Litman Gregory
ASSET MANAGEMENT

Financial Well-Being Doesn't Happen by Accident

Target Your Goals with A Trusted Advisor

Life circumstances change—often rapidly—which is why you need the right financial advisor on your journey.

The shortest distance between two points is a straight line. But life is hardly so orderly and linear and even the most well-planned path can take unexpected turns. Even when everything unfolds exactly as intended, life has a way of raising new questions and responsibilities. Having a trusted partner to support your financial well-being through all the twists and turns can offer peace of mind and purposeful pursuit of your goals. This might mean selecting an advisor for the first time or moving to a new advisor who can more fully meet your current needs.

No matter what brings you to the point of considering an advisor, the important thing is to find a partner who is dedicated to your unique situation, offering clarity and unbiased advice that provides peace of mind and enables you to focus on what you love.

When to Consider an Advisor

At some point in their life, most people acknowledge that they are not allocating enough time and resources to address their financial security. That's not necessarily neglect, but rather the reality of busy lives, financial complexity and changing circumstances.

The right advisor can guide you through milestone goals throughout your life's stages, including compensation planning for changes in employment, strategies to fund family education, selling a business, retirement, generational transfer, and more. Moreover, a good partner can serve you and have a lasting, positive impact on future generations.

Consider these potential life-altering scenarios that may benefit from engaging with a new financial advisor or re-evaluating an existing advisor relationship:

Starting Your Own Business: Transitioning from full-time employment to self-employment or launching a new business has far-reaching implications. For most, this will be an emotional decision – as well as a financially complex one. An advisor can be your partner through this exciting transition.

Questions we can help you navigate:

- What are realistic income expectations?
- What are the tax implications of self-employment?
- What are some good solutions if there is a longer-than-anticipated runway to achieving income goals?
- How will this shift impact my retirement trajectory?

Retirement: Whether you are planning to retire from your current employment, looking for more flexibility to work less, or seeking time to work on things you love, retirement planning is a lifelong goal. Comprehensive cash flow planning and understanding how to transition from earned income such as a salary to funding cash flow from retirement income is a monumental change. Many investors are looking for rules of thumb and quick calculations to know if/how/when they can retire or change the way they work. It's not simple and it depends on countless variables.

Questions we can help you navigate:

- Do I have enough to retire when I'm ready?
- How should I factor my state of residence and state taxes into my decision?
- How will I plan cash flow for spending and what adjustments will I need to make?
- When do I tap into my various retirement accounts (Social Security, IRA, pension, 401(k))?

Divorce: Engaging your own financial advisor during a complex divorce can be especially helpful, particularly when it comes to structuring assets in a settlement. Soliciting an advisor's input before the settlement is finalized is an opportunity to get actionable advice from a different perspective. Attorneys may be excellent mediators, but they may not have a full picture of the financial situation and may not fully understand the financial assets involved.

Questions we can help you navigate:

- Are certain assets more valuable to one party or the other?
- How is the "after-tax" value of each asset being assessed in the division of assets?
- How do you separate short-term (checking/savings) versus longer-term (retirement) accounts?
- How can my portfolio help me meet my cash flow needs?

Inheritance: Many individuals who inherit assets may be unaccustomed to managing newfound wealth. Having an advisor relationship based on transparency and candid communication can provide peace of mind that your plan for giving, saving, and spending is appropriate.

Questions we can help you navigate:
- Do I have enough to alter my lifestyle?
- How does this new wealth impact my tax situation?
- Do I need to change my investment portfolio construction?
- Should I consider alternative investments typically reserved for high-net-worth investors?
- What are my opportunities for charitable giving and generational transfer?

Selling a Business: If you spend a lifetime building a business, selling high is of obvious importance. But truly benefiting from your hard work isn't as simple as finding a strategic buyer and maximizing a sale price. Structure and terms matter. Your advisor should strategize and conduct future scenario planning to help you better understand the cash flow and tax impact of different sales options before structuring a deal.

Questions we can help you navigate:
- How will taxes on the sale impact my proceeds?
- What structure can help facilitate passing on assets to successors and family, and how can I best achieve that?
- What is the impact on cash flow?
- What are the considerations for selling to family, employees, or a third party?

IPO Compensation Challenges: Circumstances can also change with new compensation structures or if an existing employer successfully completes an IPO. This will be an exciting time, and a partner willing to do some scenario planning and come up with creative solutions can help you unlock and maximize this newfound potential wealth.

Questions we can help you navigate:
- What are the challenges associated with concentrated stock positions?
- How and when should I liquidate this stock?
- What are the tax implications and how can I minimize my tax expenses?
- Are there ways to hedge the risk or otherwise diversify appropriately through private investments or other strategies?
- Are there philanthropic and charitable gifting strategies to consider?

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If you're looking for a financial partner to help you navigate life's changes and opportunities, let's meet. We'd like to learn more about you and help you get to know us.

We are a nationally recognized boutique wealth management firm that has been helping individuals and families reach their financial goals for more than three decades.

You could say we're obsessed with wealth management, but it's really your financial success that drives us. Our approach is focused and customized—we combine our planning and investment expertise with an intellectual honesty that demonstrates our commitment to helping our clients achieve their goals.

In our experience, clients are best served by deep relationships based on candid communication, resulting in well-crafted financial planning and expert portfolio management. Our combination of skilled wealth advisors and investment researchers, coupled with our client-first service focus, enables us to be both proactive in coordinating our client's complex financial situations and responsive to day-to-day needs. We always put clients' interests first and are proud of the decades-long relationships with our clients.

Contact Us to Set Up an Introductory Call

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Learn More About Litman Gregory

Visit **www.lgam.com/blog** to read our Insight blog
and sign up to receive updates on investing,
planning and other financial topics.

CHOOSE YOUR ADVISOR WISELY & ASK GREAT QUESTIONS

Once you decide to partner with a new financial advisor, the challenge shifts: How does one go about selecting an appropriate firm and advisor? Admittedly, some of this revolves around personality fit, which should not be underestimated. After all, the goal is to enter into a lasting partnership that might span generations. Still, qualifications, expertise, and intellectual honesty matter just as much, if not more, than personality. With that in mind, here are a handful of key questions to ask when considering a new advisor relationship.

1. **Are you a fiduciary?** Not all financial advisors are fiduciaries. A registered investment advisor is, by definition, a fiduciary. In other words, he or she is legally bound to act in your best interest at all times. This differs from the traditional financial professional who works for a brokerage firm and is not bound by fiduciary standards.

2. **What is the firm's culture?** Is the advisor's firm independent, with the size and structure to stay that way? An independent firm is owned by the individual advisors, so there is a high degree of responsibility to their clients. In addition, there are no conflicts of interest regarding investment products, so an independent firm can provide unbiased advice. Does this firm have a boutique culture that can offer highly personalized service? Your advisor should want to work as part of an integrated team with other trusted advisors, such as your CPA or attorney.

3. **What would my relationship with my advisor look like?** Does the advisor spend significant time getting to know you, your situation, and your goals? Transparency, regular candid communication and being comfortable with your advisor are essential ingredients to a good relationship. Your advisor should be obsessed with your financial well-being.

4. **What is your investment experience and expertise?** Who will be managing your investments and what are his or her qualifications? Look for investment professionals who have experience and credentials (like a CFA® or CFP® designation, or MBA). Do the advisor and his or her firm have a well-articulated investment process, and how did they fare in other turbulent times through different stages of the market cycle?

5. **What does the client roster look like?** Ideally you should recognize the types of clients and the challenges facing these clients. This could give you comfort that the advisor will understand your scenario and has the skills to provide guidance. For example, if you are looking for help navigating unique challenges facing family-owned businesses or generational transfers of inheritance, your advisor should be able to speak with you quite specifically about how their firm approaches and manages these special situations for current clients.

6. **Who is holding my assets?** The firm that actually houses your assets matters, especially in a post-Madoff world. We recommend looking for an advisory firm that uses a large, reputable third-party custodian (e.g., Charles Schwab or Fidelity) to ensure checks and balances for their clients. This third-party custodian should be able to verify your account balances and provide reports separate from the advisor.

7. **What type of technology tools support our relationship?** With cybersecurity an increasing concern, it is important to understand the steps your advisor takes to protect your information. At a more personal level, you may want to find out what the advisor offers in terms of real-time access to your portfolio data, secure document exchange, e-signature capabilities and video-meeting options. While these tools aren't required to achieve financial success, they can make it easier to stay engaged with the process and with your team.

8. **How much do you charge?** Fees matter, and more than anything they should be transparent. Before signing on the dotted line, you should have no doubt about compensation. Is it fee-only, or does the advisor earn a commission or referral fee for selling you any specific products? Look for a fee structure that aligns the advisor's incentive to provide advice consistent with your goals. Fee-only compensation structures have less inherent conflicts of interest than commission-based relationships.