



Wealth Management Seminar

FIN 6370

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Week 1

Working in and On the Practice

Topics to Cover

- Intro to Wealth Management
- Introduction to the Wealth Managers
 - *Fiduciary*
 - *Financial Firms*
- Developing a business plan

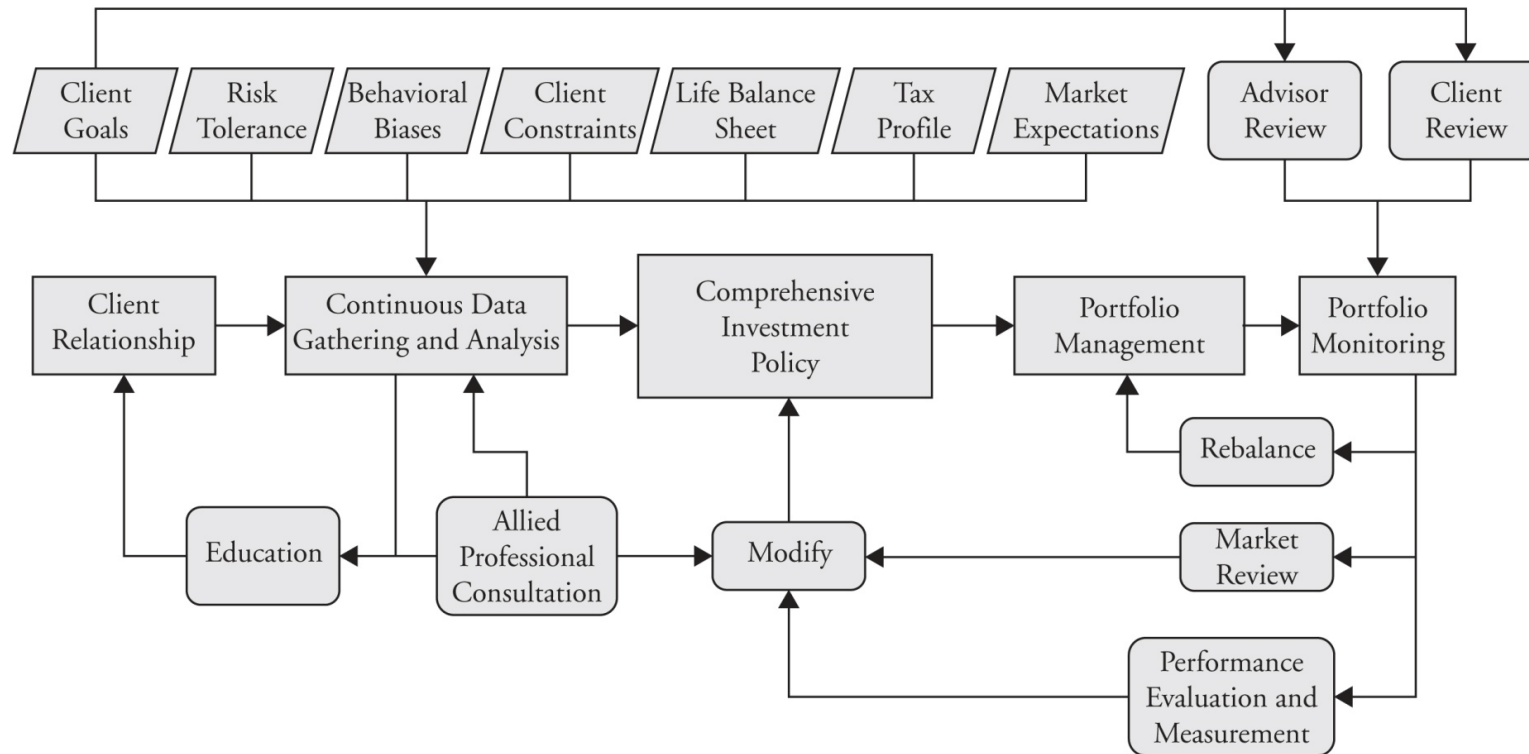


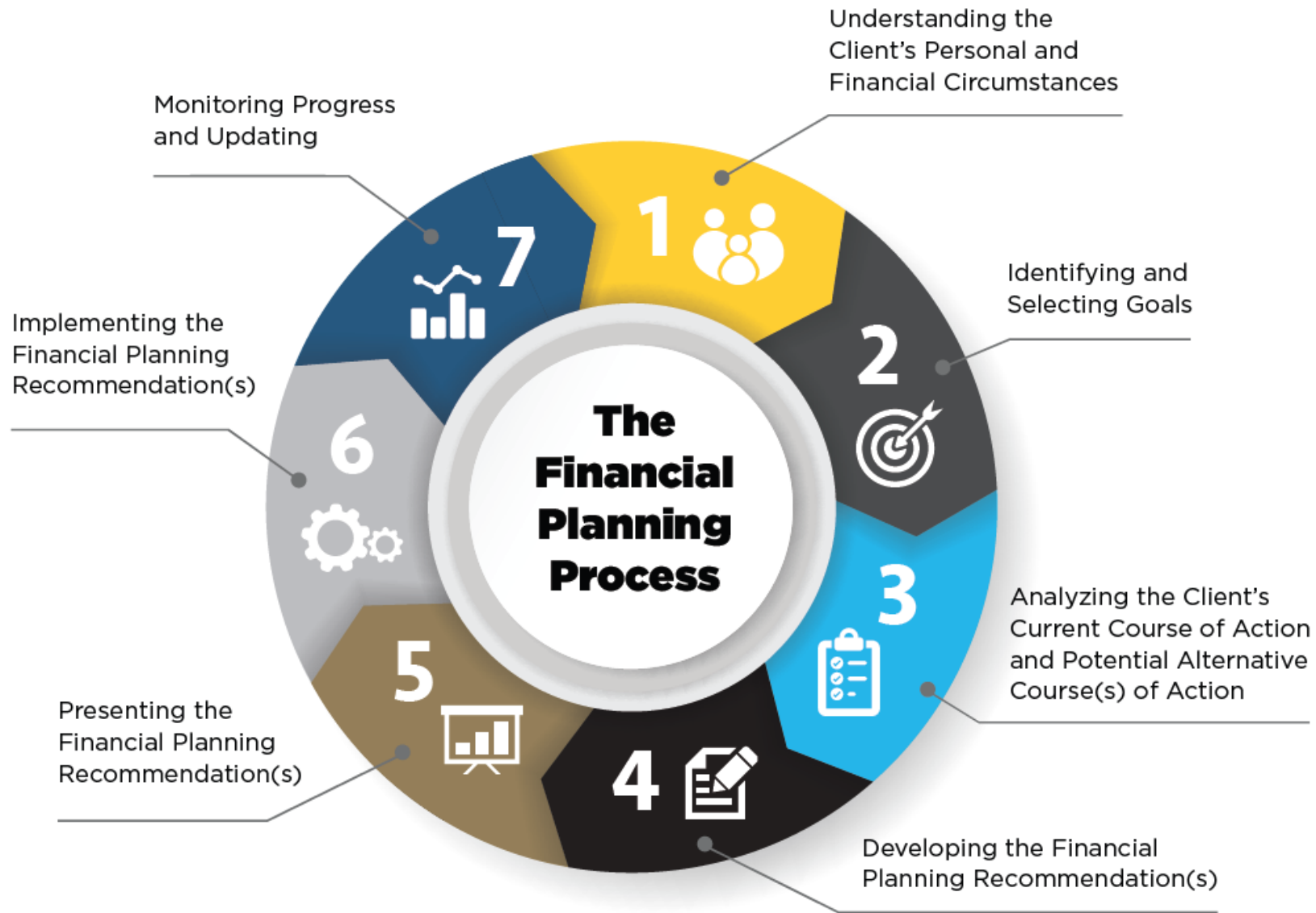
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Intro to Wealth Management

The Process

EXHIBIT 1.1 The Wealth Management Investment Process





What is Wealth



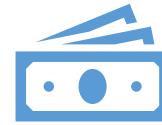
Time Capital



Social Capital



Intellectual
Capital



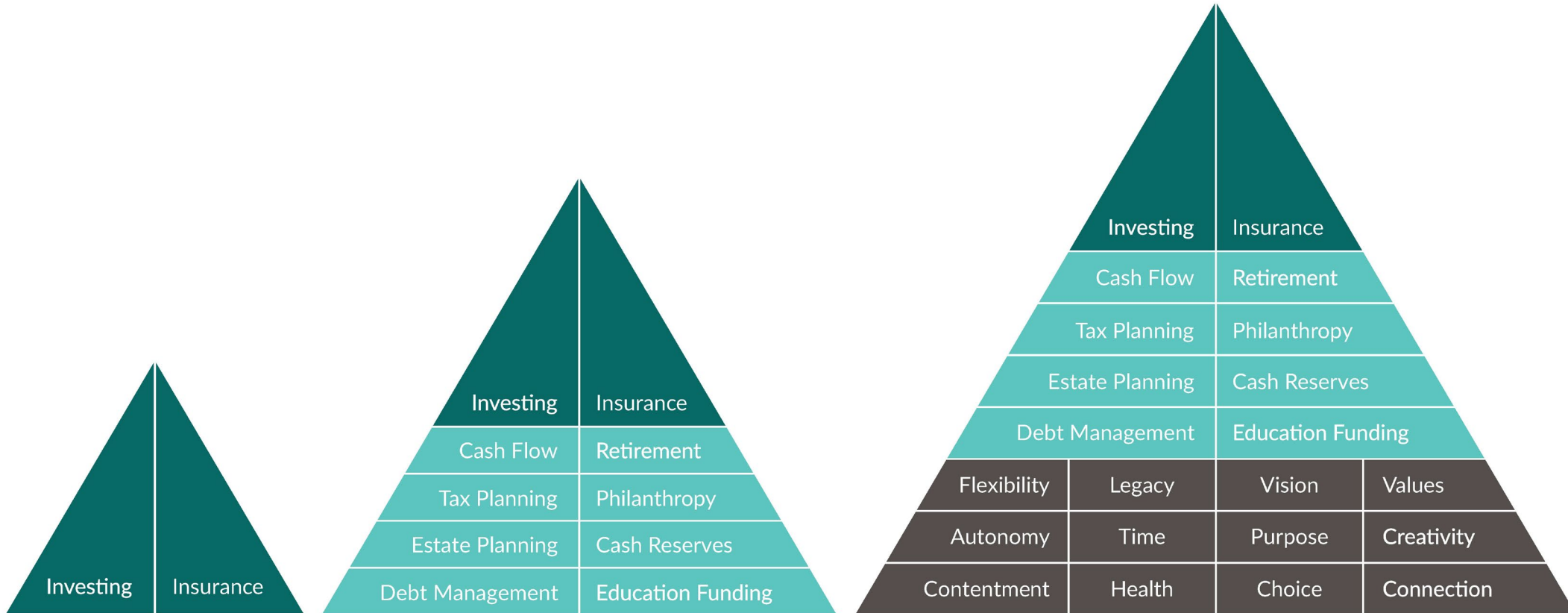
Financial
Capital



Physical
Capital



Evolution of Wealth Management



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Intro to Wealth Managers

Types of Financial Professionals

1. Certified Financial Planner
2. Wealth Manager
3. Portfolio Manager
4. Robo-Advisor
5. Financial Consultant
6. Financial Coach
7. Insurance Agent



Financial Designations

1. The list is long.....



Types of Association

- W2 Employee
- RIA
- Broker Dealer
- 1099
- Hybrid

W-2 EMPLOYEE



- Receives a regular paycheck
- Taxes withheld by employer
- Has benefits provided (ex: health insurance, 401(k))
- Limited business expenses to deduct

1099 BUSINESS OWNER



- Paid via invoices or sales
- Pays own taxes quarterly
- Responsible for own health coverage & retirement savings
- Can deduct business-related expenses

Change the Channel

- Broker (Sales)
- Discount Broker (Sales)
- Advisor (Sales)
- Financial Planning (Sales in context)
- Financial Planning (advisory but only on investments)
- Financial Planning (advisory focused on client goals)
- Financial Planning (goals based + niche) or Financial Planning (goals based + niche + tax planning)
- Financial Planning (goals based + niche + tax planning + life planning)



Who is who

- Family Office: \$1B+
- Multi-Family Office: 100M+
- Private Wealth: 20M-500M Goldman, JPM PB
- High Net Worth: 1-10M Morgan Stanley, Merrill, UBS
- Independent RIA: Varies. Typically, have broken off from wirehouse-
- Independent Broker Dealer (Hybrid): Varies. Also wirehouse breakaways. Raymond James, LPL, Ameriprise
- Banks & Credit Unions: MACU, Zions, Chase, Wells Fargo
- Discount Broker: Fidelity, Schwab, E*TRADE

How People Choose... (Palaveev, 2025)

How People Choose

1. What attracts new prospects is not the same as what keeps long-term clients
2. Advisors often market based on what current clients value, not what prospects seek
3. Growth requires understanding how people enter advisory relationships, not just how they stay

How People Choose... (Palaveev, 2025)

Most Investors Have/Had an Advisor

- Investor Status (\$1–\$5M investable assets)
 - *69% currently have an advisor (“Married”)*
 - *20% had an advisor but no longer do (“Divorced”)*
 - *11% have never worked with an advisor (“Always Single”)*
- Truly “new” prospects are rare — growth requires competing for clients who already know advisors

How People Choose... (Palaveev, 2025)

Why Change?

- Market Downturn
- Health Scare
- Inheritance
- Moving
- Death of Spouse
- Divorce



ACTIVITY

Research a financial professional

- See Canvas for details





Your Business Plan



Week 2

Working with Clients

Topics to Cover

- Introduction to the Client
 - *Business Owners*
 - *High Net Worth Clients*
 - *Institutional Clients*
 - *Client Goals/Values*
- Investment Policy Statements



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Getting to Know Clients

15 Fiduciary Duties (Kitces, 2020)

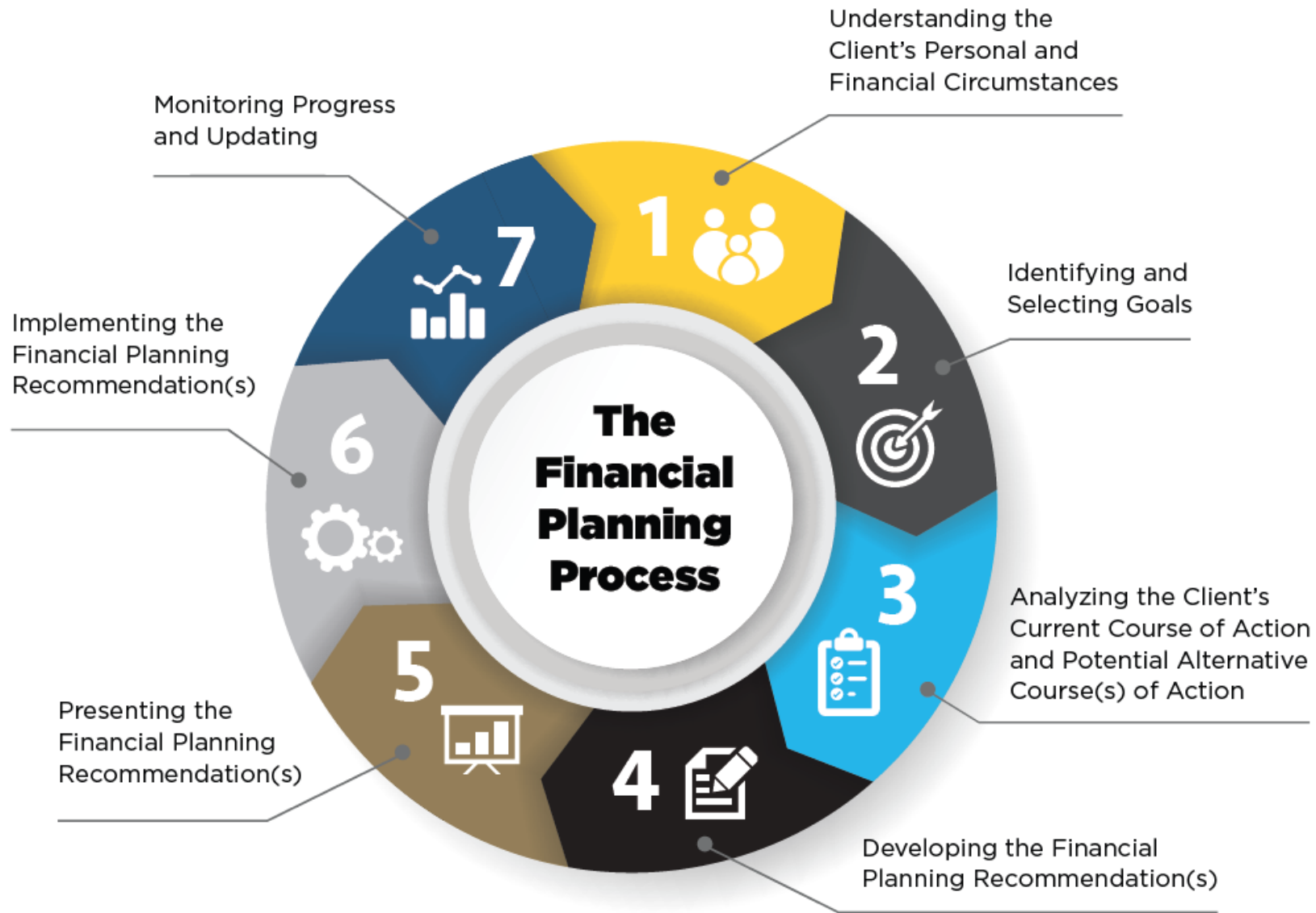
1. Fiduciary Duty to Clients
2. Disclose and Manage Conflicts of Interest
3. Providing Information to Clients (and Prospects)
4. Communicating (Clearly) with Clients
5. Integrity
6. Competence
7. Diligence
8. Sound and Objective Professional Judgment
9. Professionalism
10. Confidentiality and Privacy
11. Properly Representing Compensation Method
12. Due Diligence Duties When Recommending, Engaging, and Working with Additional Persons
13. Comply with the Law
14. Duties When Selecting, Using, and Recommending Technology
15. Not Borrowing From, Lending To, or Commingling Financial Assets with Clients



15 Fiduciary Duties (Kitces, 2020)

1. Duty of Loyalty
2. Duty of Care
3. Duty to Follow Instructions



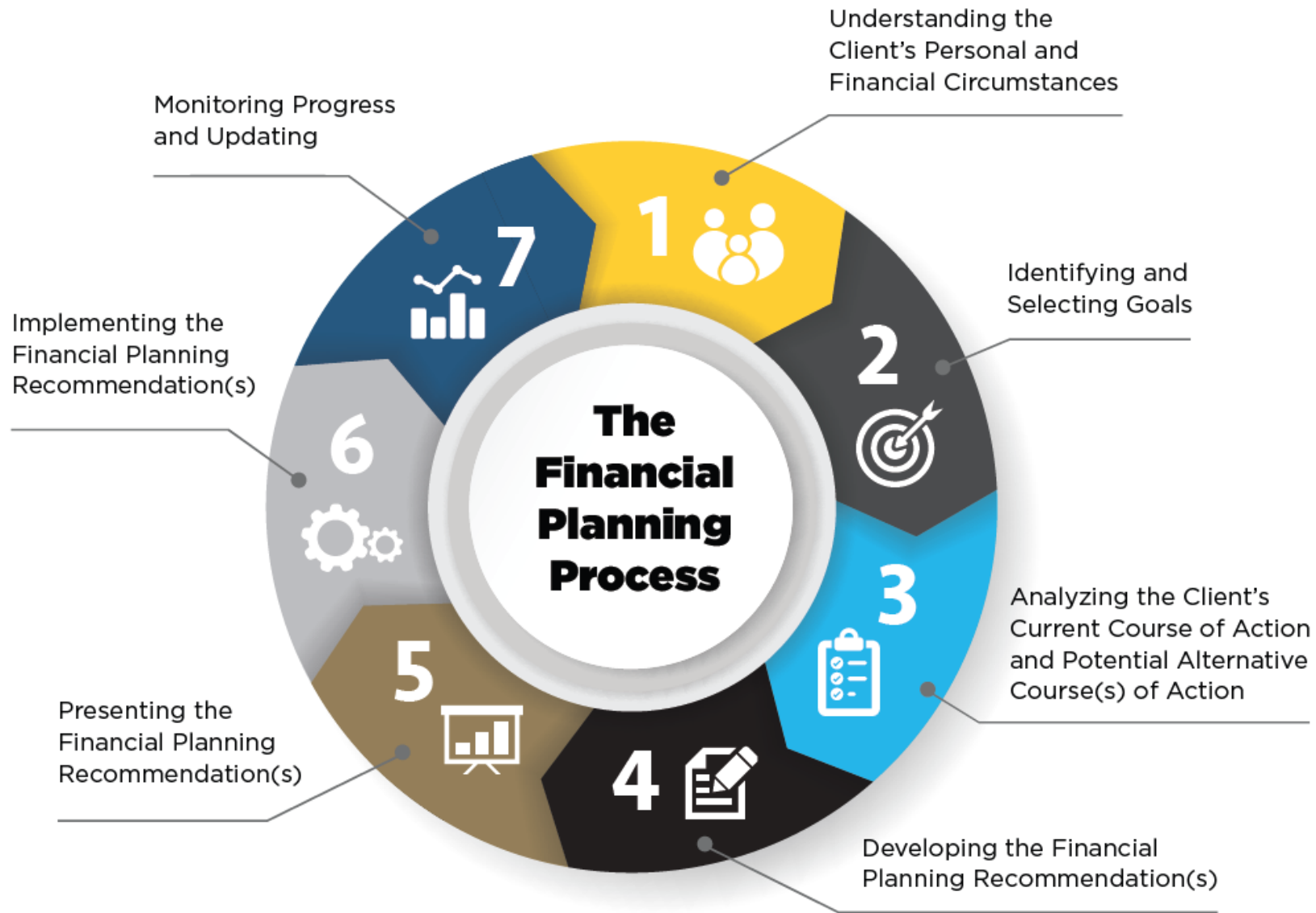


Examples of Qualitative or Subjective Information

- Health
- Life expectancy
- Family circumstances
- Values
- Attitudes
- Expectations
- Earnings potential
- Risk tolerance
- Goals
- Needs
- Priorities
- Current course of action

Examples of Quantitative or Objective Information

- Age
- Dependents
- Other professional advisors
- Income
- Expenses
- Cash flow
- Savings
- Assets
- Liabilities
- Available resources
- Liquidity
- Taxes
- Employee benefits
- Government benefits
- Insurance coverage
- Estate plans
- Capacity for risk
- Education and retirement accounts and benefits

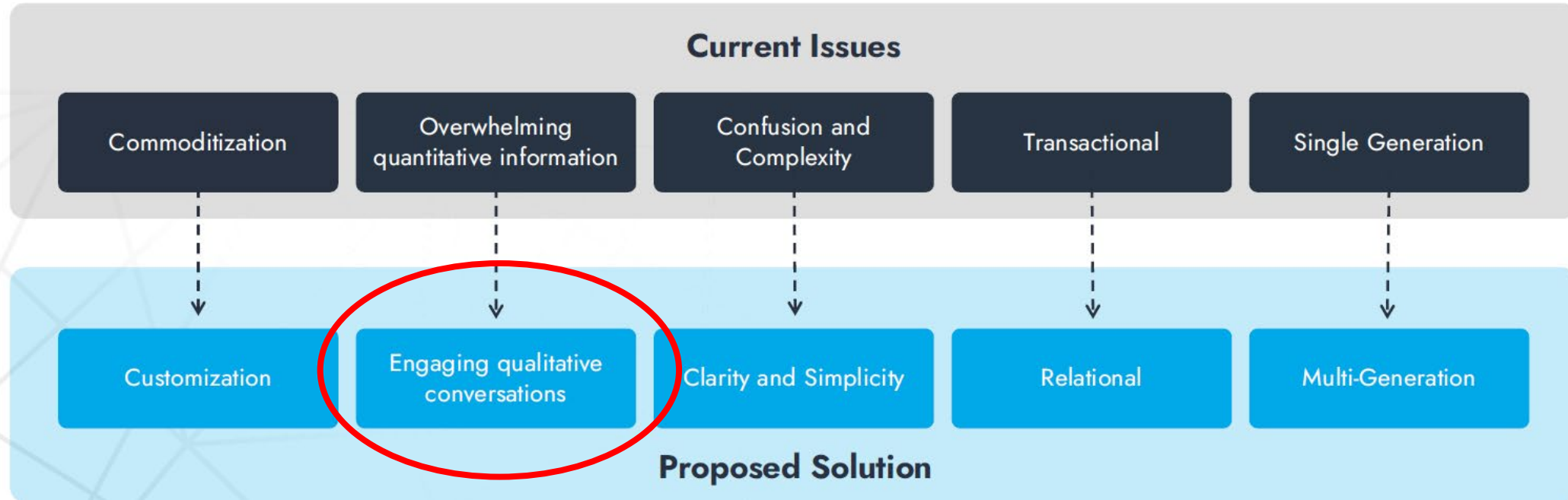


FinPsych

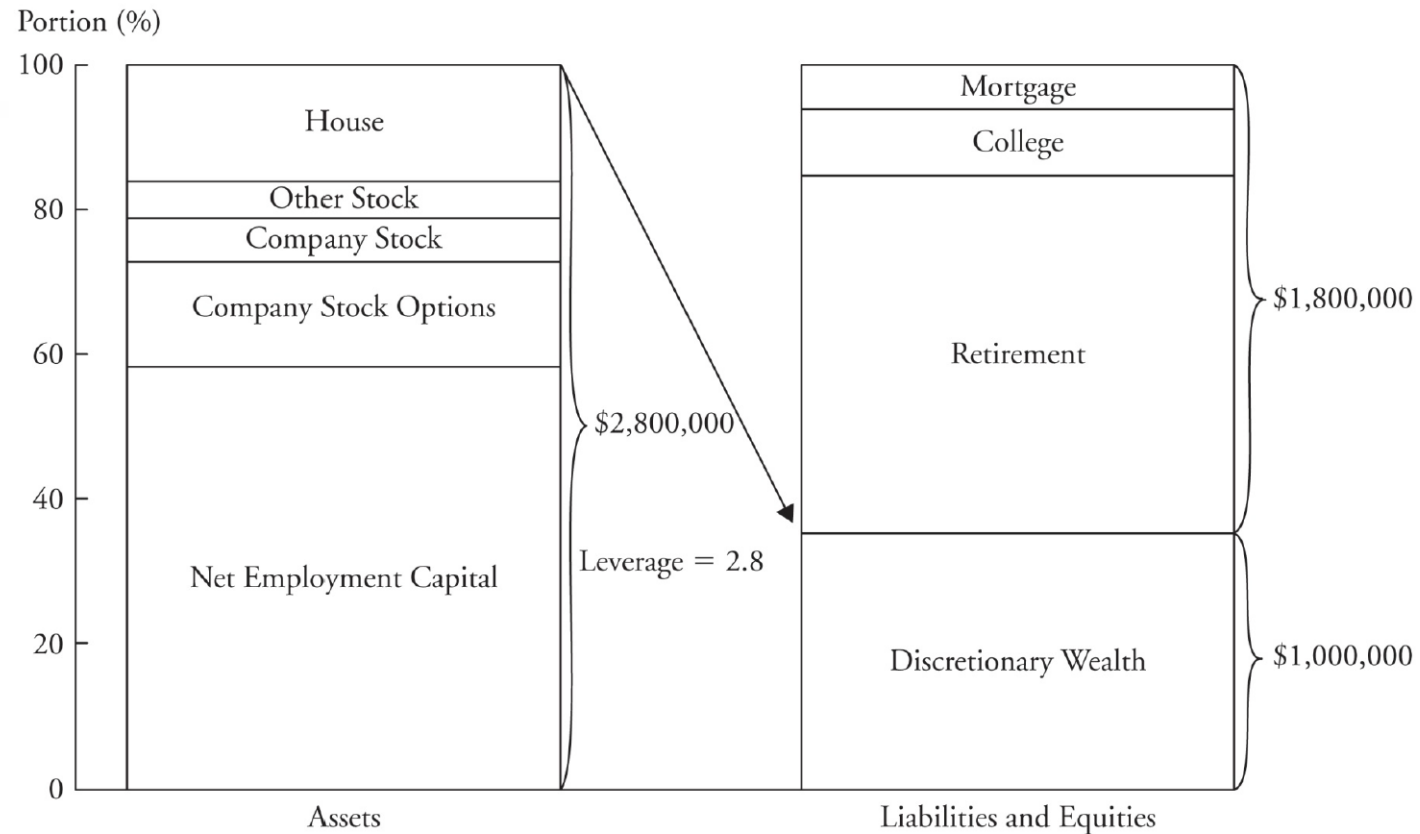
- How can we use Financial Psychology more in our meetings?
- How can we use it more in our client onboarding?
- Why is it important?
- What questions would we ask?
- What relationships do we need to understand?



FinPsych



Financial Statements



Source: Adapted from Wilcox, Horvitz, and diBartolomeo (2006, 18).

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Investment Policy Statements

IPS: A Strategic Blueprint

- Tailored to an investor's preference and situation
- Strategic Guide – Directs the planning and implementation of investment program
- Accountability – Sets clear responsibilities
- Emotional Buffer – Prevents impulsive responses
- Defines Standards – Sets what standard is followed (Fiduciary, Suitability)



IPS: Structure

- Scope & Purpose
 - *Define the Investor, Intent and Standard of Care*
- Governance
 - *Roles and Responsibilities, Review Process, Asset allocation authority*
- Investment, Return and Risk Objectives
 - *Objective, Return Target, Risk Tolerance, Spending Policy*
- Constraints and Restrictions
 - *Liquidity, Tax, Legal, ESG*
- Risk Management and Monitoring
 - *Benchmarking, Metrics, Rebalancing, Asset Location*
- Adoption

IPS: Details

- Different goals for Different Client Types
 - *Individual – Grow wealth or manage risk*
 - *ERISA – Provide quality funds to participants, diversify*
 - *Trust – Manage for Income or Trust goals*
 - *Foundation – Meet expenses*
 - *Endowments – Smoothing*
 - *Others.*



Investments by Client Type?

- What are some unique investments that might be suitable for one type of client, but not another?



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Client Varieties

Types of Clients

- Foundations
- Endowments
- Non-Profits
- Private Clients
- High Net Worth
 - *Retail*
 - *Accredited (\$200k Income, \$1M Net Worth)*
 - *Qualified (\$5M Investments)*
- Qualified Institutional Buyer (QIB)
 - *\$100M*
- Plans (ERISA/Non)



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Behavioral Finance

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Week 4

Investments in Practice II

Alternative Investments, Investment Wrappers and Target-Date Funds

Learning Objectives

1

Differentiate alternative *assets* from alternative *structures*

2

Evaluate how wrappers affect risk, liquidity, and outcomes

3

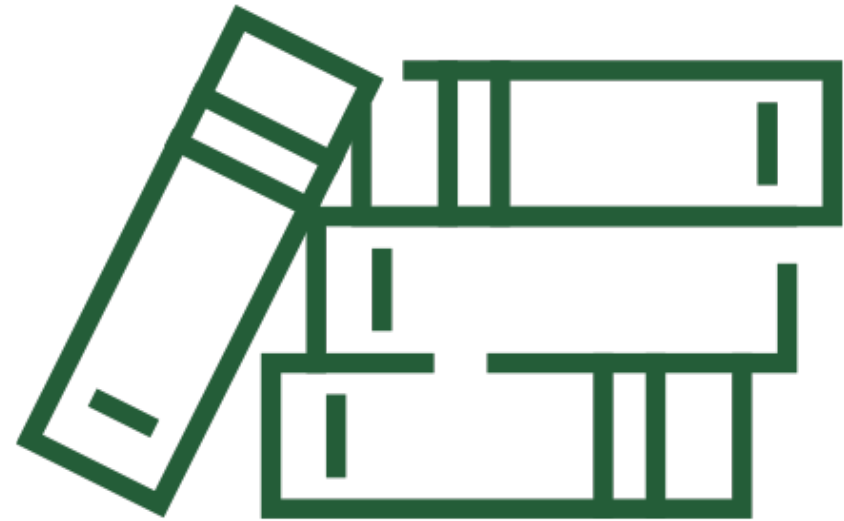
Analyze the role of Target Date Funds and alternatives inside TDFs

4

Apply fiduciary and governance lenses to alternatives

What Are Alternative Investments?

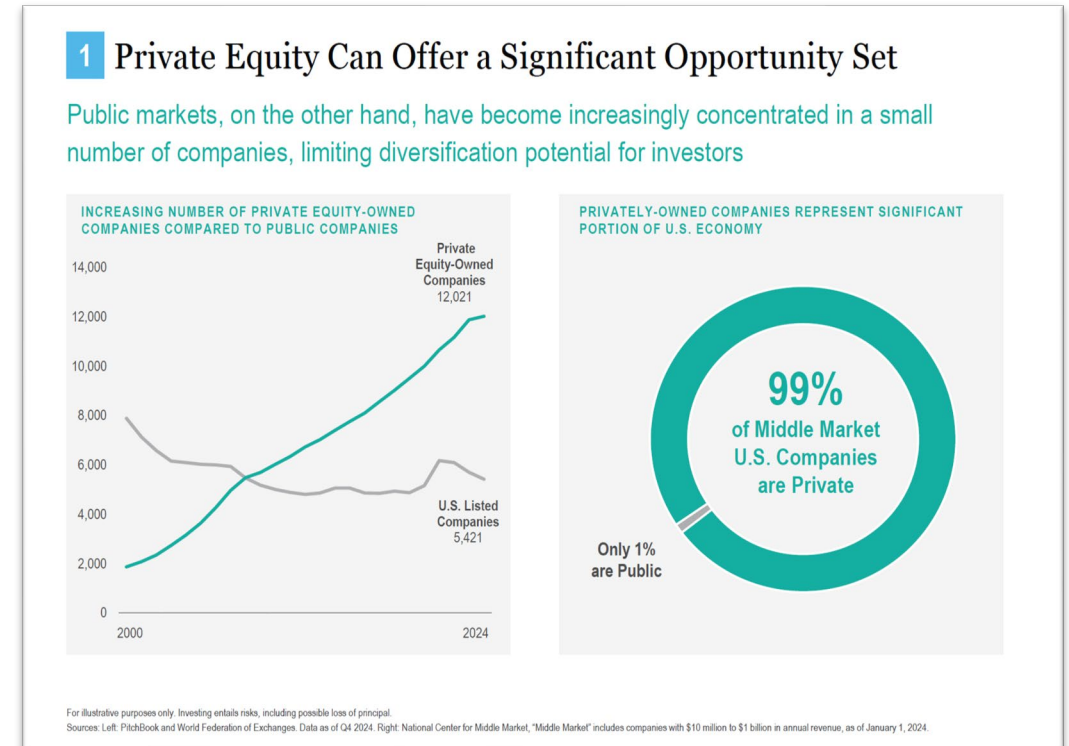
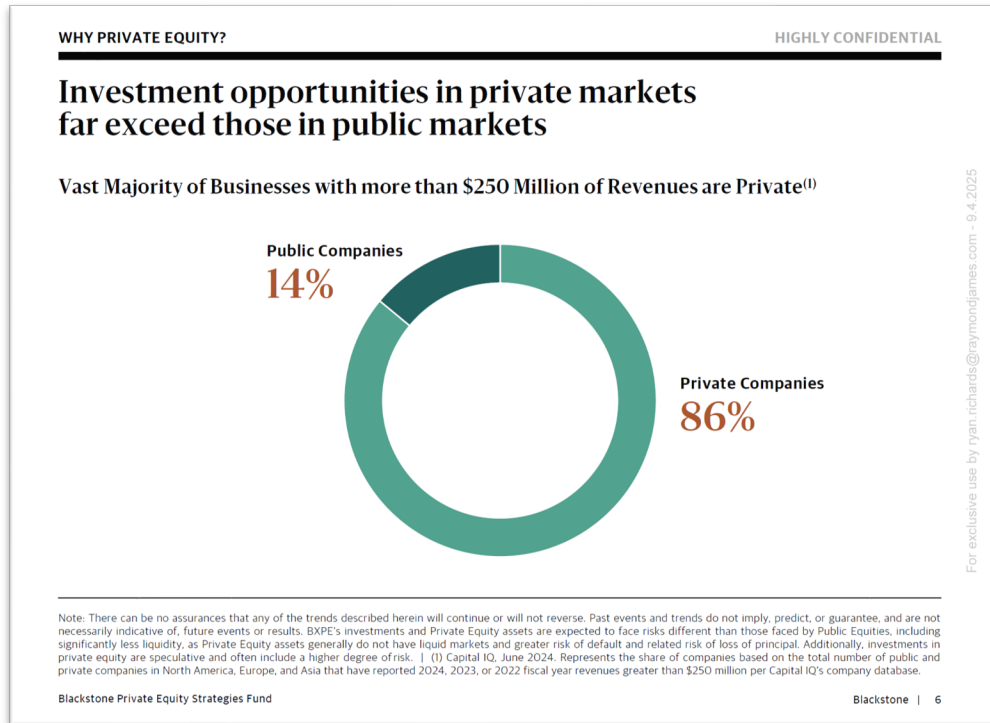
- Investments beyond traditional public equities and core bonds
- Includes non-traditional asset classes *and* non-traditional strategies
- Value derives from diversification, illiquidity premium, and structural complexity



Calamos Investments. (2024). *Understanding and implementing alternative*

Why Alternatives Exist in Portfolios

- Declining reliability of stock–bond diversification
- Rising correlations during periods of stress
- Demand for differentiated sources of return and income



Blackstone, 2025
Neuberger Berman, 2025

Types of Alternative Investments

Real Assets



Real estate: income generation and inflation sensitivity



Infrastructure: Offers contracted or regulated cash flows from essential services like utilities, transportation, and communications



Natural resources (timber, farmland): real return characteristics

Private Equity

- A defining characteristic of private equity is the high dispersion of outcomes across managers. Manager selection dominates results, making due diligence and access to top-tier managers critical success factors.
- Private equity involves investment in privately held operating companies, with returns driven by three primary mechanisms: leverage to amplify returns, operational improvements that enhance profitability, and multiple expansion through strategic positioning.

Venture Capital

- Early-stage subset of private equity
- Extreme skewness in returns; power-law distribution
- Illiquidity and valuation opacity are defining characteristics

10%

Top Performers

Only a small fraction of venture investments generate the majority of returns

7-10

Fund Life

Typical venture fund lifecycle in years before full realization



Private Credit

Average Annual Base Rate (2016-2024)⁽¹⁾

0.7%	1.3%	2.3%	2.2%	0.4%	0.0%	1.6%	5.0%	5.2%
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Annual Returns of Key Indices Ranked in Order of Performance (2016-2024)

2016	2017	2018	2019	2020	2021	2022	2023	2024	Total Return ⁽²⁾
17.1% High Yield Bonds	8.6% Direct Lending	8.1% Direct Lending	14.3% High Yield Bonds	7.5% Investment Grade Bonds	12.8% Direct Lending	6.3% Direct Lending	13.4% High Yield Bonds	11.3% Direct Lending	9.4% Direct Lending
11.2% Direct Lending	7.5% High Yield Bonds	1.8% 1-3 Month T-Bill	9.0% Direct Lending	7.1% High Yield Bonds	5.3% High Yield Bonds	1.5% 1-3 Month T-Bill	13.3% Leveraged Loans	9.0% Leveraged Loans	6.3% High Yield Bonds
10.2% Leveraged Loans	4.1% Leveraged Loans	1.4% Treasuries	8.7% Investment Grade Bonds	5.8% Treasuries	5.2% Leveraged Loans	-0.8% Leveraged Loans	12.1% Direct Lending	8.2% High Yield Bonds	5.8% Leveraged Loans
2.6% Investment Grade Bonds	3.5% Investment Grade Bonds	0.4% Leveraged Loans	8.6% Leveraged Loans	5.5% Direct Lending	0.0% 1-3 Month T-Bill	-7.8% Treasuries	5.5% Investment Grade Bonds	5.3% 1-3 Month T-Bill	1.9% 1-3 Month T-Bill
1.1% Treasuries	1.1% Treasuries	0.0% Investment Grade Bonds	5.2% Treasuries	3.1% Leveraged Loans	-1.5% Investment Grade Bonds	-11.2% High Yield Bonds	5.1% 1-3 Month T-Bill	2.4% Treasuries	1.4% Investment Grade Bonds
0.3% 1-3 Month T-Bill	0.8% 1-3 Month T-Bill	-2.1% High Yield Bonds	2.2% 1-3 Month T-Bill	0.5% 1-3 Month T-Bill	-1.7% Treasuries	-13.0% Investment Grade Bonds	4.3% Treasuries	1.3% Investment Grade Bonds	1.2% Treasuries

Source: Morningstar, Cliffwater, as of December 31, 2024. Represents the annual returns for the respective calendar year, ranked in order of performance. The asset classes presented are based on the following indices: Cliffwater Direct Lending Index for Direct Lending, Bloomberg U.S. Corporate High Yield Index for High Yield Bonds, Bloomberg U.S. Aggregate Bond Index for Investment Grade Bonds, Morningstar LSTA US Leveraged Loan Index for Leveraged Loans, Bloomberg U.S. Intermediate Treasury Index for Treasuries, Bloomberg U.S. Treasury Bill 1-3 Month Index for 1-3 Month T-Bill. **Past performance does not predict future returns.** There can be no assurance any alternative asset classes will achieve their objectives or avoid significant losses. The volatility and risk profile of the indices is likely materially different from that of a fund. The indices employ different investment guidelines / criteria than a fund and do not employ leverage; a fund's holdings and the liquidity of such holdings may differ significantly from securities comprising the indices. The indices aren't subject to fees / expenses and it may not be possible to invest in the indices. The indices' performance has not been selected to represent an appropriate benchmark to compare to a fund's performance, but rather is disclosed to allow for comparison to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. The indices are not necessarily the top performing indices in the given asset class and recipients should consider this when comparing the performance of any fund or investment to that of the indices. See "Important Disclosure Information," including "Index Comparison." | (1) Average annual base rate is based on 3M SOFR from 2019-2024 and 3M LIBOR from 2016-2018. | (2) Total return is calculated over the period January 1, 2016 to December 31, 2024.

- Non-bank lending to middle-market and private firms
- Income-oriented with floating-rate exposure
- Structural protections vary widely by strategy and manager

Hedge Fund Strategies



Long/short equity:
reduced beta, security
selection alpha



Market neutral:
relative pricing
inefficiencies



Managed futures:
trend-following across
futures markets

Digital Assets as Alternatives

- Cryptocurrencies characterized by volatility and weak valuation anchors
 - Investor enthusiasm contrasts with adviser reluctance
 - Best framed as behavioral and speculative assets
- Lynn, C. (2024). *Are financial advisers asleep at the wheel when it comes to cryptocurrency?*



Other Alternatives

- Event Driven Funds (Merger Arbitrage, Distressed)
- Exchange Funds (Concentrated Positions)
- Fund of Hedge Funds
- Managed Futures
- Relative Value
- Sector Specific

Investment Wrappers and Structures

Why does it matter?

- Wrapper determines liquidity, transparency, taxation, and governance
 - Same strategy can produce materially different outcomes
 - Critical to fiduciary evaluation and portfolio design
- STRATEGY vs WRAPPER....
Discuss

Collective Investment Trusts (CITs)



Institutional Focus

Pooled vehicles available exclusively to qualified retirement plans



Cost Advantage

Lower expense ratios compared to mutual funds due to reduced regulatory burden

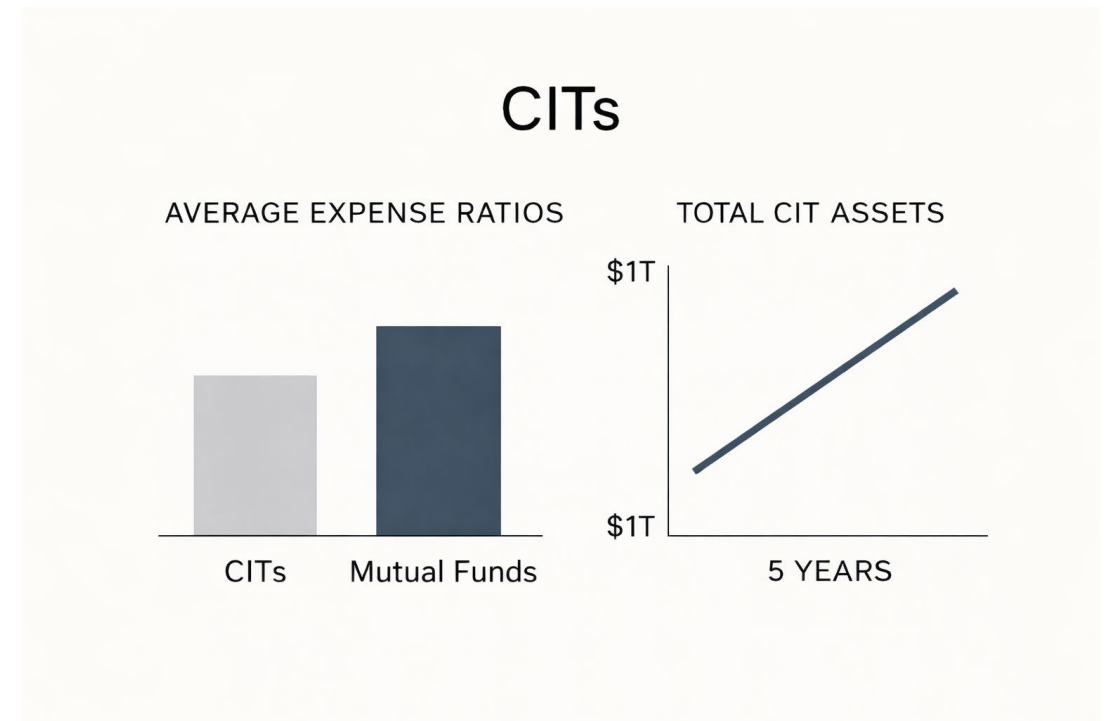


Limited Disclosure

Reduced transparency compared to '40 Act registered funds

Fiduciary Considerations for CITs

- ERISA duty of prudence and documentation
- Liquidity terms and valuation methodologies
- Reliance on trustee and manager oversight



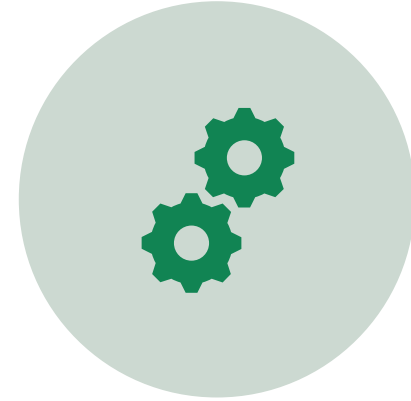
Separately Managed Accounts (SMAs)



DIRECT OWNERSHIP OF
UNDERLYING SECURITIES



ALLOWS CUSTOMIZATION, TAX
MANAGEMENT, AND FACTOR TILTS



HIGHER OPERATIONAL
COMPLEXITY AND MINIMUMS

Direct Indexing

•Clift, T. (2016). *Modern investing trends reframe active vs. passive debate.*

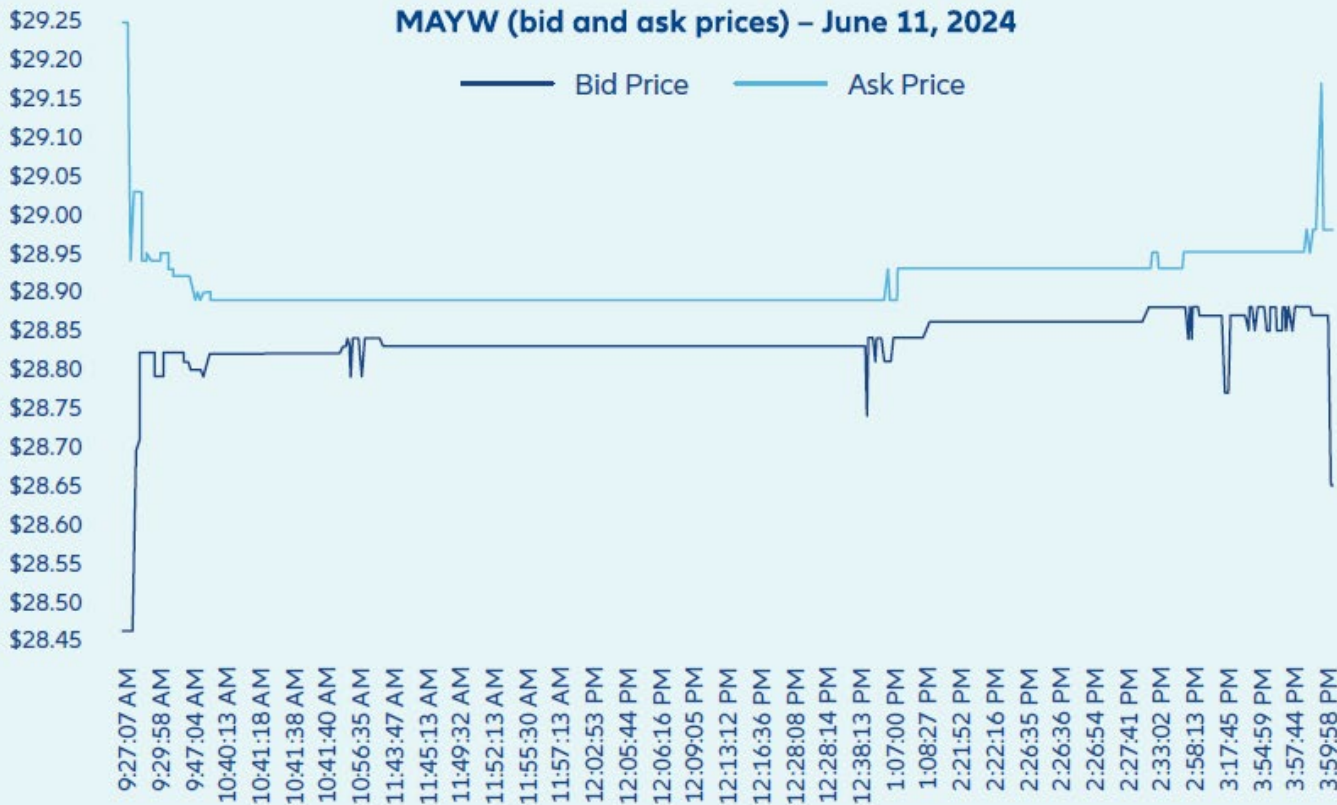
Exchange Traded Funds

- Intraday liquidity with market-based pricing
- Increasingly used for liquid alternative strategies
- Execution quality materially affects realized returns

Allianz Investment Management. (2025). *ETF trading best practices*.
Clift, T. (2016).

Example of the spread's movement throughout a trading day

As the trading day opens, we see wide spreads during the ETF's price discovery period, with a slow tightening as the day progresses, as shown in the chart. The spread then widens again as the trading day comes to an end.



Prices quoted represent past performance and are no guarantee of future results. Shares of the funds trade on an exchange at market prices that may be below, at, or above the fund's NAV. The market prices of the shares generally will fluctuate in accordance with changes in NAV, as well as the relative supply of and demand for shares on the exchange. Brokerage commission will reduce returns.

2

For investment professional use only.

Allianz Investment Management. (2025). *ETF trading best practices*.
Clift, T. (2016).

Insurance-Based Wrappers



Variable annuities, VUL, and UL combine investments with insurance features

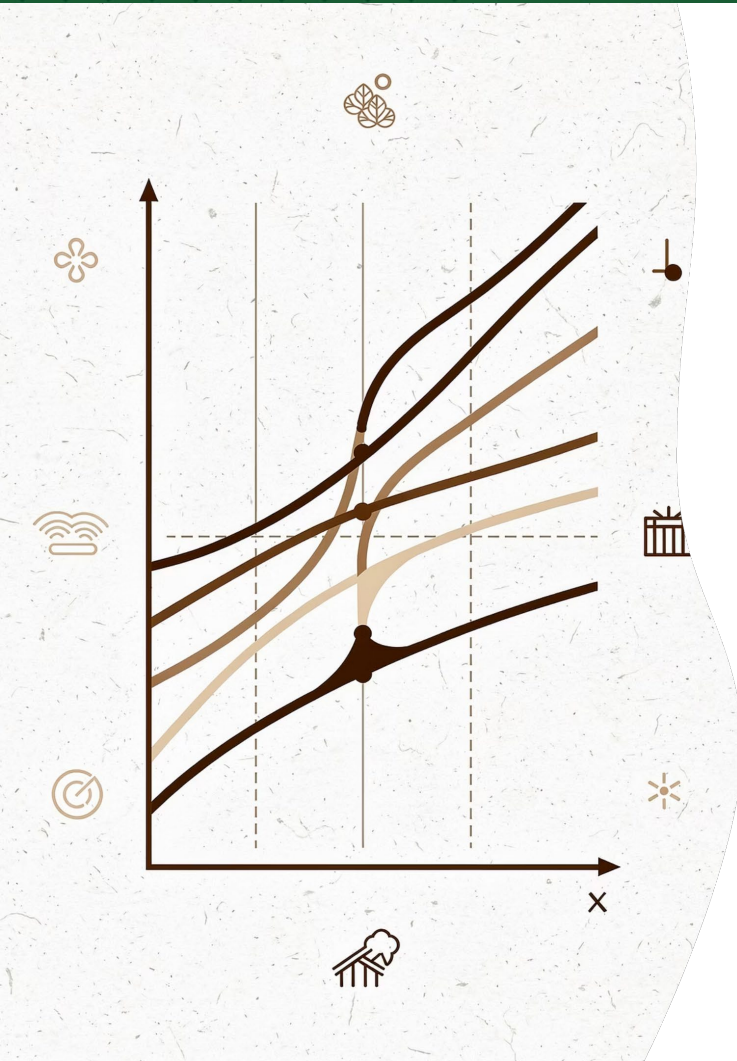


Embedded guarantees, fees, and tax treatment



Complexity often obscures true cost and risk

Structured Products



Notes with defined payoff profiles linked to underlying assets

Use derivatives to shape risk and return

Introduce issuer credit risk and opacity

Calamos Investments. (2024).
Understanding and implementing alternatives.

Wrapper Comparison



Liquidity: intraday vs. periodic vs. illiquid

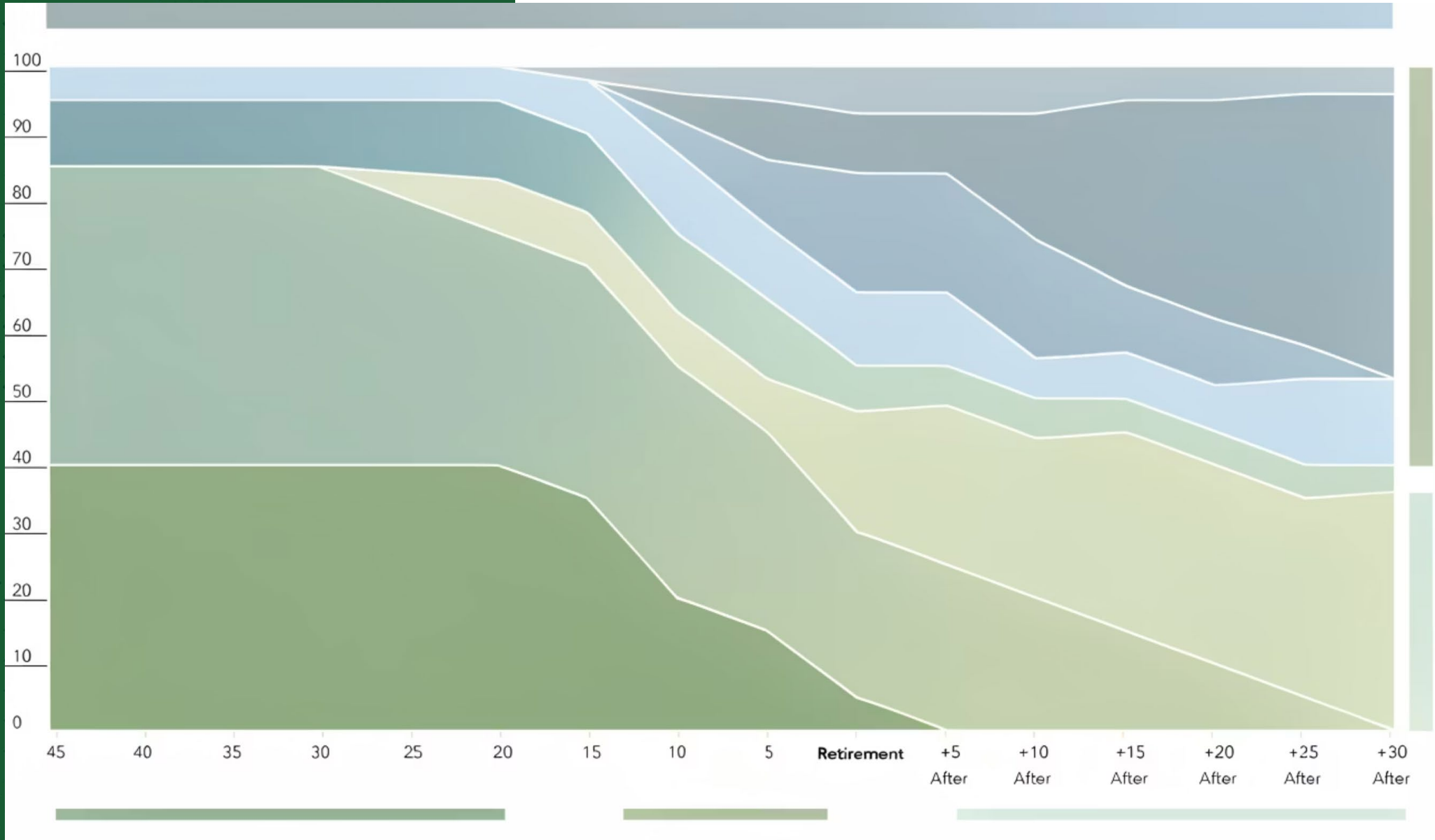


Transparency: daily holdings vs. limited disclosure



Governance: regulatory oversight and fiduciary responsibility

Target Date Funds



What are they?



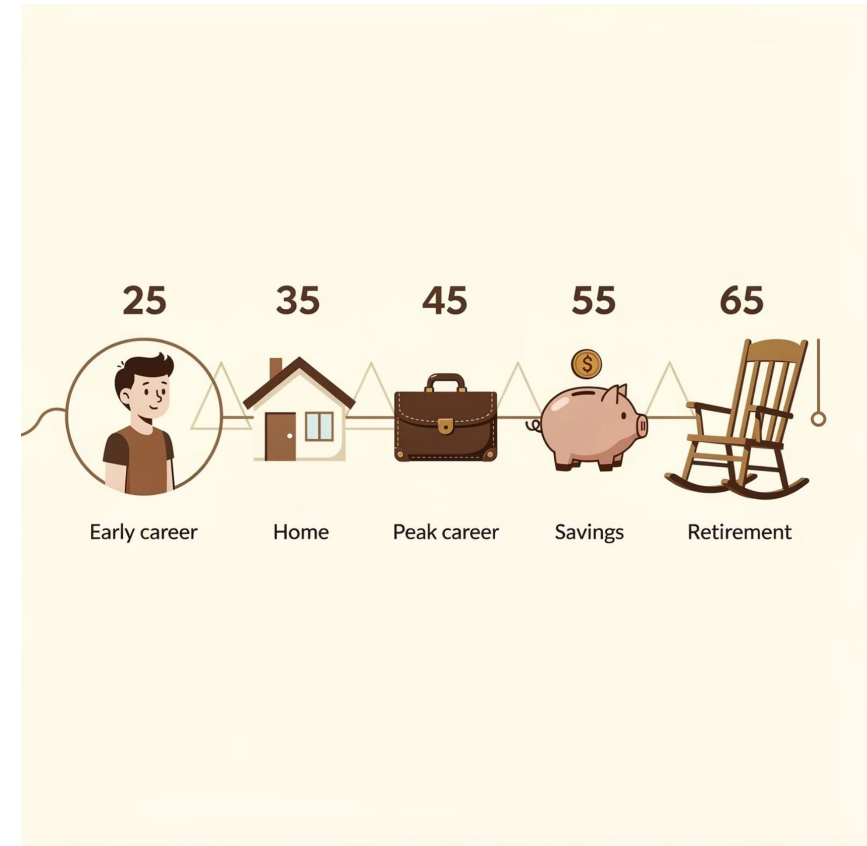
Age-based glide paths
adjusting risk over time



Default investment
option in DC plans



Designed for behavioral
simplicity



Theoretical Critiques of TDFs

One-size-fits-all approach ignores heterogeneity



Glide paths based on averages, not individuals

Alternatives meet Target Date Funds

DUTY OF PRUDENCE

- Acting with care, skill, **prudence**, and diligence

DUTY OF LOYALTY

- Acting for the **exclusive purpose** of providing benefits to participants and to pay only the **expenses that are reasonable** and relate to plan activities

DUTY TO DIVERSIFY

- Diversifying investments, when prudent to do so, to minimize the risk of large losses; and

DUTY TO ADMINISTER

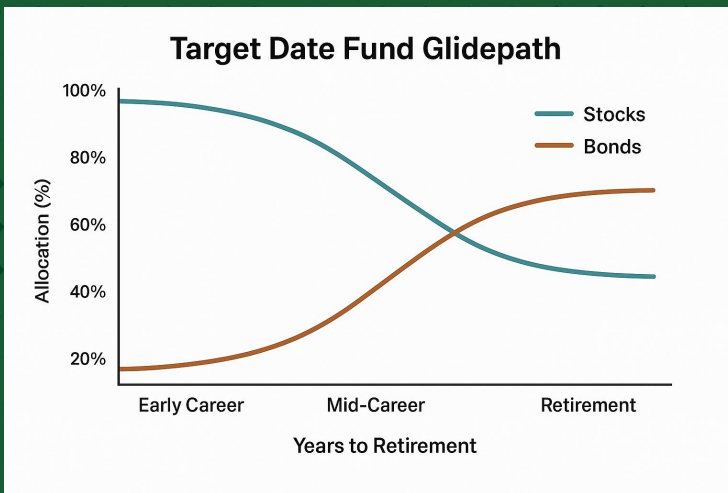
- Following the terms of the plan, as long as the plan is consistent with ERISA

Speculation on Alternative Target Date Funds

- Fees
 - Passive TDF's are 0.06% in fees
 - Hybrids are 0.15%
 - Actives are 0.35%
 - Active with Alternative... ? 0.50%, 0.75%, 1.00%?

- Liquidity
 - Target date funds are daily liquid
 - Target date funds with alternatives?
 - Monthly liquidity windows? First come first serve?
 - Options for locking out distributions from the fund?

- Cryptocurrency
 - The world views this as buying bitcoin with your 401k
 - Will prudent plan fiduciaries allow a direct cryptocurrency investment?
 - Will they allow direct alternative investments?



CIT's meet Target Date Funds

- Cost efficiency at scale
- Custom glide path implementation
- Reduced transparency traded for lower fees



References

- Allianz Investment Management LLC. (2025). *ETF trading best practices: Smart strategies for efficient trades*.
- Calamos Investments. (2024). *Understanding and implementing alternatives*.
- Clift, T. (2016). Modern investing trends reframe active vs. passive debate. *Journal of Financial Planning*, August.
- Kothakota, M., & Edgerly, N. (2025). Due diligence in private equity: What every financial planner needs to know. *Journal of Financial Planning*, October.
- Lynn, C. (2024). Are financial advisers asleep at the wheel when it comes to cryptocurrency? *Journal of Financial Planning*, January.
- McKinsey & Company. (2024). *Global private markets review*.
- Know Your Alternatives®. (n.d.). *Guide to alternatives®*.



Holistic Financial Planning:

Your Client Service Model

Week 5

Topics

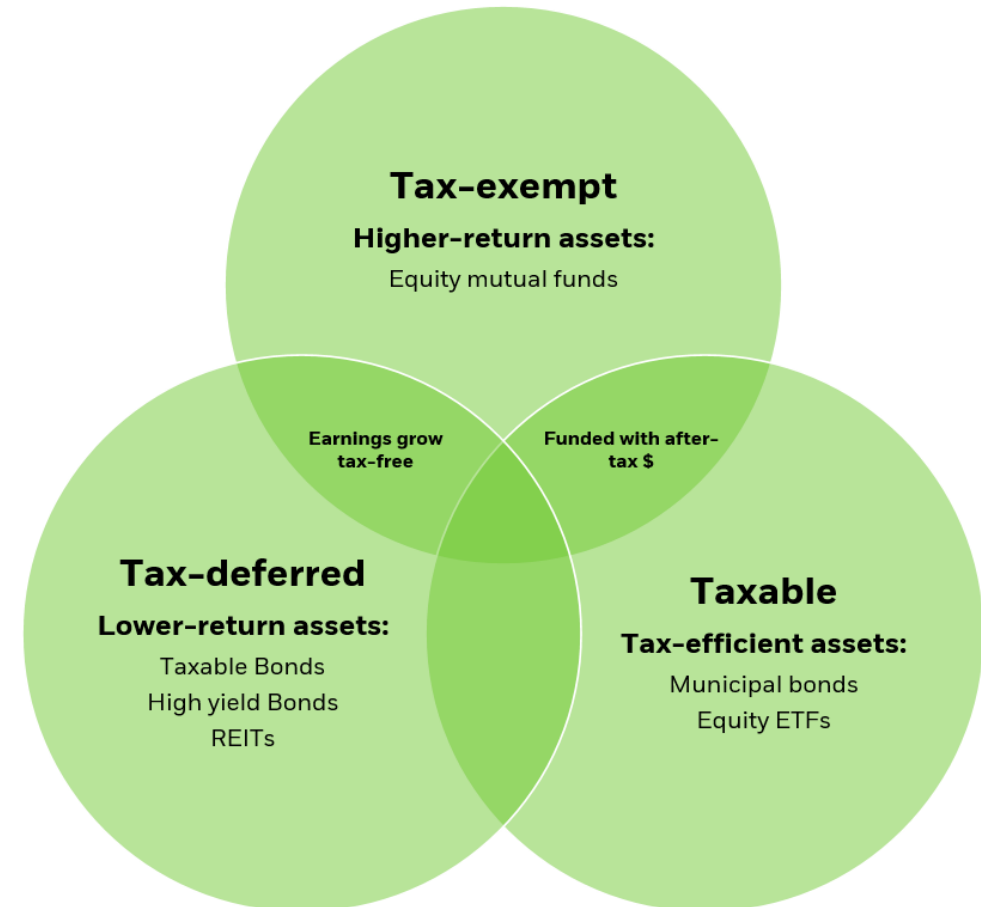
1. Asset Location
2. Client Behavior
3. Practice Identity
4. Practice Operations
5. Wealth Management Services
6. Measurements

Asset Location

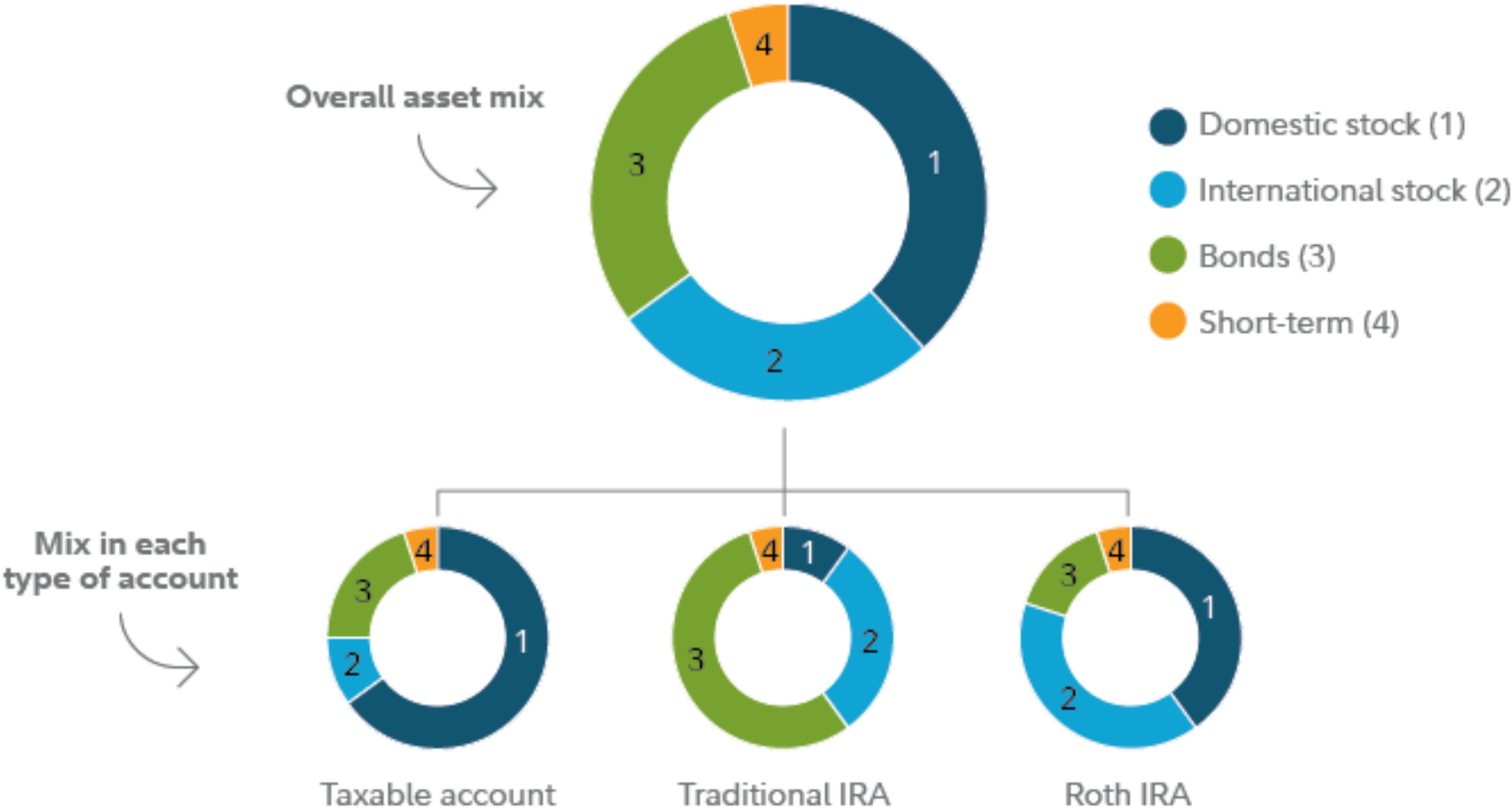
Asset Location

- Asset Allocation = What you own
- Asset Location = where you own it

- GOAL = maximize after tax wealth



How goal-level asset allocation might look



Why it matters

- Taxes reduce realized returns
- Different accounts are taxed very differently
- Location decisions compound over time
- Often adds value without changing risk

	Tax treatment of expected returns	Account type		
		Taxable	Tax-deferred	Tax-exempt
Municipal bond funds	Generally exempt	✓ ✓ ✓	✓	✓
Stock funds held for long-term growth	Taxed at long-term capital gain rates	✓ ✓ ✓	✓ ✓	✓ ✓
Stock ETFs		✓ ✓ ✓	✓ ✓	✓ ✓
High-turnover mutual funds	Taxed at ordinary income rates	✓	✓ ✓ ✓	✓ ✓ ✓
Corporate bond funds		✓	✓ ✓ ✓	✓ ✓

More appropriate
 Appropriate
 Less appropriate

Asset Wrapper to Asset Location

- Taxable
 - Index equity funds
 - ETFs
 - Municipal bonds
- Tax-Deferred
 - Taxable bonds
 - REITs
 - High-turnover funds
- Tax-Free
 - Highest expected growth assets
 - Small-cap / emerging markets (often)

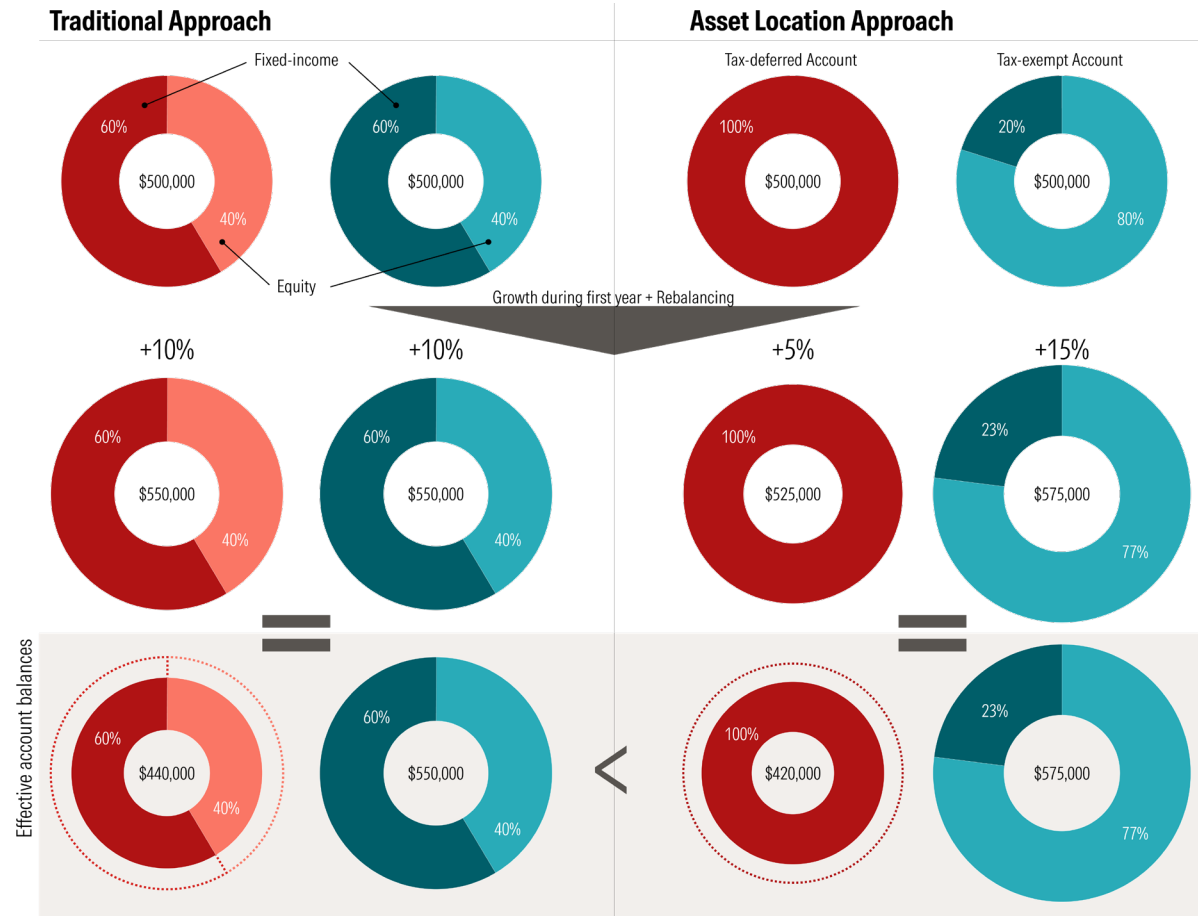
Example of Peter Thiel

- 1999 - \$1,700 investment
- 2019 - \$5 Billion!

- Early investments in private equity
 - PayPal
 - Facebook
 - Etc.



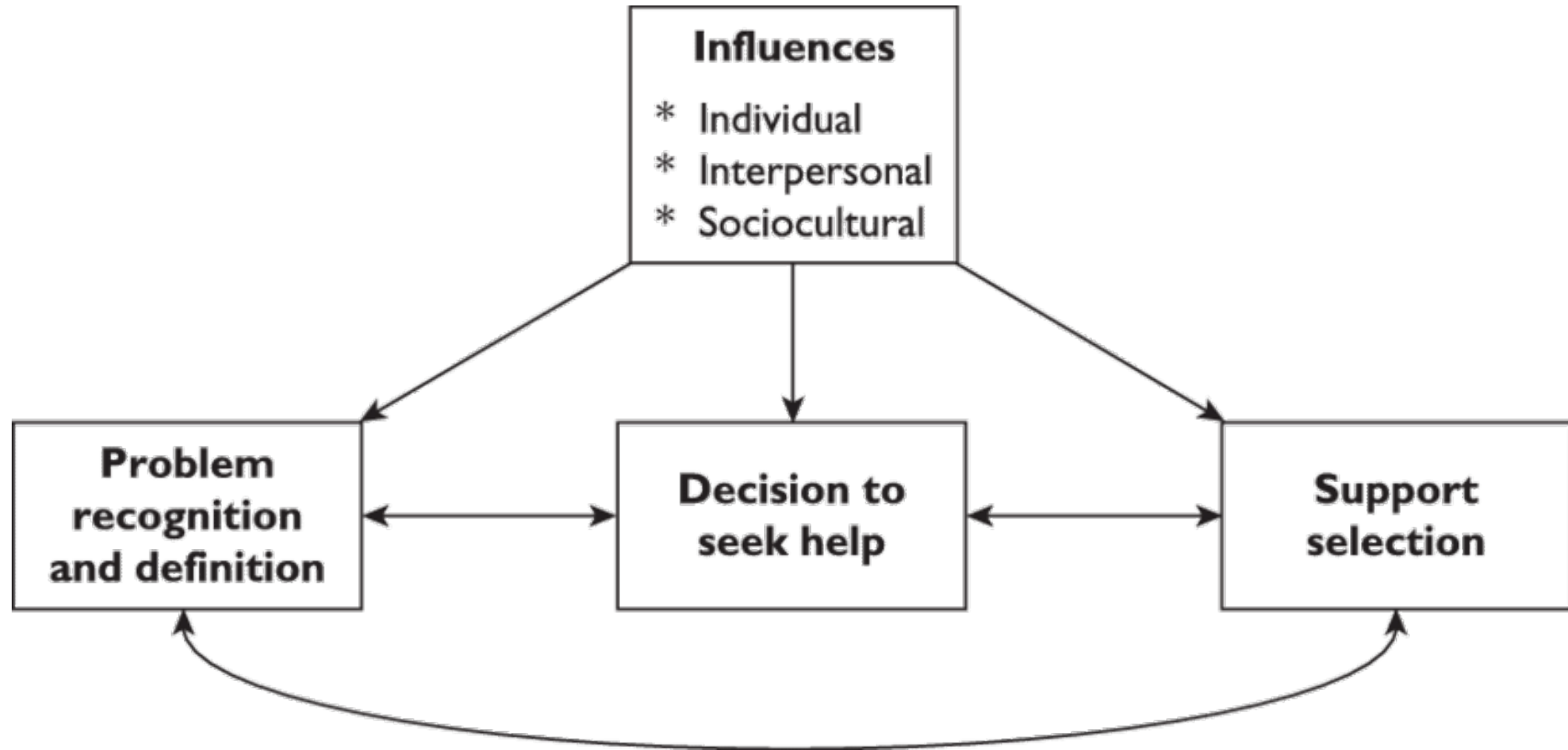
Morningstar Study



Tax-deferred account e.g. 401(k) shaded red and tax-exempt account e.g. Roth IRA shaded teal.
 Darker tints represent fixed income allocation and lighter tints represent equity. Withdrawal amounts are depicted in yellow.

Winning Clients

Why we seek help



Seeking Help – Older Adults

- Becoming a widower
 - Positive Financial Shocks – Increase in Income
 - Cognitive decline
-
- Hiring an advisor is sometimes a response to vulnerability, not sophistication

Dropping advisors

- Emotional Transitions
 - Loss of a spouse
 - Divorce
 - Marriage
- Factors that increase dropping
 - Family issues – Strong signal of declining trust
- Per Cummings & James – Client retention is relationship more than performance or services

Financial Advice New World Order

The New Paradigm

Moving from remedial fixes to preventative financial counseling

The Balance

High-touch service meets scalable operations

Objective health + subjective satisfaction



Practice Identity

The Reality of Finding a Niche

The Misconception

You simply "pick" a niche from a list

The Reality

Your niche often picks you based on who trusts you most

Case Study: My niche started because following the 2000 tech bubble, I couldn't find a job easily. The job I found was servicing 401k clients.



Steps to Refine Your Niche



Start with What You Know

But remain open to pivot based on reality



Evaluate Relationships

Focus on clients who value you most deeply, not just highest AUM



Test and Adjust

No niche is set in stone – market feedback is essential

Building Trust-Based Niches

Human Connection

Strong niches are built on safety and understanding

Referral Power

When clients feel safe, they refer like-minded individuals

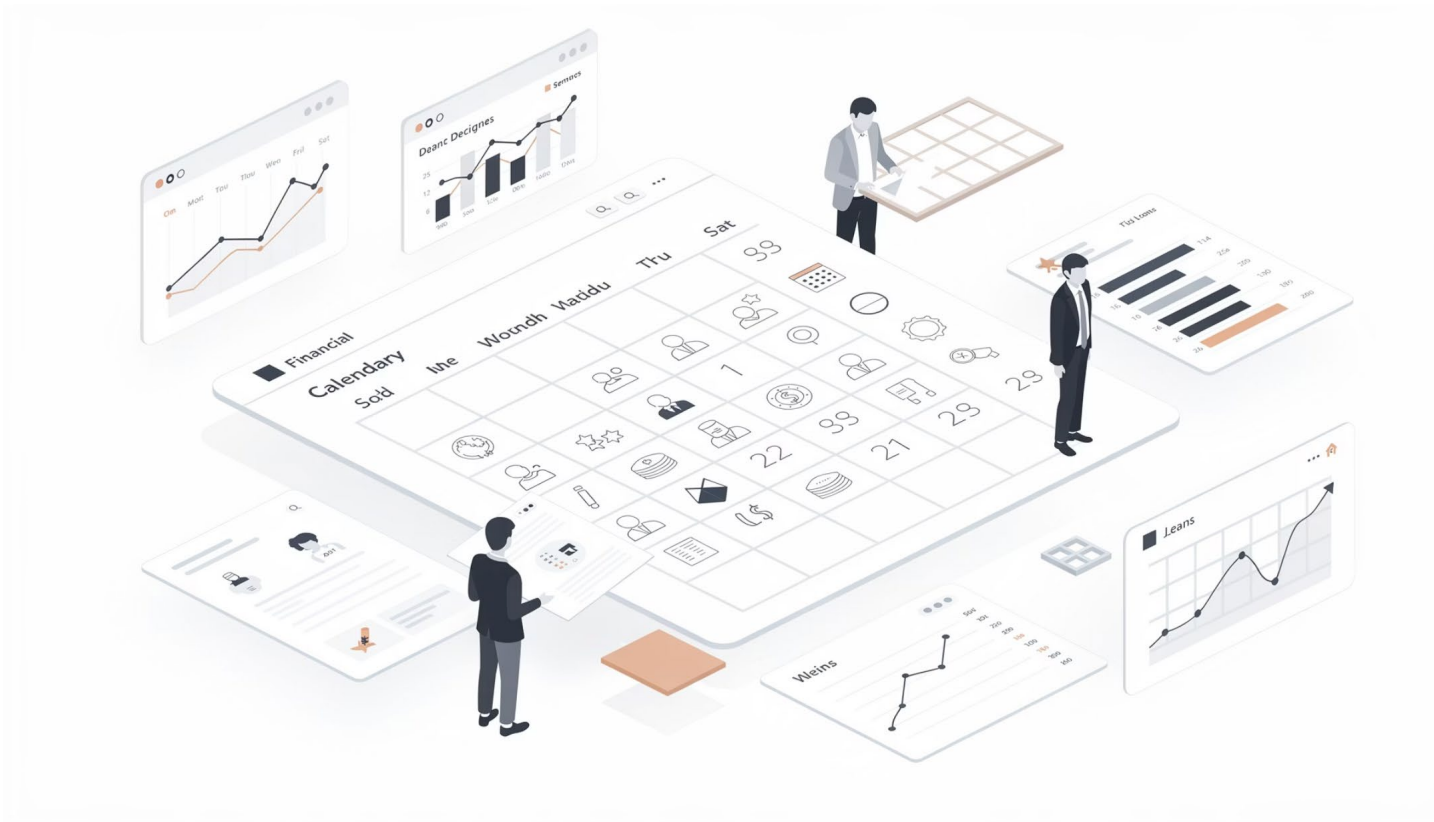
Aligned Marketing

Content should speak to specific emotional needs of your niche



Practice Operations

The Case for a Service Calendar



The Problem

Without a calendar: inconsistent service, capacity issues, over-servicing specific clients

The Goal

Ensure a consistent brand experience for every client, every time

Constructing the Calendar



Define "What You Do"

Establish your core service model and deliverables



Define "Who You Serve"

Identify your ideal client profile and segments



Determine Meeting Cadence

Choose: Tri-annual, Quarterly, or Surge meeting models

Scalable Touch Points



Core Planning Activities

- Portfolio rebalancing
- Tax review
- Charitable giving strategy

Team Efficiency: Assign tasks to create role clarity and reduce owner dependency

One-to-Many Leverage

- Client webinars
- Newsletters
- Automated reporting

The "Wow" Factors

Systematize Personal Touches

Birthday gifts, retirement celebrations,
milestone acknowledgments

Automation ensures consistency without
manual effort



- ❑ Differentiate by making exceptional service predictable and repeatable

Team Roles for Service Delivery



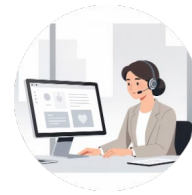
Lead Advisor

Client relationships, complex planning, investment strategy



Associate Planner

Plan preparation, research, client meeting support



Client Service

Scheduling, document collection, client communications

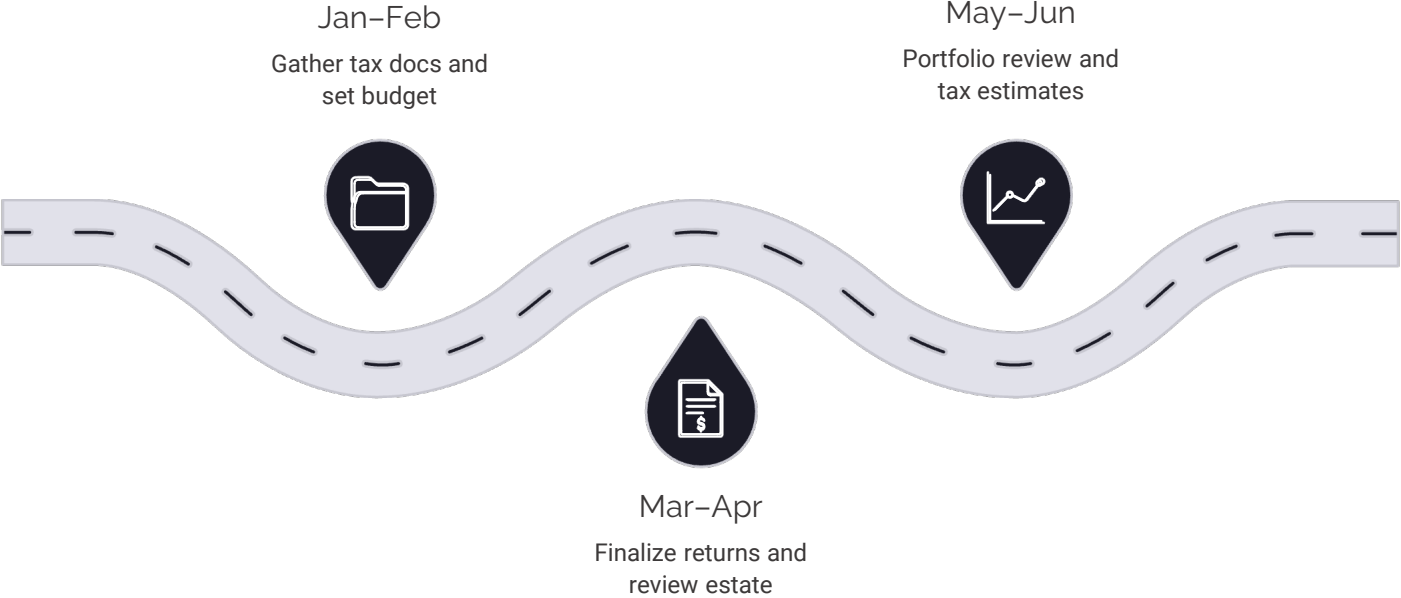


Operations

Compliance, technology, process improvement

Wealth Management Framework

Annual Wealth Management Timeline: Q1 & Q2



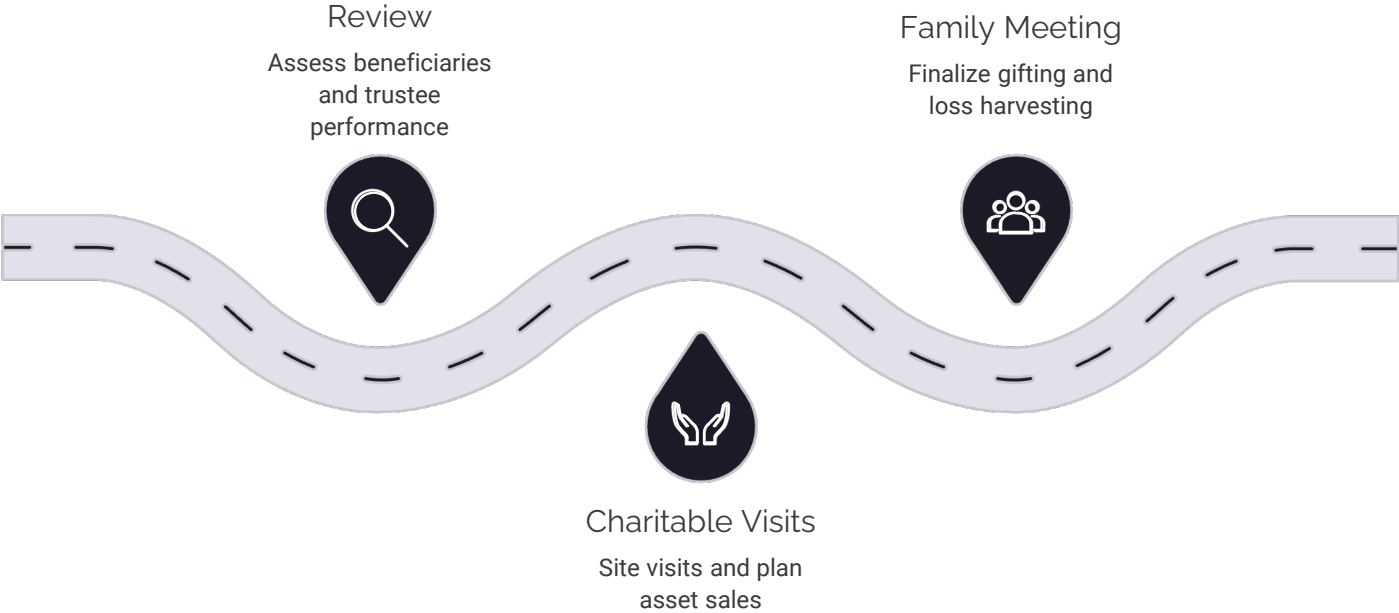
First Half Focus

Tax compliance, estate planning review, and portfolio alignment with annual goals

Annual Wealth Management Timeline: Q3 & Q4

Second Half Focus

Strategic planning, charitable giving, and year-end optimization



Integrating Tax Services

The Holistic Reality

Financial planning inevitably involves tax advice

- Roth conversions
- IRA contributions
- Capital gains strategies

Two Approaches

Tax Prep: Backward-looking compliance

Tax Planning: Forward-looking strategy



The Pros and Cons of In-House Tax Prep

Advantages

- Deeper client relationships
- Creates "stickiness" and retention
- Develops centers of influence
- Revenue diversification

Disadvantages

- Extremely labor intensive
- Tax season compression issues
- Potential distraction from core AUM growth
- Seasonal staffing challenges

Wealth Management: The Coordination Challenge

Multiple Professional Relationships

- Estate planning attorneys
- Tax preparers/CPAs
- Investment managers
- Insurance specialists
- Trust officers



❏ Your role: Quarterback who ensures all professionals work toward unified client goals