trading commissions. Actively managed investments are just that – active. And each time there is a buy or a sell, you are being dinged with a commission. Often you don't even see these commissions, yet rest assured you are paying for them one way or another.

A consultative point advisor who knows you and your financial situation;

- A comprehensive suite of financial solutions for every financial challenge you face;
- Referrals and solutions on tax and legal issues;
- Stress-tested wealth management strategies that with stand the test of time;
- An easy-to-read and-understand dynamic wealth management plan that tracks progress toward your ultimate goals;
- Tax cultivation and tax minimization strategies.

Whatever route you take in investing, the bottom line is, know all the fees and costs up front and know what you're getting for those fees. We all work hard for our money, so we owe it to ourselves to know all the costs and issues involved before investing our hard-earned wealth.

Traditional planning Is Hazardous To your Wealth

We have heard and seen many stories over our 18 years as wealth managers. From widows and widowers forced to reduce their retirement income by 30 percent to 50 percent to make their wealth last their lifetime; to retired couples having to sell their homes when their financial plans went awry; to entrepreneurs and senior executives who postponed spending time with their families hoping to retire early only to realize late in the game that they have several more years of work ahead of them.

We can blame the financial failures on the market, economists, market prognosticators, bad luck. But these are nothing more than scapegoats.

What disturbs us about seeing lives shattered is that usually it didn't have to happen. The potential pain was identifiable and people could have been prepared. All of these investors relied on financial advisors, professionals trained to prepare traditional investment plans. Each identified their

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

risk tolerance and optimized their asset allocation. Each prepared a financial plan. But, dusted of several years later, those plans – like many based on erroneous assumptions – look pretty silly. Each received quarterly reports of portfolio performance relative to market indices. Each followed the rules of conventional wisdom –which proved very unwise.

Think about the senior executive nearing retirement. Five years ago when he was 55, his advisor projected his retirement plan based on a “conservative” 11 percent return assumption. Next year, at 61, he was supposed to be able to stop work with \$2.68 million and enjoy an annual income of \$148,000. He skipped a family vacation and took on additional work. After all, he was anticipating retirement and would soon have plenty of family time. Over the past five years, the market’s performance was nowhere near 11 percent. In fact, his portfolio is now worth \$2.23 million. A year from retirement, his family eagerly awaiting their time together, he got the bad news. His financial advisor updated the traditional plan: based on the market declines and his assumptions, he would go broke at age 82!

His financial advisor gave him two alternatives. He could retire next year... and live on \$125,000 a year – \$23,000 less than originally planned. Or he could work two more years and spend his principal in later years. Some choice! We would demand some answers from the advisor.

Question: What happened? We thought we hired you to create a long-term plan!

Advisor: We did a long-term plan. But in the short term, markets can go up or down. Unfortunately, we’ve had bad luck with the bear market.

Question: Bad luck? You left our financial future to chance?

Advisor: I wouldn’t say that. On average, we experience a bear market of this magnitude once every 10 or so years. But no one knew when.

Question: You knew there was a chance it would happen?

Advisor: Of course. It’s not my fault the market moved against you.

Question: So, you knew there was a chance this would happen... correct?

Advisor: Yes, I knew there was a chance of a bear market.

Question: But the plan we hired you to build didn’t consider this chance?

Advisor: Well, we assumed a long-term average return, which is the net of some up years and down years.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

Question: But our plan assumed our portfolio would go up every year, even though you just said the market doesn't go up every year?

Advisor: Sort of... at least on average.

Question: What are the chances of the market going up the same amount each year?

Advisor: About zero.

Observation: Let's see if we understand: First, we designed a long-term plan that had nearly a zero chance of going according to plan; and second, we knew there was a chance of the market going down, but we didn't plan for it!

Our executive's plan had a high chance of failure from the beginning. High-confidence stress-tested wealth management plans contemplate the reality that the market goes up and down. They plan for the impact of short-term market movements on long-term plans. A trained wealth manager would have shown you that in all likelihood the changes the traditional plan did not expect were not only possible but highly probable.

Isn't that what a long-term plan should contemplate? The difference between a stress-tested high-confidence wealth management plan and a traditional financial plan or money management is that high-confidence stress tested plans contemplate the possible impact on your wealth of many contributing risk factors.

It is the equivalent of the Wright brothers' first flight compared with a modern jumbo jet flight. Traditional plans assume a set rate of return for the rest of your life! When was the last time the markets went up exactly the same every year? This alone leads to false projections. No wonder people's financial lives are constantly being devastated with traditional plans. On the other hand, our family vision planning takes into account 1,000 different scenarios based on taxes, fees, beneficiaries, lifestyle, depressions, recessions, as well as bear and bull markets since 1925.

Would you want your family's financial future based on a traditional plan or a 1,000 times stress-tested cutting-edge jumbo jet of a plan that would have run through market fluctuations since 1925 as well as recessions, depressions and such?

Another example of the power of this new type of planning is that we can run "what if" scenarios for our clients at any time and tell them if they have an 8 in 10 confidence factor of exceeding their goals or if their confidence is only 3 in 10. Anything less than a confidence level of about 8 in 10 is not acceptable to us! If you truly value your financial health, you might reconsider whether leaving your financial future to traditional financial or investment plans is very wise.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

We know that the pain, the fear and the reality of market ups and downs can be anticipated and planned for. Current diagnostic tools can help identify the risk and implications of these financial disasters in advance. Your best course of action requires skill, knowledge and wisdom. This is what wealth management and stress-tested high-confidence plans are all about.

WHAT DOES THE JACKIE ONASIS STORY HAVE TO DO WITH HAVING THE RIGHT WEALTH MANAGER?

Whether you've sold your business for \$30 million, inherited \$6 million, are a senior executive at a corporation with stock options worth millions or you've accumulated your wealth steadily over many years, there comes a time when you'll want to enjoy your hard-earned money and make sure you preserve your wealth for your family and your heirs. Achieving all that is important to you will require some major decisions.

Jackie Onasis' wealth management plan was touted by many as being a cutting-edge plan. But here is how the story went! The beneficiaries had to pay the estate taxes out of their mother's pocket, selling her valuables at an auction, which provoked an IRS audit. Furthering the needless tragedy, Mrs. Onasis' executors told the state that after distributing the property that the two children decided to keep, making specific

bequests and paying administrative expenses, the estate had \$18 million but owed \$23 million in estate taxes. The estate plan that was held up as being the measure of successful wealth management never happened and Mrs. Onasis' estate was left with a \$5 million shortfall between the assets and estate taxes.

So who will coordinate your professional advisors and hold your spouse's hand when you are gone? Peace of mind alone is worth the price of admission for making the right choice. Not to mention the fact that it may save millions for your loved ones.

The most important wealth management decision many affluent families make is finding a trusted individual to turn to for advice. Notice we didn't say finding a firm, because it is the trust and relationship with an individual that really matters. Although you may be happy with your current relationships, if you can't articulate the differences between investment advisor, financial advisor/planner and wealth manager, then you owe it to your family to study up on the vast difference between advisors to determine which type can assist you the best.

We'll start out with the basic and end with the most comprehensive.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

Investment Advisors/Money Managers:

For a set annual percentage of your investments, an investment Advisor/money manager will handle your portfolio, buying and selling securities with the goal of increasing returns and beating such benchmarks as the S&P 500 index. The advantage of an investment advisor/money manager is they are paid a percentage of assets under management, so their motivation is to increase the value of clients' portfolios. The disadvantage is that although they may meet you, discuss your goals and act as an advisor, they are mainly focused on managing money.

Financial advisor:

This is probably the best-known option since this category of advisors usually handle anywhere from a few thousand dollars to a million or so for their clients. You may know these advisors as financial planners, insurance agents or stockbrokers. Some are independent and others work for large banks or brokerage firms. These advisors have traditionally been the place to go for investors interested in buying and selling stocks, bonds or mutual funds.

The advantage is that most of these advisors outsource the money management task to money managers and help you evaluate how your money is performing. They'll spend time discussing your goals and actually working to help you achieve them. The disadvantage is that most are product-driven. Most solutions are formulated in terms of investment products.

Wealth manager:

A wealth manager's goal is to help you develop not just an investment portfolio but your family's financial vision. This vision will act as the road map going forward. As wealth managers, we guide you through a multistep, structured and well-tested process. An interview with us might feel like a visit to a psychologist because your deepest fears, wants and needs will probably be discussed.

We'll be asking many very personal questions: Who are your loved ones? How do you wish to have them taken care of? Do any of them have special needs? We'll want to know what causes or charities may be near and dear to your heart. What hobbies and activities do you enjoy? Last but not least, we'll want to understand what is genuinely important to you; what it means to you to move from a life of success to one of significance. We will help determine the challenges you face in reaching your family's vision. Then we'll utilize and coordinate legal, tax, insurance, investment and nonfinancial solutions that are appropriate for you, to help secure your wealth and achieve your unique vision.

A wealth manager can simplify your life by taking the pressure off you when it comes to financial issues. You are the CEO of your family's vision, and our mission is to do

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

everything possible to help you achieve that vision. Wealth managers coordinate the efforts of other professionals on your team, such as your accountant, lawyers and mergers and acquisitions Advisors in order to develop a cohesive strategy. This coordination alone may save you hundreds of thousands or even millions of dollars. As wealth managers, we will also provide an ongoing dynamic wealth management plan that tracks progress toward your vision.

One of the tricky parts of finding a wealth manager is that many financial advisors call themselves wealth managers, and on the surface there is no way to tell who is and who isn't. This paper should help you recognize what type of advisor you're talking with based on the conversation you are having. Affluent business owners and families with a net worth exceeding \$3 million or investable assets exceeding \$1 million are typically the best candidates to benefit from the services of a wealth manager. With a little bit of knowledge and armed with the right questions, you can now better judge the best type of advisor for you. Knowing the difference is half the battle; ensuring that you are with the right individual is the other half

Confidence Of Allowing you To Live The Life you Dream Of And To Avoid Financial Disaster?

If you knew you had money managers or investment techniques that on average tilted the odds in your favor (relative to passive management), you would bet on those managers all day long and as many times as you could. But what if the stake of the bet is the only life you have? What if the stake is your family's financial security? What if you only have one chance on the bet? What if it is too late to do anything about it by the time you find out whether the bet paid or you lost?

Wealthcare's white paper by CEO David Loeper "Active Versus passive: The Debate Continues" objectively examined the additional uncertainty present when one implements active investment management (money managers, investment advisors, etc.).

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

It exposed the uncertainty introduced in not knowing how an active management discipline necessarily will perform relative to the certainty of a passive portfolio that will track the markets, less expenses.

Hopefully, no one who pursues active management is naïve enough to think that any discipline is certain to outperform. Regardless of how smart the money managers are or what type of track record exists for their exceptional performance, objectively we must acknowledge that it is not certain and there is some risk of it failing to achieve what we think (hope?) it will produce.

Imagine you own a profitable casino and each day there are many winners and many losers. With thousands of bets being made each day, you average a profit based on how the odds are “tilted” for your “take.” You have \$100 million of cash backing up all those chips on the tables and Bill Gates walks in. He steps up to the roulette wheel and sees the \$3,000 maximum bet you gladly accept many times each day. Feeling like he would like a little entertainment, he asks if you would be willing to raise the table limit for ONE bet on black, to \$100 million... his pocket change and your entire bankroll.

Do you take this bet? your “take” on roulette is among the best odds for you in the entire casino. There is a 47.4 percent chance you will lose and a 52.6 percent chance you will win. You make this bet every day...

In fact, you wouldn't mind making it more often for more gamers. The only thing different about this bet is that if you lose, you lose everything. Even though the odds are to the casino's (your) advantage and you'd like making that bet all day long, the stakes of this bet risk everything... your whole financial future. If you lose (and remember there is a 47.4 percent chance you will), you will not have another chance to make the bet.

This is the same way we need to look at active money management, even if the odds are to your advantage, which is a big “IF.” We are not talking about “risking” everything in gambling on active management, as the worst case scenario is 1 percent to 2 percent underperformance over the long haul. While this may be true, do you know how much more at risk “everything” is? Do you know what winning the bet buys or what losing costs? For this paper, we'll assume that we are comfortable taking on some risk to buy a lifestyle that provides reasonable confidence (8 out of 10 chance, or 80% chance of exceeding the targeted goals) of a \$225,000 retirement income.

The active bet of using money managers or mutual funds introduces additional potential risk (and potential reward) beyond that which we are consciously accepting with the markets. The passive

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

implementation with its certainty that it will track the markets, less expenses, barely increases this risk. It represents our true odds (8 out of 10 chance) of exceeding our goals if we invest in “the markets”, as defined by Wealthcare’s model allocations. (Caution: This isn’t your typical simple passive indexing strategy and is a complicated story in itself.)

If we plan to beat the markets, using active management, by 1.5 percent a year for the rest of our life (how likely is this?) and spend like we will (i.e. we spend \$288k vs. \$225k), there is a \$63,000 a year reward to our retirement income if we win our active bet. However, in accepting the extra uncertainty, we risk ending up underperforming the market and facing a disastrous scenario... a 53 percent chance of running out of money in retirement if our active bet is wrong!

We have better odds on our bet with Mr. Gates. Would you rather risk a 53 percent chance of running out of money in retirement by betting on the active management with the higher income, or would you use a proven high-probability passive investment plan with an 8 out of 10 confidence level of exceeding everything that is important to you? We end by asking: Is your money being managed to secure a higher probability of living the life you dream of and to avoid financial disaster?

Here is what you want to avoid...

Harry’s wife passed away and he was alone for the first time in more than 40 years. He sold his business and started receiving \$200,000 annually for six years. He had only managed their small IRAs and the stock market collapse of 2000 to 2002 had him worried; plus in his emotional condition, he wasn’t up to handling their serious money. He hired two money managers to manage his money conservatively.

When we were asked to look into his scenario, we discovered that the attorneys had not split the estate properly and the two money managers were invested 100% in stocks. Remember, Harry thought he was being conservative, he had paid \$40,000 in fees and commissions, and his return was half that of the stock market. We showed Harry how to invest like the Rockefellers yet remain safe, and in turn he’ll save tens of thousands or even hundreds of thousands in fees, commissions and taxes.

Your Next Step

Do you know what taxes, trading costs, management fees and advisory fees are costing you?

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams

If not, you owe it to yourself to have a fair and full evaluation of your situation. Furthermore, do you know if your estate is optimized to make your loved ones and the causes that are nearest and dearest to your heart your biggest beneficiaries? Remember, Uncle Sam is the biggest beneficiary of many large estates. Get rid of traditional financial plans that are almost sure to lead to financial disasters since they are based on faulty assumptions and replace them with honest high-confidence stress tested plans that minimize taxes, expenses and investment uncertainty and maximize the chances of reaching your family's visions and dreams.

Is your advisor asking you “Who are your loved ones?”, “How do you wish to have them taken care of?”, “Do any of them have special needs?”, “What causes or charities are near and dear to your heart?”. We believe that the answers to these types of questions are the right way of developing a family vision plan to guide us in helping our clients reach their dreams. The What's Important To you conversation in our case precedes any other. We have created an environment where we simplify our clients' lives by taking the financial pressure of them. They now are the CEOs of their family vision and we as wealth managers help them overcome the obstacles and challenges they face in reaching that vision by utilizing and coordinating legal, investment, insurance/ risk and nonfinancial solutions.

We also provide easy to understand, literally by looking at two graphs, quarterly wealth management plans to track progress. If you would like a high-confidence stress tested family vision plan developed and a fair and honest evaluation of your current wealth management status (as described in this paper) then please feel free to contact us at 925.407.0320.

We specialize in providing investment, insurance, tax and estate planning solutions to high-net-worth families and privately held company owners. Our services are provided to a limited number of clients and we only accept new clients when we have determined that we can add substantial value to their financial lives. If you feel you are ready for the jumbo jets of wealth management services, we'd be happy to evaluate you to see if we are a good fit and if we can truly bring value and happiness to your life.

To request an evaluation, you can reach our office at 925.407.0320.

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams



Haitham "Hutch" E. Ashoo

F O U N D E R ,
P R E S I D E N T & C E O

Steps To Cashing-Out of A Business, Managing and Preserving Wealth as well as Intelligent Investing, Making Smart Investing Decisions In Today's Volatile Market. They are financial expert columnists in business journals and newspapers as well as legal and tax publications and are interviewed nationwide on radio regarding wealth management for the affluent.

Haitham "Hutch" E. Ashoo and Christopher G. Snyder are principals and partners of pillar Wealth Management, LLC, a wealth management firm in Walnut Creek, CA. Their firm is focused on high-net-worth individuals and families as well as privately held company owners.

Mr. Ashoo and Mr. Snyder provide a single financial solutions source for all of your financial needs. This includes the coordination of the efforts of other professionals on your team – your accountant, lawyers, insurance brokers and mergers and acquisitions advisors to develop a cohesive strategy.

Mr. Ashoo and Mr. Snyder are the published authors of the books *Beyond Wealth: Finding The Balance Between Wealth and Happiness*, *Exiting Strategies*, *The CEO's Seven Critical*

Four Factors The Affluent Must Know To Avoid Financial Disaster And Secure Their Dreams



Christopher G. Snyder

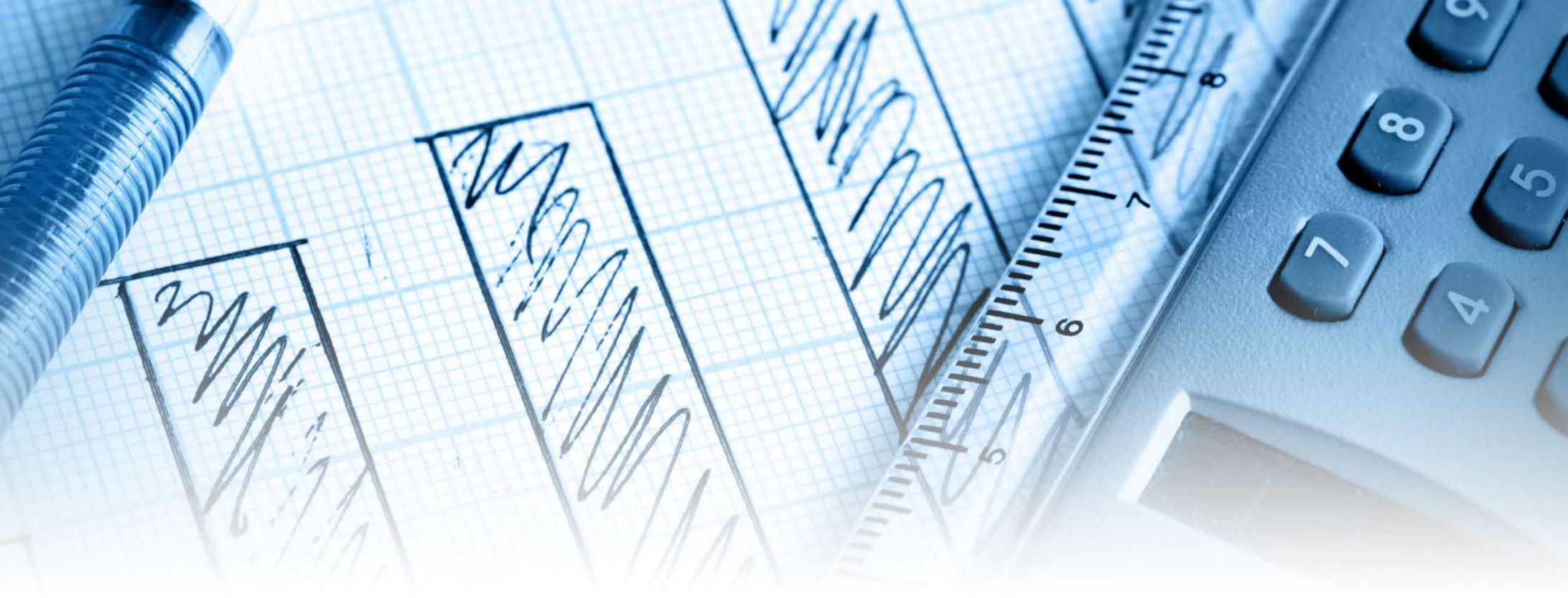
FOUNDER,
SENIOR VICEPRESIDENT
& PARTNER

This guide is intended as a general information resource, and the contents should not be construed as legal or tax advice or opinion. This guide is distributed with the understanding that the publisher is not engaged in the rendering of legal or tax advice. Please consult your legal or tax advisor to determine the effect of these issues on your particular circumstances.

Mr. Ashoo and Mr. Snyder have lectured to thousands of individuals on wealth management, exiting strategies and investment planning as well as tax and estate planning issues. Many of their keynote speeches are held at nonprofit institutions, Chambers of Commerce and CEO groups.

Mr. Ashoo and Mr. Snyder specialize in providing investment, insurance and tax and estate planning solutions to high net worth families and privately held company owners. Their services are provided to a limited number of clients and they only accept new clients when they have determined that they can add substantial value to the clients' financial lives.

For comments or questions, you can reach them through their website at www.pillarWM.com or at 925.407.0320.



While Estate Tax Laws have changed since the publication of this whitepaper, the strategies discussed are still applicable.

FOUR
FACTORS
THE
AFFLUENT
MUST KNOW