

Wealth Management

Historical Perspective

Basics of Wealth Management

What Does *Wealth Management* Mean?

A professional service which is the combination of financial/investment advice, accounting/tax services, and legal/estate planning for one fee.

<http://www.investopedia.com/terms/w/wealthmanagement.asp>

Wealth Management

How Did it Start?

Since the Depression we have had separated industry of: Banking, Brokerage and Insurance

Since *Glass–Steagall Act* was repealed things are back to “One Stop Shopping” by virtue of the Gramm–Leach–Bliley Act (GLB), also known as the Financial Services Modernization Act of 1999

Interstate Banking – Remember?

- The Reigle-Neal Interstate Banking and Branching Efficiency Act allowed banks which met capitalization requirements to acquire other banks in any other state after Oct. 1, 1995. The direct result of these legislations was the onset of nationwide interstate banking.
- <http://www.investopedia.com/terms/i/interstate-banking.asp>

Late 1990's – Cross Selling....

In the late 1990s, there was a huge push by banks and brokerages to get into the business of “Wealth Management” which was a form of “High Net Worth Consulting.”

While financial planning had been around for a while, its focus was on insurance and insurance products.

Now the focus was on Investing, Taxes, Estates, Wealth Preservation etc.

Financial Planning

Financial Planners focus on products and services related to:

1. Insurance
2. Retirement
3. Taxes
4. Estates
5. Investments

Wealth Management

1. Investments – Long funds and Hedge
2. Taxation and Businesses
3. Estates and Trusts
4. Retirement Products
5. Wealth Transfer and Insurance
6. Risk Management
7. Economic and Global Issues
8. Asset Management Investment Management
9. Lawyers, accountants, and Advise

Who is Involved - Professionally

- Licensed Brokers
- Insurance Agents

- Attorneys
- CPAs and Tax Advisors
- Chartered Accountants
- Investment Banks

- *Banks, Broker Dealers, Insurance Companies

Financial Technology

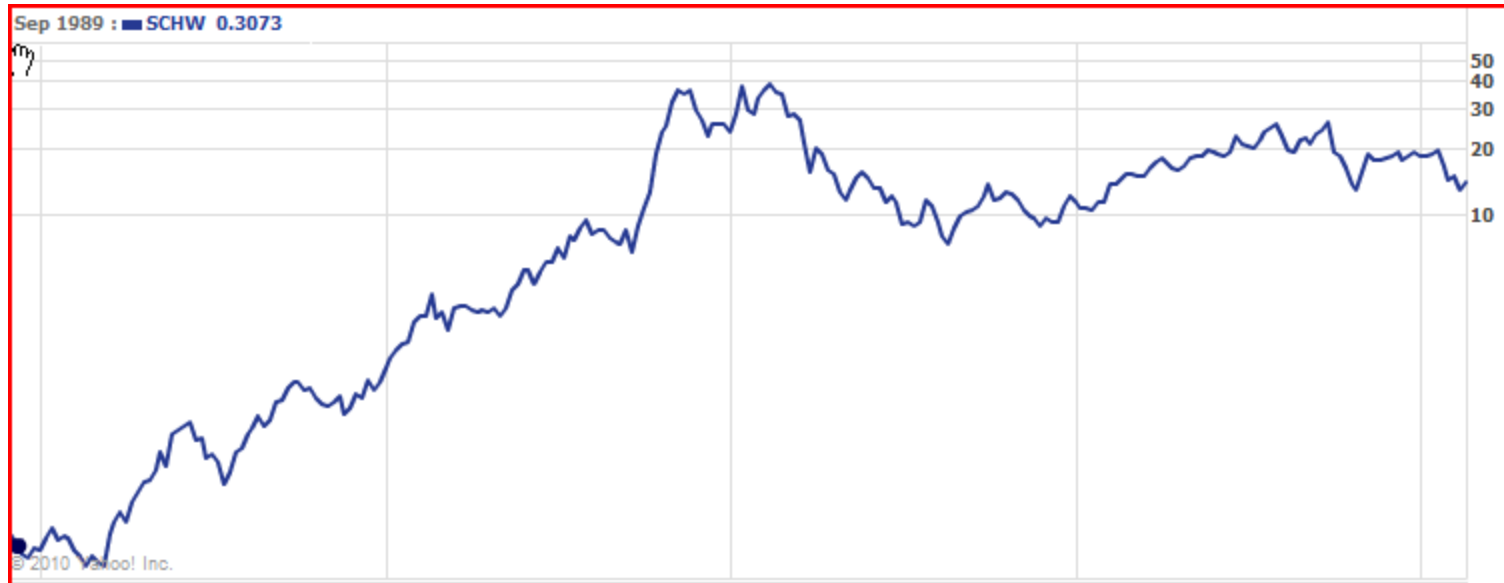
Technology was a huge factor in many changes also.

- Online Investing
- Stocks
- Options
- Margin
- Mutual Funds
- All Online
- Look at the stock chart for Schwab in the 1990's

<http://finance.yahoo.com/q?s=SCHW>

Schwab Online Investing and Branches and Funds etc.....

<http://finance.yahoo.com/q?s=SCHW>



Why is Schwab Important

Groups like Schwab and Fidelity created institutional trading platforms.

Now they are an administrator for thousands for private investment managers and wealth managers.

They make money off of everyone. However, custodianship is important.

Family Office

- **What Does *Family Offices* Mean?**

Family offices are private wealth management advisory firms that serve ultra-high net worth investors. Family offices are different from traditional wealth management shops in that they offer a total outsourced solution to managing the financial and investment side of a affluent individual or family. For example, many family offices offer budgeting, insurance, charitable giving, family-owned businesses, wealth transfer and tax services. BILL PAY 😊

- <http://www.investopedia.com/terms/f/family-offices.asp>

Asset Management

- **What Does *Asset Management* Mean?**

1. The management of a client's investments by a financial services company, usually an investment bank. The company will invest on behalf of its clients and give them access to a wide range of traditional and alternative product offerings that would not be to the average investor. **Structured Products etc./ Accredited investor or 500K+**

2. Secondary Definition: An account at a financial institution that includes checking services, credit cards, debit cards, margin loans, the automatic sweep of cash balances into a money market fund, as well as brokerage services. Also known as an "**asset management account**" or a "**central asset account**".

- <http://www.investopedia.com/terms/a/assetmanagement.asp>

Hedge Funds

- **What Does *Hedge Fund* Mean?**

An aggressively managed portfolio of investments that uses advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).

Legally, hedge funds are most often set up as private investment partnerships that are open to a limited number of investors and require a very large initial minimum investment. Investments in hedge funds are illiquid as they often require investors keep their money in the fund for at least one year.

- <http://www.investopedia.com/terms/h/hedfund.asp>

Wealth Management and the Cost of INFORMATION and ADVICE?

- Yahoo
- Google
- MSN
- CNBC
- FORBES
- <http://www.investopedia.com/stockadvice/>
- Jobs? In Finance.....
- Information and Products are becoming Commoditized?

Insurance

- **What Does the Term: *Insurance* Mean?**

A contract (policy) in which an individual or entity receives financial protection or reimbursement (under what is covered) against losses from an insurance company. The company pools clients' risks to make payments more affordable for the insured. Hazards, Risks etc...

- <http://www.investopedia.com/terms/i/insurance.asp>
- Life, Home, Health, Disability, FLOOD, Auto and more.

:Licensing?

- FINRA is who stock brokers are registered with today.
<http://www.investopedia.com/terms/f/finra.asp> (Formerly known as NASD) Exams and Licensing. Series 6,7, 65/66 etc.
- SEC? Independent guys do NOT need FINRA licensing at this time. They are registered direct with State and Fed depending on Assets.
- Lawyers Accountants Teachers typically exempt from Investment Advisor regulation.
<http://www.investopedia.com/exam-guide/series-65/investment-advisor-registration/exclusions.asp>

Education – LLM Program Courses

- Tax and International Tax
- Estates Trusts and International Law
- AML and Financial Crimes
- E-Commerce Laws
- Asset Management and Protection
- Risk Mgt, Financial Instruments
- Tax Procedure, Financial Centers, Global Laws...
- Compliance, Ethics, Bankruptcy
- Business Organizational Strategy
- MBA Programs focus on Finance, Accounting, etc....

Diagnosis and Wealth Management

- Assets, Cash, Stock, Bond, Fund Investments
- Home, Real Estates
- Partnerships, LLCs, C-Corporations
- Children, Grandchildren, Parents and related assets
- Cash Flow, Burn Rate, College, Retirement
- Tax Deferred Vehicles 401K or other
- Insurance Policies and Beneficiaries
- Estate Planning Issues and Probate Issues
- Taxation issues on income or other
- Gaining confidence to produce a report.....

Tax Policy, Global and Debate

- In our recent courses, former and current IRS agents say that the agency is ramping up.
- Offshore investments will be more closely scrutinized.
- The UBS EFFECT is huge. Expected 1000 and got over 10,000 in amnesty?
- Philosophical Debate over what tax is too much for the hardest working i.e. Economic Slavery.

OMG – Since Dec 2007 Why Wealth Mgt is Important.....

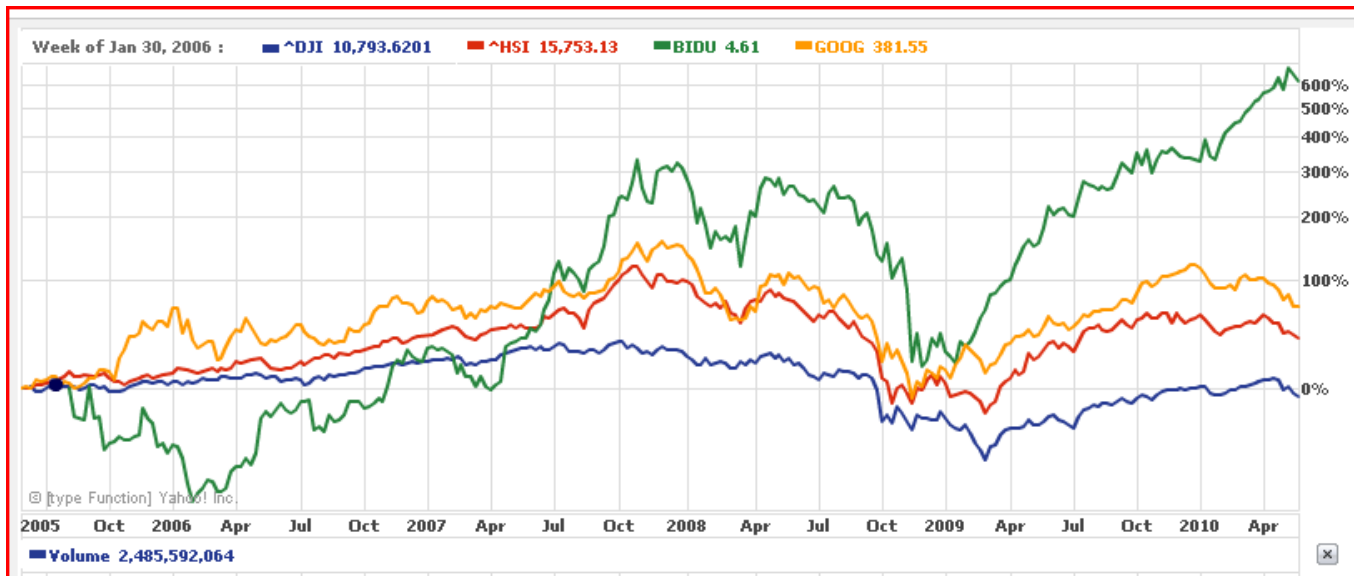


Global Markets - China



Opportunities

- While the USA may have been in a recession in 2008, some stocks held up well in the USA, China, EU and other places.
- There were great buying opportunities



Defy the Market

- About 20 percent of stocks defy the markets
- Some are defensive
- When economy is bad, Wal-Mart does well...
- What sector is positioned to lead
- What is a market leader in that sector.
- Where are interest rates? If low, good for growth companies.
- What is regulation doing to the stocks you like?

Global Exposure?

- Over the last 20 years, global regional growth has been wild and made millionaires ..
- Brazil, Latin America, Russia, China, Taiwan, Africa, Korea and more.
- Many of these stocks trade on the American Exchange.
- Many of the companies have huge cost savings in labor, benefits, and materials.
- Technology to invest in other countries via funds or ETFs etc.

Who is Next?

- INDIA
- Indonesia
- Malaysia
- New China Stocks and New India Stocks that are listed on the USA exchange
- Parts of Africa who have the best legal systems and tax systems.
- USA? With new wave of technology?

What's Hot

- PDAs cell phones... IPOD
- IPAD
- Search Engines
- Software
- Education
- Health Care
- Travel, Job hunting, and more
- EBAY USA and EBAY in other languages
- Commodities – Gold, Silver, Copper etc.

The Jobs of the Future

Occupations with the largest percentage growth expected through 2018:

- Biomedical Engineers 72%
 - Network Systems Analysts 53%
 - Home Health Aides 50%
 - Personal, Home-Care Aides 46%
 - Financial Examiners 41%
 - Medical Scientists 40%
 - Physician Assistants 39%
 - Skin-Care Specialists 38%
 - Biochemists, Biophysicists 37%
 - Athletic Trainers 37%
- Source: Labor Department 'Occupational Outlook Handbook'

Various Types of Investments

- Stocks
- Bonds
- Money Funds
- ETFs
- Mutual Funds
- CDs
- Gold or metals
- Real Estate or REITS

Investing for Others

- Much of what we are talking about is investment management for your portfolio.
- If you are a broker, then the agreement applies.
- If you are an investment manager, 2 agreements may apply.
- Investment Policy Statements apply.
- Discretionary investment accounts have special rules also.

Back to the Future?

- Taxes are set to revert back to the Clinton Years.
- Politics is poised to mirror what happened in 1994
- Interest Rates are Low
- Legal and Financial Products of the 1990's may become very popular again: Insurance Trusts and Long Term Holding of Investments
- Global Confidence? Up Down for USA?
- Will business go offshore and will the cash stay offshore?

Blow Out and Patience

- Many people got scared and freaked out in the downturn and sold at Dow 8 Thousand. Some lost everything because they were on margin.
- Most have the same 1 dollar that they invested 10 years ago.
- QQQQ The investment is a unit investment trust designed to correspond generally to the performance, before fees and expenses, of the Nasdaq-100 index. The fund holds all the stocks in the Nasdaq-100 index, which consists of the largest non-financial securities listed on the Nasdaq Stock Market.



QQQQ, Dow Jones, S & P



USA, Latin America, China



Laws that Apply – Of Course

- Confidentiality and Privacy
<http://www.ftc.gov/bcp/edu/pubs/business/idtheft/bus53.shtm>
- No Self Dealing – Shadow and Front
<http://www.investopedia.com/terms/f/frontrunning.asp>
- Conflicts of Interest <http://www.sec.gov/news/speech/spch051205css.htm>
- Suitability, Risk Tolerance, Objectives.. <http://www.sec.gov/answers/suitability.htm>
- Limitations on stocks and investments applying to account.
- Can't do anything without authority & permission.
- Protect Joint Accounts 401ks etc.
- Securities laws
- Investment Advisor Laws <http://www.sec.gov/investor/pubs/invadvisers.htm>
- Margin Rules and Laws <http://www.sec.gov/investor/pubs/margin.htm>
- Accredited Investors <http://www.sec.gov/answers/accred.htm>
- High Risk Investments, Options etc. <http://www.sec.gov/answers/options.htm>
- Binding Arbitration <http://www.sec.gov/answers/arbproc.htm>

Conclusion

- Taxes are secondary to earning and growing and protecting your assets and money.
- Buy assets and Create appreciation and worry about taxes later.
- If you don't like taxes, move to a state with no income tax to mitigate ongoing state taxes, but buy a small home or rent.
- Fed taxes do not apply to long term holdings until you SELL.
- Invest each month and each year into IRAs, 401Ks, self directed accounts, annuities.
- Or, just invest your after tax savings.

References

- 24 Essential Lessons for Investment Success by William O’Neil and CANSLIM
- **Beginners' Guide to Investing: Online Publications at the SEC -**
<http://www.sec.gov/investor/pubs/begininvest.htm>
- **Get the Facts: The SEC's Roadmap to Saving and Investing -**
<http://www.sec.gov/investor/pubs/roadmap.htm>
- <http://www.sec.gov/investor/pubs/takingstock.htm>
- **Beginners' Guide to Financial Statements.** This brochure will help you gain a basic understanding of how to read financial statements.
<http://www.sec.gov/investor/pubs/begfinstmtguide.htm>
- **View More Information on Different Types of Investments:**
<http://www.sec.gov/investor/pubs/investop.htm>
- [A Guide to Understanding Mutual Funds](#) – A publication from the ICI that explains mutual funds, describes how to establish realistic goals, and suggests questions to ask before you invest. (Provided in [PDF](#) format.)
- **Exchange-Traded Funds (ETFs) -**
<http://www.sec.gov/answers/etf.htm>