



— 2018 GUIDE TO —

# WEALTH MANAGEMENT

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ADVICE FROM LOCAL EXPERTS



Financial Planning

## The Life Cycle of Wealth Management

### PROFESSIONAL OPINION



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Understanding when and how to enter into a Wealth Management relationship may be a difficult decision. Part of this confusion may result from the thought that wealth is measured solely by an annual salary, an inheritance, assets to protect, or significant savings to invest. By that definition alone, you may not consider yourself wealthy and, therefore, not one who needs or qualifies for wealth management direction. But, in fact, the definition of wealth is more than that; it's very personal.

With that said, the best way to achieve any definition of wealth is to understand your goals and prepare a plan to achieve them. It is also reasonable to say that the earlier you begin that preparation, the more likely you are to succeed.

This leads to the Life Cycle of Wealth Management. Just as in any life cycle, there are many stages, and in

this case, the stages cover a range of ages, investment levels, and solutions to achieve your objective. Each stage requires different needs and levels of preparation. It is also important to understand that not everyone enters the life cycle at the same stage.

Let's take a look at the Wealth Life Cycle:

1. Building Your Future
2. Starting a Family
3. Wealth Accumulation
4. Wealth Distribution
5. Wealth Transfer

The descriptions below are examples of what may be experienced in each stage, though, certainly, the situation of each individual may vary.

#### Building Your Future

In this early stage, it is highly probable that you are in a new job and paying student loans. At the same time, you are renting an apartment and just bought or leased a new car. Investment management isn't a priority at this stage, as you work to establish credit and pay off loans. That said, taking advantage of your employer's 401k plan will give you a head start on retirement planning and establish good habits as you pay off debt and save for a home. Having a budget is necessary and will put you on the right path.

#### Starting a Family

This stage may include many significant life-changing events. Your career is starting to take off, and your student loan has turned into a mortgage payment. You have a partner and may have children, which adds a level of complexity that requires a financial plan. A plan is the blueprint that will put you on a path toward affording future college expenses, buying a larger home, managing your debt, and identifying disposable income to invest for retirement. It also creates the need to start protecting your family and assets in the event of loss of income, death, or disability. Creating a will at this stage will set the foundation for future planning in the years to come.

#### Wealth Accumulation

This stage may include a more stable, predictable, and wealth-accumulating time in life. You are now at the peak of your earnings potential. You have accumulated investment assets, the children have completed college, and your debt is under control, which allows you the opportunity to invest additional dollars. At this point, the main focus is on investment planning, controlling debt, tax planning, insurance planning, and estate planning. Updating your will, health care proxy, power of attorney,

and beneficiaries is vital, and having a trusted adviser is paramount to help you achieve your future financial goals.

#### Wealth Distribution

At this stage, you begin to reap the rewards of your planning. You are retired or working part time. The children are on their own, building their future or starting a family. You and your partner are thinking about downsizing or purchasing a second home in a warmer climate, and you now have the financial freedom to spend time on the things you want to do. Generating income and preserving capital are now your most important objectives, in order to maintain the style of living you are accustomed to. Your trusted adviser will help you understand and plan the timing of your company 401k and pension distributions, IRA distributions, and Social Security distributions. These are important decisions that can maximize your income and reduce your tax liability. Health care costs start to become a significant part of your monthly expenses, and preparing for long-term care and elder care issues becomes increasingly important.

#### Wealth Transfer

This is something that must be considered at all stages of the Wealth Life Cycle. It is about transferring your assets to the next generation in the most effective and efficient manner, and it starts with an organized plan. Having a will and updating it every 5-7 years is an important part of the plan, which will make it much easier for your beneficiaries. Appointing the appropriate person, people, and/or institution to manage your affairs will save time, money, and stress for your loved ones.

Stepping back from our hectic schedules will help us determine what stage of the Wealth Life Cycle we are in, and what steps we need to take to evolve or begin the planning process. Only you can define what wealth means to you and your family, and there is no time to waste. A trusted advisor can help you define your goals and how to get positioned to achieve them. Having a local advisor with access to banking, investment, and insurance solutions, all in one place, will help keep you focused, organized, and efficient as you work to achieve financial freedom.

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