The Wealth Solution

Bringing Structure to Your Financial Life

By: Josh Koehnen, CFP®, MsBA

CFP®

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“Go confidently in the direction of your dreams.
Live the life you have imagined.”

—Henry David Thoreau

Letter from Josh Koehnen, CFP®

This is both a challenging and an exciting time in the financial world. Many people today are facing difficult choices in managing their finances and, as well they should, are asking serious questions. My goal with *The Wealth Solution* is to help you see through the noise of the marketplace in order to systematically make informed decisions about your money.

At my firm, I believe in empowering people to make the best possible decisions for themselves or, if they wish, to astutely choose a financial advisor who can implement sound wealth management principles. And I believe in sharing my own financial knowledge with everyone who wants to make wise decisions about his or her money.

I am very pleased to present *The Wealth Solution* to my clients and prospective clients. I sincerely hope that it will provide you with a framework for structuring your financial life that will help take you in the direction of your dreams.

Sincerely,

Josh Koehnen, CFP®, MsBA
Independent Wealth Manager

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Table of Contents

A Framework for Financial Success

We all lead busy lives and must juggle multiple priorities and demands on our time. However, at the end of the day, each of us is the chief financial officer for our family, responsible for making the decisions that will determine whether we will achieve our financial dreams.

To do so successfully, you need what every successful CFO has: a sound understanding of the challenges you face and a comprehensive approach for addressing those issues.

The Six Key Challenges Facing Today's Investors

For many families, there are six major areas of financial concern:

1. **Preserving wealth in retirement.** We are all concerned about funding our liabilities, and retirement is the biggest liability most of us face. Helping clients in this area is the primary focus for most financial advisors.

2. **Minimizing taxes.** Once individuals know that they are able to fund their retirements, minimizing the tax impact on their financial pictures becomes a goal.

3. **Effective estate and gift transfer.** This is all about taking care of heirs: finding and facilitating the most tax-efficient ways to pass assets to those you care about in ways that meet your wishes.

4. **Wealth and income protection.** This includes all concerns about the possibility of having assets unjustly taken.

5. **Charitable gifting.** This encompasses all issues related to fulfilling your charitable goals in the most impactful way possible.

6. **Finding high-quality financial advice.** Finding the right high-quality financial advisor can be very challenging.

Our Definition of Wealth Management

To be most effective in managing your financial life, you need to deal with each of the six areas systematically while maintaining an integrated approach to your overall financial picture. We call this wealth management.

To us, wealth management demands these three important actions:

1. Using a consultative process to gain a detailed understanding of your deepest values and goals
2. Employing customized solutions to fit your specific needs and goals beyond simply investments
3. Delivering these customized solutions in close consultation with other professional advisors

To define wealth management, we use this formula:

Structured wealth management = investment planning + advanced planning + trusted advisory relationships.

- **Investment planning** allocates your assets based on goals, return objectives, time horizons and risk tolerance. It is the foundation upon which a comprehensive wealth management solution is created.
- **Advanced planning** addresses the entire range of financial needs beyond investments in four primary areas: wealth enhancement, wealth transfer, wealth and income protection, and charitable planning.
- **Trusted advisory relationships** are created by assembling and managing a network of experts who will be involved in providing solutions to a variety of financial issues where they have specialized expertise.

While our primary focus in this presentation is on the first element of wealth management—investment planning—keep in mind it is just one component of a comprehensive approach to your financial life. In the last section of this workbook, we will describe what you should expect from a wealth manager who can help you make informed decisions about every aspect of your financial life.

Let's turn now to our discussion of the concepts that can help you to make more informed investing decisions.

The Investment Planning Process

Investment planning is the foundation of a properly structured wealth management plan. While you may not need to worry about minimizing your estate taxes or perfecting your charitable giving strategies, for example, you do need to position your financial capital to provide you with the money you and your family need to live comfortably—both today and in the future. Without a well-developed and carefully maintained investment plan, you risk not achieving your goals and failing to live the life you want most.

We are going to discuss six key principles used by highly successful investors to guide their decisions:

1. Beating the market is virtually impossible.
2. Owning a broadly diversified portfolio of stocks is a prudent approach to investing.
3. Risk and return are related.
4. Structured diversification can reduce volatility and enhance wealth.
5. Building an ideal portfolio depends on each investor's risk capacity, risk tolerance and investment preferences.
6. A disciplined long-term perspective is the key to staying on track to realizing your key financial goals.

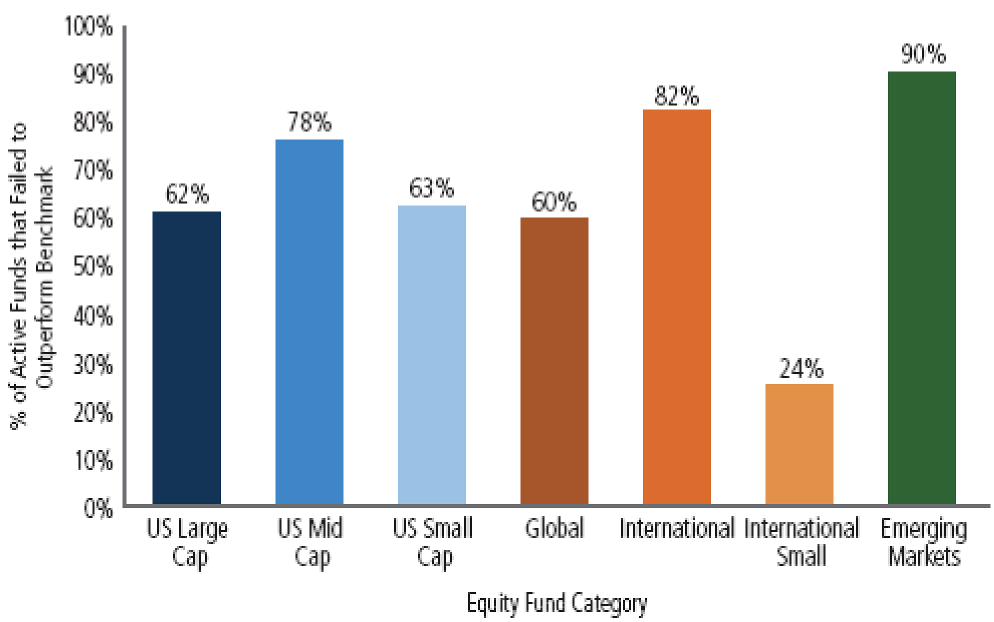
1. Beating the Market Is Virtually Impossible

Few things are more exciting to investors than the prospect of beating the market. If you can pick the right stocks and navigate your way successfully in and out of various market sectors at the right times, or find money managers to do the job for you, you'll generate outsized returns that will get you to your goals faster and help you achieve the lifestyle you desire. Not to mention that you'll get to brag to your friends and associates about the fortune you're making.

It's a wonderful and highly appealing idea. Unfortunately, it suffers from a fatal flaw: History suggests that it's virtually impossible for even experienced money managers to beat the market consistently. Certainly many investors and money managers devote a great deal of time and energy trying. But all the long-term historical data boil down to one inescapable conclusion: Trying to outperform the stock market's overall rate of return by actively trading stocks or engaging in market timing has seldom succeeded over the long run.

Consider this: The majority of actively managed funds in seven common equity categories underperformed their various benchmark indices during the five-year period ending December 2010. (See the exhibit below, which is reprinted from *The Wealth Solution*, as are all the other exhibits in this workbook.)

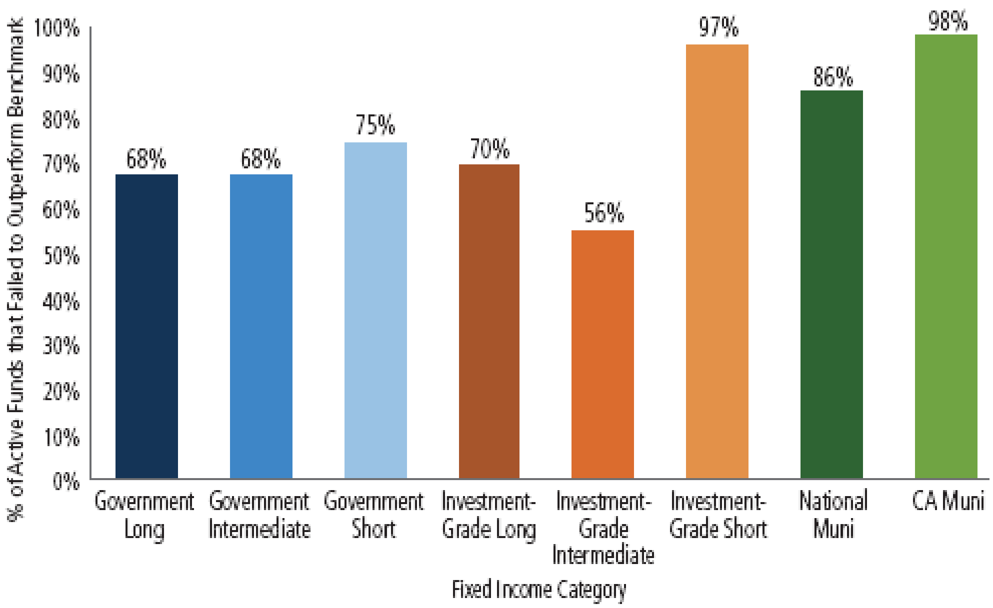
Exhibit 5.2: Percentage of Active Public Equity Funds that Failed to Beat Their Indices
(January 2006 – December 2010)



Source: Standard & Poor's Indices Versus Active Funds Scorecard, March 2011. Index used for comparison: US Large Cap — S&P 500 Index; US Mid Cap — S&P MidCap 400 Index; US Small Cap — S&P SmallCap 600 Index; Global Funds — S&P Global 1200 Index; International — S&P 700 Index; International Small — S&P Developed ex. US SmallCap Index; Emerging Markets — S&P IFCI Composite. Data for the SPIVA study is from the CRSP Survivor-Bias-Free US Mutual Fund Database.

The inability of active money managers to beat their respective market indices isn't limited to stocks. As seen in the exhibit below, the vast majority of active fixed-income managers—close to 100 percent in some instances—have failed to outperform their benchmarks.

Exhibit 5.4: Percentage of Active Fixed Income Funds that Failed to Beat Their Indices
January 2006 – December 2010



Source: Standard & Poor's Indices Versus Active Funds Scorecard, March 2011. Index used for comparison: Government Long — Barclays Capital US Long Government Index; Government Intermediate — Barclays Capital US Intermediate Government Index; Government Short — Barclays Capital US 1-3 Year Government Index; Investment Grade Long — Barclays Capital US Long Government/Credit; Investment Grade Intermediate — Barclays Capital US Intermediate Government/Credit; Investment Grade Short — Barclays Capital US 1-3 Year Government/Credit; National Muni — S&P National Municipal Bond Index; CA Muni — S&P California Municipal Bond Index. Data for the SPIVA study is from the CRSP Survivor-Bias-Free US Mutual Fund Database. Barclays Capital data, formerly Lehman Brothers, provided by Barclays Bank PLC.

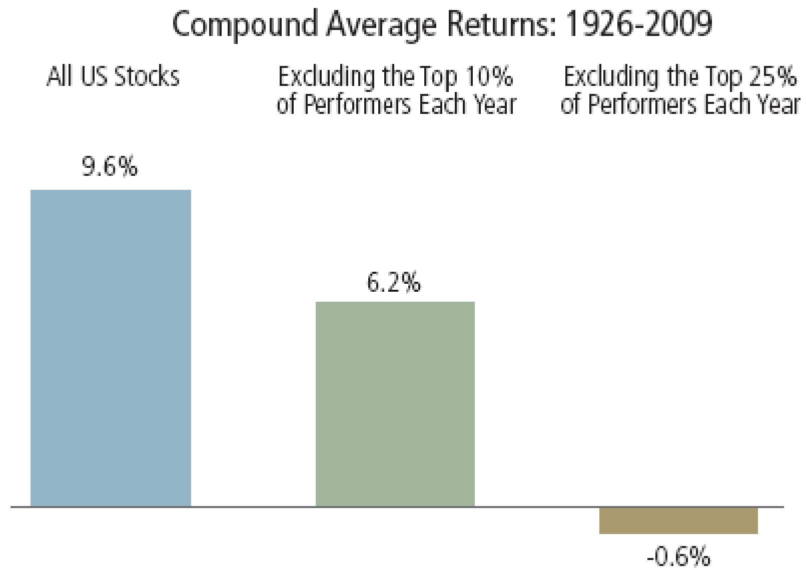
The upshot: Even the brightest analysts, the most famous and highly regarded money managers in the world, or the most plugged-in and well-respected financial publications can seldom tell you what's going to happen next, let alone give you reliable advice on how to position your portfolio to take advantage. We believe that by attempting to beat the market, you could put your financial dreams, goals and wealth at risk.

2. Owning a Broadly Diversified Portfolio of Stocks Is a Prudent Approach to Investing

The power of capitalism and free markets means that it is not unreasonable for investors to expect stock prices to gradually rise over time. You know that stocks overall have delivered positive returns over the long run. What you might not realize is that a relatively small group of stocks has been responsible for that positive return.

If we look at the University of Chicago's CRSP total market equity database as being representative of the U.S. market for the period 1926-2009, for example, we find that only the top-performing 25 percent of stocks were responsible for the market gains during this time frame. The remaining 75 percent of the stocks in the total market database collectively generated a loss of -0.6 percent. (See the exhibit below.)

Exhibit 5.6: **The Impact on Returns of Missing the Top-Performing Stocks** (1926-2009)



Source: Dimensional Fund Advisors. Past performance is not indicative of future results. Indexes are unmanaged baskets of securities in which investors cannot directly invest. The data assume reinvestment of all dividend and capital gain distributions; they do not include the effect of any taxes, transaction costs or fees charged by an investment advisor or other service provider to an individual account. The risks associated with stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Small company stocks may be subject to a higher degree of market risk than the securities of more established companies because they tend to be more volatile and less liquid.

So if a small percentage of stocks accounts for the market's long-term returns, why not avoid all the headaches and just invest in these top-performing stocks? You know the answer, of course: A portfolio of even the most carefully screened stocks could easily wind up with none of the best-performing stocks in the market—and thus could possibly produce flat or negative returns over time. Missing out on even a handful of the top-performing stocks can leave you well short of market returns.

A better approach: Accept the market rate of return—it has plenty to offer.

Remember, our goal is to help give you a framework for making the smartest possible decisions about your money so you can achieve all that is important to you. One of the smartest decisions you can make is to avoid doing things that history has shown don't work. And the evidence is clear: Trying to beat the market through active management techniques like stock picking and market timing is a real challenge.

The good news is that you don't have to beat the market in order to be a successful investor. Instead, you can take a much smarter, more effective and simpler approach: Own the entire market and stay invested through thick and thin. We saw how missing just a few stocks can diminish your returns. That means the only way you can be assured of owning all of tomorrow's top-performing stocks is to own the entire market all the time.

If you do that, you stand a much better chance of capturing the rate of return that the market has historically generated over time. The less you do to put that positive historical return at risk, the better your chances of coming out ahead in the end.

3. Risk and Return Are Related

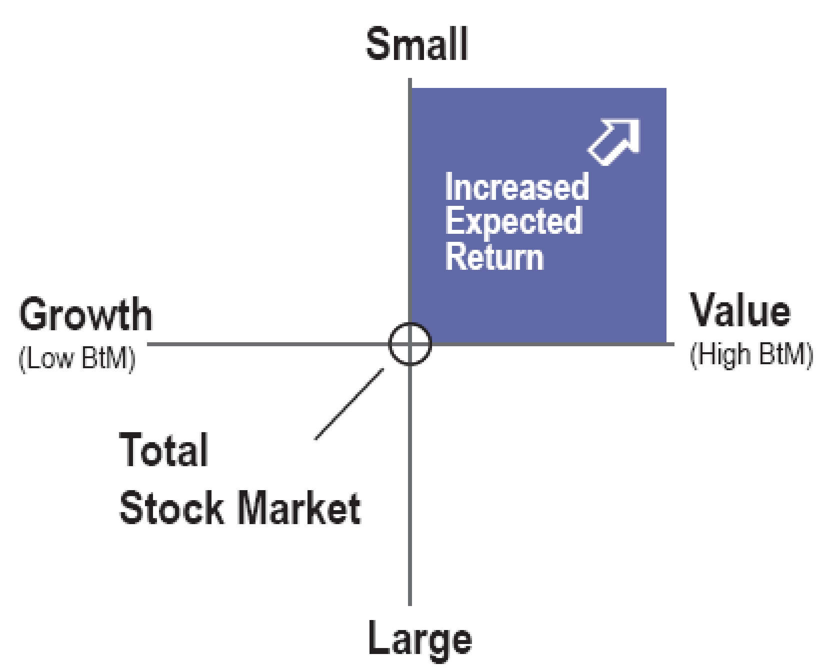
Markets may seem chaotic, but over time they have shown a strong relationship between risk and reward. What this means for you is that the return your portfolio earns is substantially driven by the overall amount of risk you take. However, not all risks are created equal.

According to noted academic research, there are three "factors" or sources of potentially higher returns with higher corresponding risks:

1. Stocks (market risk)
2. Small companies (size risk)
3. Value companies (value risk)

These risks were identified and tested by two professors, Eugene Fama and Ken French, in the early 1990s. Their research resulted in what is known as the Fama-French Three-Factor Model, which has become the basis for portfolio construction for many top investors. (See the exhibit below.)

Exhibit 6.1: Three-Factor Model

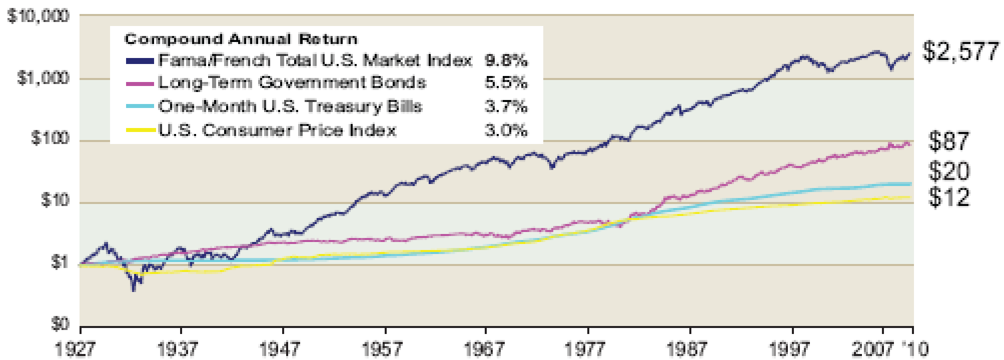


Let's look at each factor so that you can understand how to incorporate them into your portfolio.

Factor One: Market Risk

While past performance is no guarantee of future results, stocks as a whole have outperformed bonds and Treasury bills by a large margin over the last eight decades. As you can see in the exhibit below, $1 invested in stocks in 1927 would have grown to $2,577 by the end of 2010—while that same investment in T-bills would have grown to a mere $20.

Exhibit 6.2: Stocks Outperform Bonds Over Time 1927 - 2010



Source: Morningstar's 2010 Stocks, Bonds, Bills, And Inflation Yearbook (2011); Fama/French Total U.S. Market Index provided by Fama/French from Center for Research in Security Prices (CRSP) data. Includes all NYSE securities (plus Amex equivalents since July 1962 and NASDAQ equivalents since 1973), including utilities. Risks associated with investing in stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Indexes are unmanaged baskets of securities that investors cannot directly invest in. Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1927 and kept invested through December 31, 2010. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

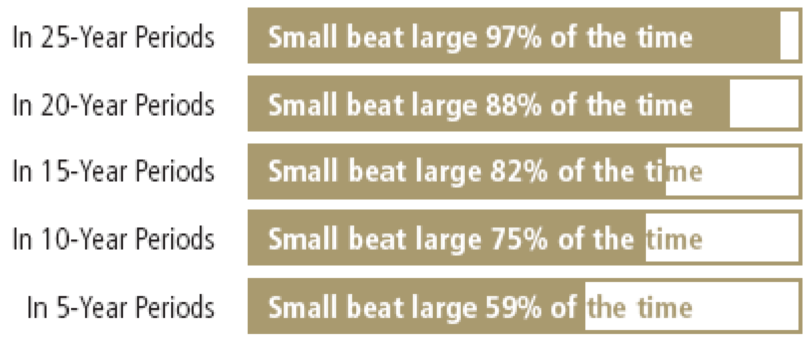
Investing in the stock market carries risk that doesn't always reward you year in and year out. There have been several long periods when bonds outperformed stocks—most recently, for example, the 10-year period through 2010 saw the Fama/French Total U.S. Market Index return 2.6 percent annually while the BofA Merrill Lynch 1-3 Year Treasury/Agency Index gained 4.0 percent.

The good news, however, is that historically, investors have been compensated for their willingness to take on stock market risk over the long term.

Factor Two: Size Risk

As the exhibit below shows, small-company stocks have historically outperformed their larger peers over time. In fact, small stocks beat large stocks 88 percent of the time over rolling 20-year periods from June 1926 through 2010 and 97 percent of the time over rolling 25-year periods.

Exhibit 6.4: **US Small vs. US Large**
July 1926 - December 2010



Periods based on rolling annualized returns. 715 total 25-year periods. 775 total 20-year periods. 835 total 15-year periods. 895 total 10-year periods. 955 total 5-year periods. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Indices used: Fama/French US Small Cap Index, Fama/French US Large Cap Index. The risks associated with investing in stocks and overweighting small company stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal. Small-cap stocks may be less liquid than large-cap stocks.

Factor Three: Value Risk

The third factor pertains to growth stocks versus value stocks. Similar to how investors divide stocks into small and large, they also divide stocks by whether they fall into the “growth” category or the “value” category.

Though they are riskier than growth companies, emphasizing value companies in a portfolio may lead to both increased diversification and the expectation of potentially higher returns. The exhibit below shows how value has fared versus growth over various time periods.

Exhibit 6.5: Value Outperforms Growth
July 1926 - December 2010

Periods based on rolling annualized returns. 715 total 25-year periods. 775 total 20-year periods. 835 total 15-year periods. 895 total 10-year periods. 955 total 5-year periods. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Indices used on this chart: Fama/French US Large Value Index (ex utilities), Fama/French US Large Growth Index (ex utilities. The risks associated with investing in stocks and overweighting value stocks potentially include increased volatility (up and down movement in the value of your assets) and loss of principal.

What do the three factors mean for you? They mean that instead of trying to pick the right stocks, your investment strategy should center around three major decisions. First, how much overall market risk do you want and are you able to take? That decision will impact how much money is allocated to stocks versus bonds, T-bills and cash. Then within the equity portion of your portfolio, do you want stocks to be larger or smaller on average than the overall market, and do you want them to be more value- or growth-oriented?

If you want and are able to take on more risk in pursuit of higher expected returns, you can increase your exposure to small-cap stocks, value stocks or both. If you're more concerned about safety and stability, you can increase your exposure to fixed income.

4. Structured Diversification Can Reduce Volatility and Enhance Wealth

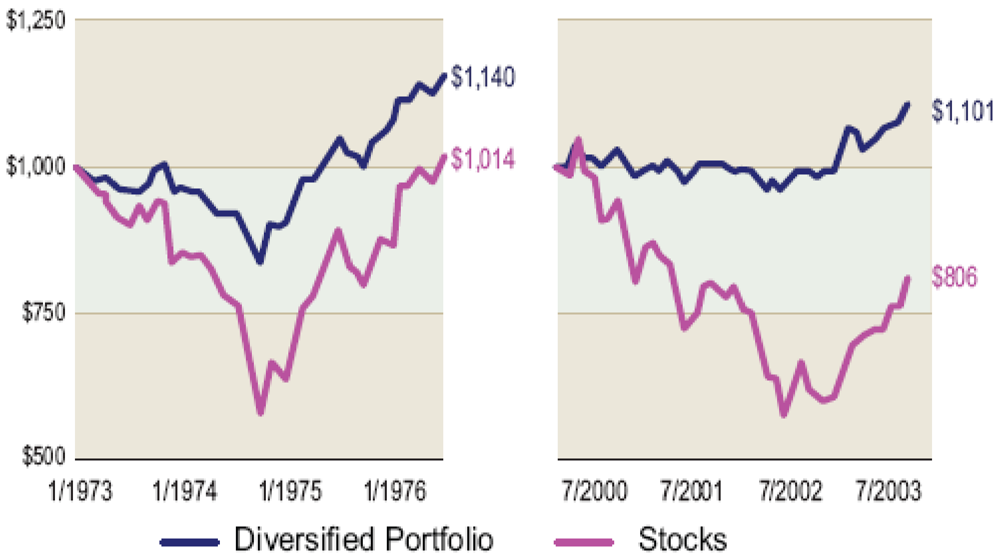
Investors sometimes question the need for diversification. Instead of allocating their wealth by investing in a wide range of assets, investment styles and markets, they ask, "Why not just put all your money in investments that have a history of beating other assets and the overall market?”

The reason, of course, is that no single type of asset always performs well. And it is nearly impossible to know when an asset class will outperform and when it will fall to the bottom of the pack. Indeed, the asset class that wins the performance race in one year rarely is capable of defending its crown the next—and a losing asset class one year often unexpectedly soars to the top of list the next year.

So if you want to own winning assets each year, you can’t just invest in one or two asset class categories. Instead, you need to own a variety to avoid concentration in any one in particular. Some of these asset classes may be performing well at a given time, while others will be lagging. The losses you will experience when some asset classes perform poorly may be somewhat (or entirely) offset by gains from other asset classes that are doing well.

The benefits of diversification are often most evident during bear markets. The exhibit below illustrates the growth of stocks versus a diversified portfolio during two of the worst performance periods in recent history.

Exhibit 7.2: Diversified Portfolios in Various Market Conditions
Performance during and after select bear markets



Past performance is no guarantee of future results. Diversified portfolio: 35% stocks, 40% bonds, 25% Treasury bills. Hypothetical value of $1,000 invested at beginning of January 1973 and November 2007, respectively. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Stocks in this example are represented by the Standard & Poor's 500®, an unmanaged group of securities considered to be representative of the stock market in general. Bonds are represented by the 20-year U.S. Government Bond, and Treasury bills by the 30-day U.S. Treasury bill. The data assumes reinvestment of income and does not account for taxes or transaction costs. © 2010 Morningstar. All Rights Reserved. 3/1/2010.

5. Building an Ideal Portfolio Depends on Each Investor's Risk Capacity, Risk Tolerance and Investment Preferences

To build the right portfolio for you, you need to take into account your specific goals, time horizon, liquidity needs and views on investment risk. These issues will help ensure that your portfolio provides you with the appropriate trade-off between risk and return so that you can stick with your plan during a variety of market cycles and let your portfolio do its most important job: working to get you to your biggest financial goals.

These issues can be divided into three main areas:

1. Your **risk capacity** will be determined by factors such as your portfolio goals, your time horizon, and your income and liquidity requirements.

2. For **risk tolerance,** you need to consider issues like your general comfort with risk, how you feel about market fluctuations and how you would react to the impact of market declines on your portfolio.

3. Finally, you need to establish your **investment preferences** with regard to the specific asset classes and how you will implement your portfolio strategy.

While you have many choices for vehicles for implementing your strategy, we believe that mutual funds are an excellent solution for the vast majority of investors looking to achieve their long-term goals.

Among fund options, there are passive funds and active funds. Passive funds attempt to match the performance of an entire asset class or a particular index that represents an asset class. Active funds attempt to beat the performance of an asset class or index by actively buying and selling securities.

No doubt you can guess that we believe the best option for investors is to use passive funds that do not attempt to pick winners, avoid losers, or jump in and out of the market at the most opportune times. As we've illustrated, investors who take those actions fail the vast majority of the time. This methodology does not seem a prudent way of investing for the future.

In addition, passive funds typically have much lower costs and management fees than active funds. That's because passive funds simply own all the stocks that make up their target index or asset class. They don't have to spend lots of time, money and human resources trying to identify the winners and losers and making numerous trades that generate costs—costs that get passed on to their shareholders.

The difference between the costs of the average actively managed mutual fund and those of the average passively managed fund can be substantial. As shown in the exhibit below, this cost differential in 2009 was 1.54 percent. That's a big difference to pay someone when the odds are that the person may not be able to outperform the passive managers over the long term.

Exhibit 8.2: Average Mutual Fund Costs in 2009

Funds	Annual Reported Net Expense Ratio	SAI Charges*	Total Fees
Average Actively Managed Mutual Fund	1.14%	1.53%	2.67%
Average Passively Managed Mutual Fund	0.52%	0.61%	1.13%

*Statement of Additional Information (SAI). Based on Turnover Ratio % times average SAI of 1.47%.

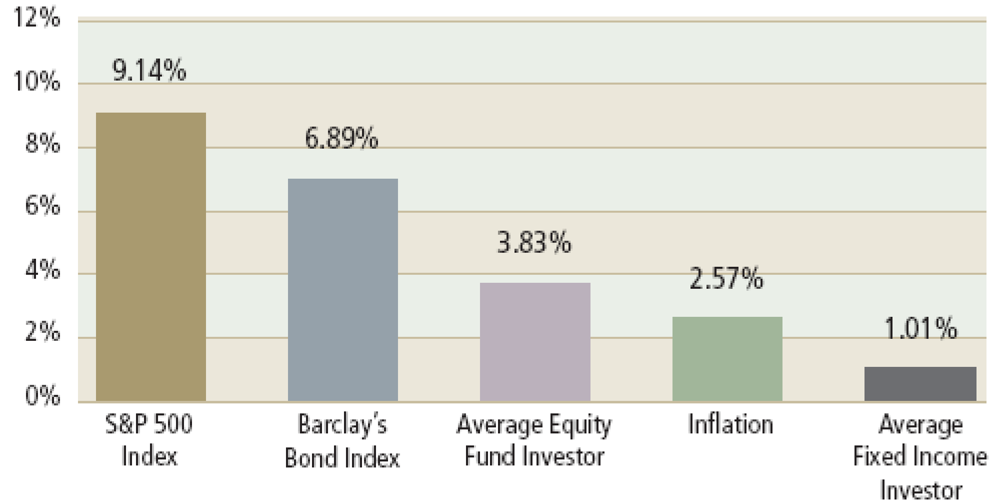
The illustration results are only an estimate and do not reflect advisory fees charged by your investment advisor. Source: Lipper Data as of December 31, 2009

6. A Disciplined Long-Term Perspective Is the Key to Staying on Track to Realizing Your Key Financial Goals

A disciplined long-term perspective is a key driver of investment success. But it's also a task that can be extraordinarily difficult to achieve because of our hardwired tendencies. Investors time and time again get nervous or impatient and break their discipline—typically at exactly the wrong times.

As a result of such ill-timed shifting of money, investors experience substantially lower returns than what the market offers them. For example, while the S&P 500 gained 9.14 percent annually from 1991 through 2010, the average equity fund investor gained just 3.83 percent a year on average—that's a full 5.3 percentage points less than the index. (See the exhibit below.)

Exhibit 9.2: Market Rates of Return vs. Investors' Actual Rates of Return
Average Investor vs. Major Indices 1991 – 2010



Average stock investor and average bond investor performances were used from a DALBAR study, Quantitative Analysis of Investor Behavior (QAIB), 03/2011. QAIB calculates investor returns as the change in assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms (above), two percentages are calculated: Total investor return rate for the period and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions, and exchanges for the period. The fact that buy-and-hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future.

The good news: There are steps you can take that will help you be a more patient and disciplined investor—one who is in the best position to reach your long-term goals with the least amount of effort and stress possible.

One such step is to create an Investment Policy Statement, or IPS. An effective IPS will serve as a written record of your investment strategy and the guidelines you have chosen to follow as an investor. It should spell out all the reasons why you have structured your portfolio as you have and include details about your chosen approach to rebalancing your portfolio. Every time you review your portfolio, your IPS can remind you of the key facts and tenets of your investment plan—which can help you avoid making shortsighted, emotionally driven decisions.

A second important resource for investors who want to stick to a disciplined path is a fee-based investment advisor. As the name suggests, fee-based advisors charge clients a fee for their services and are therefore not compensated by commissions on sales of investments. As a result, fee-based advisors' interests are aligned with their clients' interests: The advisors do well only if clients' portfolios do well.

That means a fee-based advisor is highly motivated to give you the best advice for your situation at all times—even if that advice is to sit tight and do nothing. Having a financial advisor to guide you through the ups and downs of the market can help you stay on course and avoid the mistake of breaking your discipline.

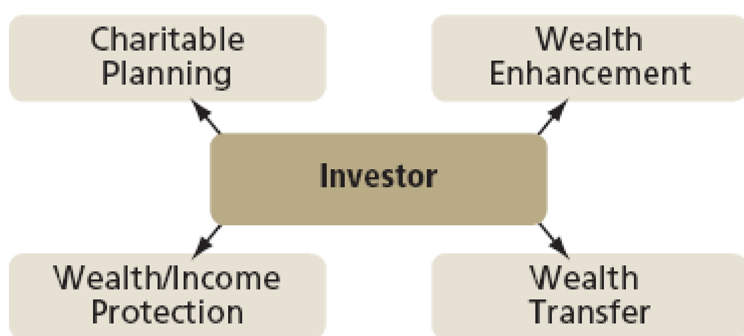
Advanced Planning and Trusted Advisory Relationships

As vitally important as the right investment approach is to your financial well-being, it is far from the only thing that matters. In order to maximize your potential for success in all areas of your financial life, you may need to look beyond investments.

That means accurately identifying the key noninvestment financial risks you face and then determining the best strategies for mitigating or eliminating those risks. In short, you need to bring advanced planning into the mix and make it part of your overall plan.

As you will recall, the key advanced planning needs include wealth enhancement, wealth transfer, wealth and income protection, and charitable planning. (See the exhibit below.)

Exhibit 10-1: Key Advanced Planning Concerns



- **Wealth enhancement** is the process of maximizing the tax efficiency of current assets and cash flow as well as minimizing fees and unnecessary costs.

- **Wealth transfer** involves estate planning to help ensure that you are able to pass along assets in ways that satisfy your wishes and that provide for the financial health and well-being of your family.

- **Wealth and income protection** involves employing strategies to ensure that your wealth is not subjected to claims from potential creditors, litigants, ex-spouses and children's spouses, as well as to protect against catastrophic losses and identity fraud.

- **Charitable planning** involves ways to help you fulfill your philanthropic goals and maximize the effectiveness of your charitable intent.

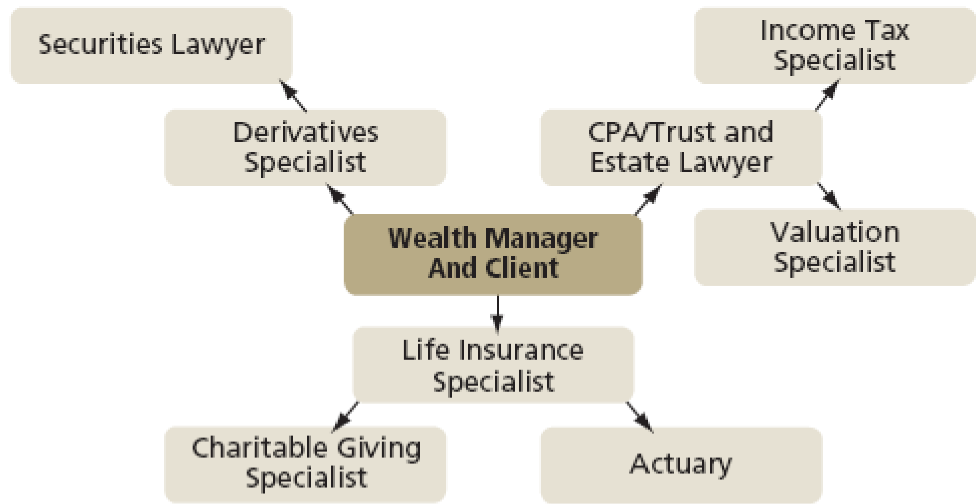
Identifying and addressing all of these advanced planning issues is a tall order. It becomes even more challenging when you attempt to coordinate and integrate investment portfolio decisions with wealth enhancement, transfer and protection strategies. All of the various components of your financial life are connected, and they should be treated that way in order to make optimal choices.

The good news is that you don't have to do all this by yourself. Because no one person can be an expert in the entire range of financial needs and solutions, you (or your financial advisor) should instead build relationships with specialists—trusted professionals who have deep knowledge across the range of wealth management specialties and who are well-versed in their respective specialties as they relate to the needs of high-net-worth investors.

As the exhibit below shows, a network of trusted advisory relationships is typically composed of at least four core team members:

- A wealth manager
- An estate planning attorney
- A certified public accountant
- An insurance specialist

Exhibit 10-2: The Range of Trusted Advisory Relationships



Working as a team, these professionals can effectively address the various wealth management issues that today's investors face. The wealth manager should act as the general manager or quarterback—the one person in charge of defining your goals and key challenges and coordinating the efforts of the other team members. This role can be filled by a trusted financial advisor, or you can take on the job yourself by serving as your own wealth manager who will build and oversee your network of expert professionals.

Putting It All Together

We have now covered the main components of structured wealth management. You have seen that, unlike traditional approaches to financial planning, it is designed to tie together all the aspects of your financial life—from investments to advanced planning—and help you manage them in a coordinated way.

You can put it all together with four key steps. You will want to first **develop your total investment profile.** You need to understand where you are, where you want to go and what the gaps are that might prevent you from achieving your most important goals.

Next, **create your investment plan.** Use the six key concepts we have covered here to avoid costly mistakes and to position yourself to maximize the probability of achieving your investment goals. Put your plan in writing.

Third, **create your advanced plan.** Work with a team of trusted professionals to deal with the noninvestment issues of wealth enhancement, wealth transfer, wealth and income protection, and charitable giving.

Finally, **get the help you need.** If you believe that structured wealth management will help you make the smartest possible decisions about your money, then consider working with someone who agrees with your belief and has adopted this approach.

Many in the financial services industry today call themselves wealth managers but offer little more than investment management. How then will you know whether you are dealing with a true wealth manager?

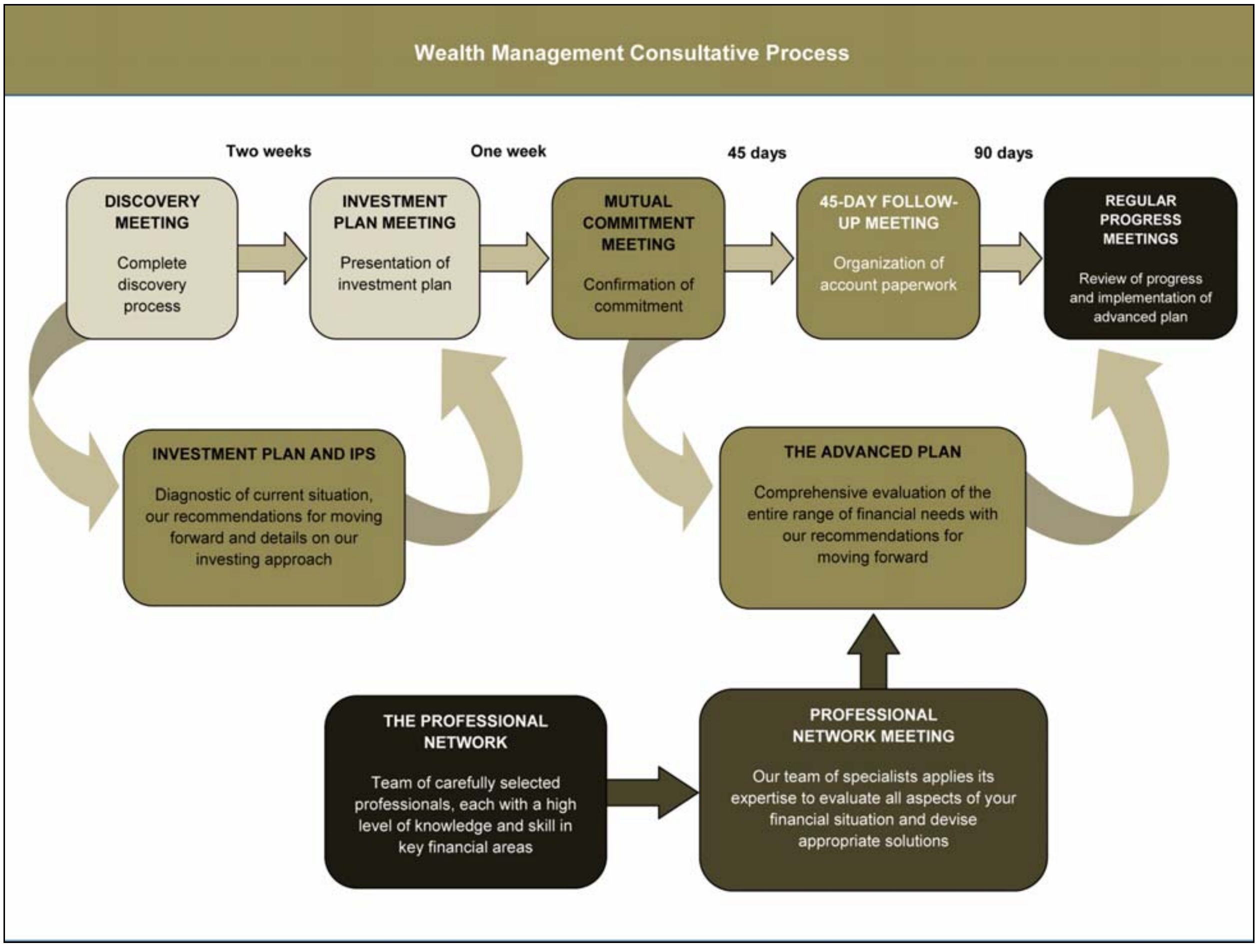
First, the financial advisor should offer a full range of financial services, including the four areas of advanced planning that we mentioned above. As we have said, the wealth manager should be backed up by a network of professionals to provide these services.

Second, the wealth manager should work with you on a consultative basis. This allows the wealth manager to uncover your true financial needs and goals, to craft a long-range wealth management plan that will meet those needs and goals, and to build an ongoing relationship with you that ensures that your needs continue to be met as they change over time.

This consultative process usually unfolds over a series of meetings:

- At the **Discovery Meeting,** the wealth manager determines your current financial situation, where you want to go and the obstacles you face in achieving what is important to you.
- At the **Investment Plan Meeting,** the wealth manager, using the information he or she gathered at your first meeting, presents a complete diagnostic of your current financial situation and a plan for achieving your investment-related goals.
- At the **Mutual Commitment Meeting,** assuming that the wealth manager can truly add value, both you and the wealth manager decide to work together. You now officially become a client.
- At the **45-Day Follow-up Meeting,** the wealth manager helps you to organize your new account paperwork and answers any questions that may have arisen.
- At **Regular Progress Meetings,** which are typically held quarterly, the wealth manager reports to you on the progress you're making toward achieving your goals and checks in with you on any important changes in your life that might call for an adjustment to your investment plan. In addition, at the first Regular Progress Meeting, the wealth manager presents to you an advanced plan—a comprehensive blueprint for addressing your advanced planning needs that has been developed in coordination with the wealth manager's network of professionals. At subsequent progress meetings, you and the wealth manager decide how to proceed on specific elements of the advanced plan. In this way, over time, every aspect of your complete financial picture is effectively managed.

The exhibit below shows an overview of the wealth management consultative process.



In addition, you should always expect outstanding service from any financial advisor you choose. Your phone calls should be returned on the same day, you should receive quick and complete responses to all your questions, you should be able to meet with your financial advisor as often as you wish, and your financial advisor should always take your unique needs and preferences into account. In short, you should expect to be treated like who you are—a very important client.

If you are currently working with a financial advisor and are unsure whether he or she is using the consultative wealth management approach we have discussed here, we recommend that you have another financial advisor complete a diagnostic of your situation so that you have a second opinion.

You owe it to your family and yourself to make sure that your investment plan—and overall wealth management plan—is designed to effectively address your very specific financial needs in order to maximize the probability that you will achieve all your financial goals.

We wish you nothing but success in achieving all that is important to you.

About Josh Koehnen, CFP®, MsBA

Josh Koehnen is a CERTIFIED FINANCIAL PLANNER™ practitioner and independent wealth manager for individual investors and their families. His experience in business and personal financial decision making are brought to bear in developing well thought out approaches in the areas of tax, retirement planning, estate planning and risk management.

Josh's financial acumen and ability to act decisively were honed by an exemplary educational background. As an undergraduate, Josh graduated Magna Cum Laude from San Diego State University with a degree in Finance. A Masters Degree in Finance and Tax Planning further enhanced the detail of his knowledge.

Josh is a licensed real estate broker and licensed to engage in the business of insurance in the State of California. Josh resides with his wife Chelsea and two daughters, Kaylie and Ella, in San Diego. In his spare time, Josh likes to travel, read, play basketball and play golf.