Wealth Management Planning

Wealth Manager Laws

Wealth Management

Wealth Management

In general, wealth management is a highly regulated profession..

Individual Wealth Issues

- Suitability
- Fiduciary
- Risk Tolerance
- Churning, Front Run & Shadow
- Advice & Strategy 2011
- Confidentiality
- Outside Activities and Accounts
- Cash – Buy and put money in…

Wealth Analysis

- A financial advisor, is a professional who renders financial services to individuals, businesses and governments. This can involve investment advice, funds, which may include pension planning, and/or advice on life insurance and other insurances such as income protection insurance, critical illness insurance etc., and/or advice on mortgages.

New Trends

- Banking
- Brokerage
- Insurance
- Family Office
- Portfolio Management
- Lawyers
- CPAs

Services in Demand

- Some of these typical services include: Investment portfolio management
- Tax management and advisory
- Cash flow management and budgeting
- Multigenerational wealth transfers
- Family business and financial advisory
- Donations to nonprofits and major gift plans
- Political donations

Wealth Mgt and Private Banking

- **What Does Wealth Mgt & *Private Banking* Mean?** Personalized financial and banking services that are traditionally offered to a bank's rich, high net worth individuals (HNWIs).

Retirement

- Oneof the major services that financial advisers offer is retirement planning. A financial adviser should have knowledge of budgeting, forecasting, taxation, asset allocation, and financial tools and products to establish realistic goals and the strategy by which to reach them. In the United States, this will include the use of several investment tools such as 401(k)/403(b) Roth account(s), Individual Retirement Accounts/Roth IRAs, mutual funds, stocks, bonds and CDs.

- The adviser determines what percentage of the available income is necessary—taking into account tax liabilities, expected inflation, and projected return on investment—to meet a minimum balance by the client's target age of retirement. This is a fairly straightforward calculation, and many automated tools do this. The financial adviser's greatest contribution is asset allocation: determining how to maximize the return on investment while satisfying the client's risk tolerance.

Investing

Wealth Managers may help their clients invest for both long and short term goals. It is the financial adviser's duty to determine the clients' goals and risk tolerance and then to recommend appropriate investments. Generally, a long time horizon allows for the advisor to recommend more volatile investments with potentially greater risks and rewards. Such investments include direct investment in stocks or through collective investment products such as mutual funds and unit investment trusts/unit trusts.

If the client has shorter term goals, the adviser should recommend less volatile investments with shorter time spans. Such investments could include cash deposits, certificates of deposit, and short term bonds. While these types of investment generally have lower returns there is less volatility and there is less likelihood of losing principal capital. Although short-term investments can guard against loss of capital, their value can be eroded by inflation over longer periods of time.

Tax Planning

- Planning for the reduction of tax liabilities and the freeing-up of cash flows for other purposes
- Business
- Personal
- Products – Annunities etc.
- 401Ks
- Trusts
- Entitites
- Securities

Estate Planning

- Estate Planning Planning for the creation, accumulation, conservation and distribution of assets
- Wills
- Trusts
- Powers of Atty
- Guardians
- Beneficiaries

Insurance

- Insurance Planning Managing cash flow risks through sound risk management and insurance techniques.
- Life
- Health
- Disability
- Home
- Auto
- Flood
- Umbrella

Education

- Education Planning for kids and the family members
- State
- Private
- Costs
- Products
- PrePaid
- Trusts
- Beneficiaries to Trust

Fee Only

- A fee-only advisor may reduce conflicts of interest such as:
- advising a client to buy products and make investments when holding cash and other liquid assets may have been a more suitable recommendation at that time.
- an incentive to generate commissions through the unnecessary buying and/or selling of securities (also known as churning)
- an incentive to convert non-cash assets such as real estate and collectibles to cash and securities so that the advisor can generate a commission.
- an incentive to make recommendations that pay higher sales commissions to the advisor when a less expensive alternative may have been available.

Earn

- How do Advisors Earn a living?
- Commissions?
- Ongoing Fees?
- Flat fees
- …..

Wealth Management Process

- **Step 1: Gathering relevant information on the client** This would include the qualitative and quantitative aspects of the client's financial and relevant non-financial situation.
- **Step 2: Setting goals with the client** is meant to identify where the client wants to go in terms of his finances and life. Client Objectives
- **Step 3: Analyzing the information** The information gathered is analyzed so that the client's situation is properly understood. This includes determining whether there are sufficient resources to reach the client's goals and what those resources are.
- **Step 4: Constructing a plan** Based on the understanding of what the client wants in the future and his current financial status, a roadmap to the client goals is drawn to facilitate the achievements of those goals.
- **Step 5: Implementing the strategies in the plan** Guided by the wealth plan, the strategies outlined in the plan are implemented using the resources allocated for the purpose.
- **Step 6: Monitoring implementation and reviewing the plan** The implementation process is closely monitored to ensure it stays in alignment to the client's goals. Periodic reviews are undertaken to check for misalignment and changes in the client's situation. If there is any significant change to the client's situation, the strategies and goals in the financial plan are revised accordingly.

PwC 2011 Global Private Banking and Wealth Management survey finds shift in focus

- http://www.pwc.com/us/en/press-releases/2011/Wealth-Management-Industry.jhtml
- According to the report:
- Today's wealthy clients are cautious, smart, less loyal and expect a higher level of service and clearer value.
- Regulation has become the not-so-invisible hand, increasing the cost of operations.
- Greater operational efficiency and effectiveness are required, not just to compete…but to survive.
- Standing still is no longer an option, and institutions must now quickly adapt or face being left behind.

Start a Firm?

http://www.investopedia.com/articles/financialcareers/07/start-your-own-firm.asp

Read this closely.

1. Biz Plan
2. Partners
3. Costs Labor
4. Clients
5. Licensing
6. Paperwork
7. Office and Technololgy etc.

Entrepreneurship

- http://www.advisorfyi.com/2011/07/how-much-do-you-work/
- More and more people work from home or abroad.

Ethics cases

- Insider Info
- Magazines, Websites, Blogs
- Client Info, Transaction Date - Etc.
- http://www.sec.gov/answers/insider.htm

10 B 5

- Rule 10b5-1 provides that a person trades on the basis of material nonpublic information if a trader is "aware" of the material nonpublic information when making the purchase or sale. The rule also sets forth several affirmative defenses or exceptions to liability. The rule permits persons to trade in certain specified circumstances where it is clear that the information they are aware of is not a factor in the decision to trade, such as pursuant to a pre-existing plan, contract, or instruction that was made in good faith.

10B5 II

- Rule 10b5-2 clarifies how the misappropriation theory applies to certain non-business relationships. This rule provides that a person receiving confidential information under circumstances specified in the rule would owe a duty of trust or confidence and thus could be liable under the misappropriation theory.

Lawyer

- **NEW YORK—A New York attorney has been sentenced to 30 months in federal prison for his participation in an insider trading scheme in which he misappropriated material, nonpublic information from his employer for the purpose of securities trading.**
- **http://www.northcountrygazette.org/2011/06/30/cutillo_trading/**

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Civil and Criminal

- Guilty or not, lawyers advise against talking to SEC officials if they contact you about insider trading -- instead, have your lawyer answer their questions. You may not have all the relevant information at your fingertips, and if the SEC catches you in a mistake, you could face charges of making a false statement. In addition, people have a tendency to tell stupid lies to government investigators.

  Read more: http://www.kiplinger.com/features/archives/2004/01/insider.html#ixzz1Sbv7DiQq
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Rules

- CPA rules may apply to you
- State Bar Rules may Apply
- SEC Rules
- FDIC or banking rules
- FINRA Rule
- State Securities Rules
- And more.

Ethics & Professionalism Concepts

- Diligence
- Integrity
- Objective
- Skill Competence
- Fairness and Conflicts
- *Confidentiality*
- Zeal and *Diligence*
- *Disclosure and Honesty*

Policy

- **What Does *Investment Policy Statement - IPS* Mean?** A document drafted between a portfolio manager and a client that outlines general rules for the manager.

  This statement provides the general investment goals and objectives of a client and describes the strategies that the manager should employ to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, and liquidity requirements would also be included in an IPS.

Fiduciary

- **What Does *Fiduciary Negligence* Mean?**
  A professional malpractice in which a person fails to honor his or her fiduciary obligations and responsibilities. Fiduciary negligence occurs when a fiduciary fails to act on breaches of fiduciary duty when his or her actions could have prevented the infractions.

Prudent Investor

- **What Does *Prudent Investor Rule* Mean?**
  A guideline that requires a fiduciary to invest trust assets as if they were his own. The managing investor should consider the needs of the trust's beneficiaries, the provision of regular income, and the preservation of trust assets and should avoid investments that are excessively risky. The prudent investor rule states that the decision-making process must follow certain guidelines, even if the final result does not satisfy the original intent.

Uniform Prudent Investor Act - UPIA

An updated trust investment law that reflects the changes that have occurred in investment practice since the late 1960s, specifically with regard to modern portfolio theory.

The Uniform Prudent Investor Act (UPIA) made five fundamental changes to the previous Prudent Investor Act standard. The most important change was that the standard of prudence would henceforth be applied to any investment in the context of the total portfolio, rather than to individual investments. Another key change was the extension of permission to the trustee to delegate investment management functions, subject to appropriate safeguards; such delegation was expressly forbidden by the former trust law.

Prudent person

- **What Does *Prudent-Person Rule* Mean?**
  A legal maxim restricting the discretion in a client's account to investments that a prudent person seeking reasonable income and preservation of capital might buy for his or her own portfolio.

Fiduciary Fraud

- **What Does *Fiduciary Fraud* Mean?**
  Illegal practices committed by financial institutions and financial professionals that constitute a breach of trust between the financial agent and the client. Fiduciaries are legally (and ethically) obligated to act in a way that benefits the client. Fiduciary fraud occurs when a fiduciary acts in his or her own self interest to the detriment of the client.

Securities Fraud

- **What Does *Securities Fraud* Mean?**
  A type of serious white-collar crime in which a person or company, such as a stockbroker, brokerage firm, corporation or investment bank, misrepresents information that investors use to make decisions. Securities Fraud can also be committed by independent individuals (such as by engaging in insider trading). The types of misrepresentation involved in this crime include providing false information, withholding key information, offering bad advice, and offering or acting on inside information.

Securities Class Action

- **What Does *Private Securities Litigation Reform Act – PSLRA* Mean?**

  Legislation passed by Congress in 1995 to stem the filing of frivolous or unwarranted securities lawsuits. The PSLRA increased the amount of evidence plaintiffs were required to have before filing a securities fraud case with the federal courts. It also changed the way securities class action lawsuits were handled by giving judges the authority to determine plaintiffs and to take other actions to reduce legal system abuses

End of Class

- Thanks for being here.

Kindest Regards, George

References

- PWC
- Investopedia
- SEC
- IRS
- Kiplinger
- AdvisorFYI.com