WEALTH PRESERVATION

Helping You Make Informed Decisions About
Your Most Important Financial Concerns

RELEVANT
WEALTH


"Go confidently in the
direction of your dreams.
Live the life you have
imagined."
– Henry David Thoreau

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Looking Ahead At Your Financial Future

Few people invest their wealth simply because they want to see it grow. Instead, they have very specific goals in mind - to enjoy a particular lifestyle, or to send their children and grandchildren to top universities. Some dream about traveling the world, while others envision making a significant difference in the lives of others through charitable giving. More often than not, they have many goals, some short term, some long term and some that reach beyond their own lifetimes.

As you look ahead at your own financial future, you no doubt are asking serious questions about the best way to proceed. Finding the optimal path is not easy.

To answer this need, we created a process designed to provide you with a clear framework that will help you make informed decisions about your most important financial concerns.

We will present a range of key concepts that we believe you should consider as you address your financial concerns. With this knowledge, you will be in a position to take a thoughtful, comprehensive approach to your financial life and to achieve all that is most important to you.

At Relevant Wealth, we address what is for most people their top financial concern - preserving their wealth. You worked hard. You want to effectively grow and preserve your wealth so it can help you fulfill your goals.

I hope this information will prove useful as you move forward in making the intelligent financial decisions that will take you in the direction of your dreams.

Bruce Raabe - Founder & CEO
Relevant Wealth

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A Comprehensive Approach to Your Financial Life

Most of us lead busy lives and juggle multiple priorities and demands on our time. At the end of the day, each of us is the chief financial officer for our family, responsible for making the decisions that will determine whether we will achieve our financial dreams.

To do so successfully, you need what every successful CFO has - a sound understanding of the challenges you face and a comprehensive approach for addressing those issues.

The Five Major Areas of Financial Concern

For most of us, there are five major areas of financial concern:

1. **Preserving your wealth -** Our aim with wealth preservation is to produce the best possible investment returns consistent with your time frame and tolerance for risk. This is the primary area of focus for most financial advisors.
2. **Enhancing your wealth -** Our goal is to minimize the tax impact on your financial picture while ensuring your cash flow needs are met.
3. **Transferring your wealth -** We find and facilitate the most tax-efficient way to pass assets to your family and succeeding generations in ways that meet your wishes.
4. **Protecting your wealth -** We help you address your concerns about protecting your wealth against catastrophic loss, potential creditors, litigants, and identity theft.
5. **Giving your wealth away effectively -** We consider all issues related to fulfilling both your charitable and non-charitable gifting goals in the most impactful way possible.

None of these five areas of concern stands in isolation from the rest. Wealth protection, for example, is often intertwined with wealth transfer needs. And charitable giving can often support goals in each of the other four areas.

To be most effective, you need to deal with each area systematically while maintaining an integrated approach to your overall financial picture. We call this wealth management.

Our Wealth Management Approach

As you may have noticed, many financial firms these days say that they offer wealth management. The challenge is that the primary focus for many of these firms is investment management. They may offer a few additional services, such as college education planning and estate planning, but they lack the truly comprehensive tool set of wealth management. Without this complete tool set, there are areas of your financial life that may not receive the attention they need.

To define wealth management, we use this formula:

WM = IC + AP + RM

The first element of wealth management is **investment consulting (IC)**, which is the management of investments over time to help achieve financial goals. It is through investment consulting that we address the first key financial concern of wealth preservation.

Astute investment consulting requires advisors to deeply understand each client's most important challenges and to then design investment strategies that take into account the client's time horizons and tolerance for risk. It also requires that advisors review not only their clients' portfolios but also their financial lives on a regular basis so that they can make adjustments to the investment strategies as needed.

The second element of wealth management, **advanced planning (AP)**, examines and manages all the issues beyond investments that are important to clients' financial lives. The four major categories are:

- **Wealth Enhancement**
- **Wealth Transfer**
- **Wealth Protection**
- **Charitable & Family Giving**

As you will no doubt notice, these areas of advanced planning align exactly with the four remaining key financial concerns we described earlier. In our experience, very few financial advisors address these four concerns in a comprehensive manner.

Relationship management (RM) is the third element of wealth management. To effectively address a clients' range of overlapping, frequently complex financial concerns, relationships are built within three groups.

The first and most obvious group is their clients. It is only through solid, trusted client relationships that wealth managers can fully understand and help manage their clients' needs effectively over time.

Second, because no single financial advisor has all the knowledge required to manage the entire range of financial challenges, many wealth managers have a network of financial professionals they can contact on a case by case basis to help address specific client needs.

Finally, wealth managers must be able to work effectively with their clients' other professional advisors such as attorneys and accountants. This collaborative approach leverages those advisors' knowledge of the clients' financial challenges while helping ensure an integrated, holistic approach to their finances.

While our focus is on the first element of wealth management, investment consulting to achieve wealth preservation, keep in mind it is just one component of a comprehensive approach to your financial life. In the last section of this guide, we will describe what you should expect from a wealth manager who can help you make informed decisions about every aspect of your financial life.

True wealth managers take the road less traveled and address a wide range of needs for their clients, well beyond investments.

Source: Behaviorgap.com

Removing the Emotion and Tuning Out the Noise

Today, we are inundated with information from every direction. As an investor who wants to make astute decisions about your portfolio, you know about the sheer volume of financial data and commentary bombarding you from the Internet, television, newspapers and magazines. It can be extremely difficult, or even impossible, to sift out what is genuinely useful and to leave the rest. It all begins to sound like noise.

Unfortunately, it's easy to get caught up in all that noise. Instead of using the information to make decisions thoughtfully and logically, we can get drawn into the emotion generated by the noise. And when people begin to base their financial decisions on their emotions, they often make mistakes. They chase hot stocks and market sectors while ignoring investments that are undervalued and poised to rise. They forget about risk and volatility. As a result, they often earn subpar returns that fail to help them achieve their financial goals.

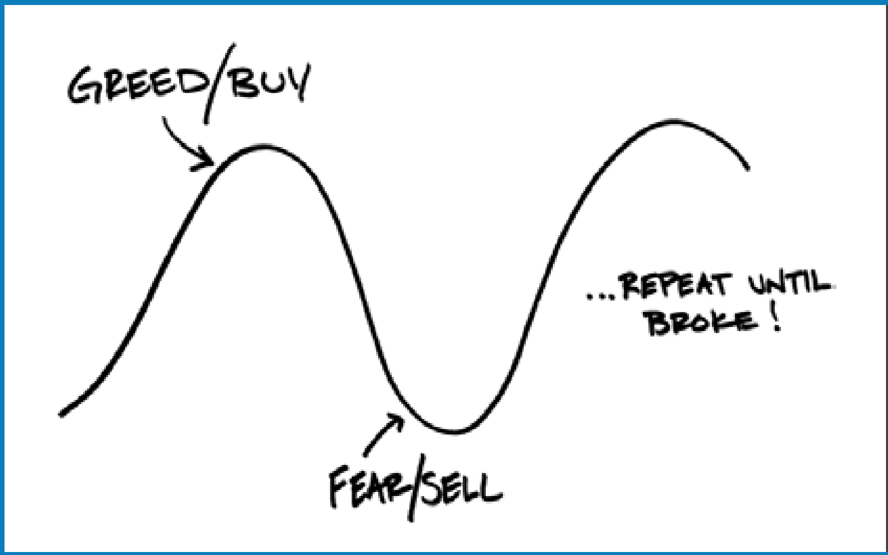
To help you understand how emotion might lead you to make investing mistakes, let's look for a moment at what can happen when you hear about a "hot" stock.

If you are like many investors, you do not buy the stock right away. You have probably had the experience of losing money on an investment - an experience you did not enjoy - so you do not rush out and buy the stock immediately. Instead, you decide to follow it for a while to see where it goes. Sure enough, it starts to trend upward.

You hope that this might be the one investment that makes you a lot of money. It continues its upward trend and a new emotion kicks in as you begin to believe that this just might be the one. This new emotion? Greed. You decide to buy the stock that day.

You already know what happens next. As soon as you buy the stock, it starts to drop. You are flooded with new emotions - fear and regret. You are afraid that you have made a terrible mistake. You promise yourself that if the stock just goes back up to where you bought it, you will never do this again. You don't care about making money on the stock anymore. You just want out.

Now let's say the stock continues to drop. Yet another emotion - panic - takes over. In your panicked state, you sell the stock at a huge loss. And what happens next? New information comes out and the stock races to an all-time high.

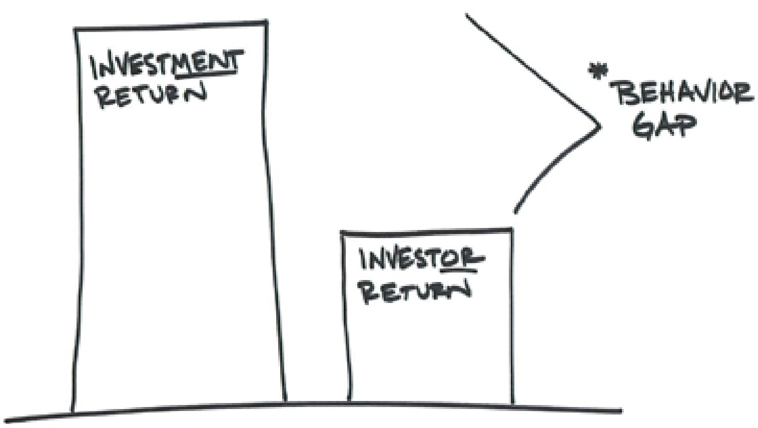


What not to do.

Source: Behaviorgap.com

Emotions are powerful forces that sometimes cause you to do exactly the opposite of what you should do - in this case, buying high and selling low. If you were to do that over a long period of time, you would cause serious damage not just to your portfolio but, more importantly, to your financial goals.

The good news is that there is an alternative to noise-based investing. By applying a handful of sound investing strategies to your portfolio, you can tune out the noise and remove the emotion from your investment decisions. These strategies will help empower you as you move toward achieving consistent, long-term success in preserving your wealth. We turn to those concepts next.



Source: Behaviorgap.com

Most investors let their emotions derail their long-term investment success. Studies have shown there is a consistent gap between investor returns and investment returns. We call this the “behavior gap”. Recognizing this potential risk is the first step toward achieving your most important goals.

Five Strategies for Preserving Your Wealth

If you examine your own life, you may find that it is often the simpler things that consistently work in helping you to achieve your goals. Successful wealth preservation is no different. However, as we have just seen, it is easy to have your attention drawn to the wrong issues. These wrong issues - the noise - can derail your journey.

To keep on track, consider the following five strategies as you make your decisions. Alone, each is a pearl of investing wisdom. Used together, they have the potential to maximize your ability to create and preserve wealth.

It is important to note that while these concepts are designed to maximize return, no strategy can eliminate risk, which is inherent in all investments. Whenever you invest, you have to accept some risk. It is also important to remember you are responsible for reviewing your portfolio and risk tolerance and for keeping your financial advisor current on any changes in either your risk tolerance or your life that might affect your investment objectives.

One: Create a Road Map

Only by knowing exactly where you are now and where you want to be in the future can you identify what you need to get there.

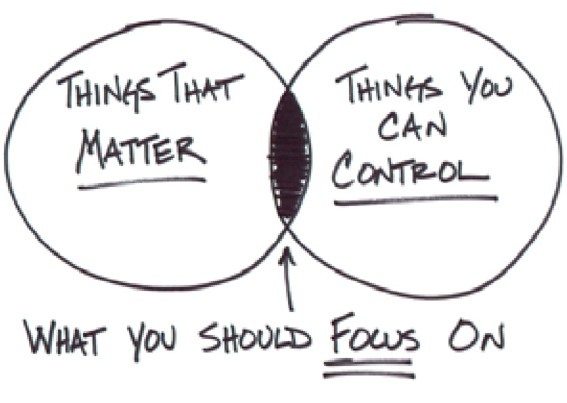
Start by assessing your current situation. Determine your net worth, your investable assets, and any other financial resources you may have. Next, clearly define your investment goals. These could include college expenses, retirement, and travel plans.

With these issues clarified, you will be ready to address the gap between where you are now and where you want to go. Determine how much of your income you can put toward your goals. Estimate the rate of return you will need to achieve on your investments to reach those goals. Consider how much risk you are willing to take, and align your strategy accordingly. Select the investment vehicles and implement your plan.

This process may sound daunting, and many people, especially those with more complex financial situations, find the assistance of a financial advisor invaluable in creating their financial road maps. In fact, closely examining your current situation and creating a detailed investment plan should be the first step that any financial advisor takes in working with you.

Regardless of whether you create your own road map or consult with a financial advisor to create one, the road map will serve as a steady reminder of your goals. Especially during times of market tumult when the emotions of others are running high, this will help you maintain your deliberate approach.

If you do choose to work with a financial advisor, consider a wealth manager who can assist you with your financial concerns beyond investments. In the next section, we will look at what you should expect from a wealth manager so you can make an informed decision when choosing which financial professional to work with.



Source: Behaviorgap.com

Two: Leverage Diversification to Reduce Risk

Most people understand the basic concept of diversification: Don't put all your eggs in one basket. However, that's a simplistic view of diversification. It can also get you caught in a dangerous trap - one that you may already have fallen into.

For example, some investors have a large part of their investment capital in their employers' stock. Even though they understand that they are probably taking too much risk, they do not do anything about it. They justify holding the position because of the large capital gains tax they would have to pay if they sold, or they imagine that the stock is just about to take off. Often, investors are so close to particular stocks that they develop a false sense of comfort.

Other investors believe they have effectively diversified because they hold a number of different stocks. They do not realize they are in for an emotional rollercoaster ride if these investments share similar risk factors by belonging to the same industry group or asset class. "Diversification" among many companies in the same industry is not diversification at all.

Truly diversified investors - those who invest across a number of different asset classes - can lower their risk, without necessarily sacrificing return. Because they recognize it is impossible to know with certainty which asset classes will perform best in coming years, diversified investors take a balanced approach and stick with it despite volatility in the markets.

Three: Seek Lower Volatility to Enhance Returns

If you have two investment portfolios with the same average or arithmetic return, the portfolio with less volatility will have a greater compound rate of return potential. This means you want to design your portfolio so it has as little volatility as necessary to help you achieve your financial goals.

Why is this the case? Assume that you are considering two mutual funds. Both had an average arithmetic rate of return of 8 percent over the past five years. How would you determine which fund has performed better? You would probably expect both to have the same ending wealth value.

However, this would be true only if the two funds have had the same degree of volatility. If one fund is more volatile than the other, the compound returns and ending values will be different. This illustrates the mathematical fact that the investment with less volatility will have a higher compound return potential.

You can see in **Exhibit 1** how this works. In this example, two equal investments have the same arithmetic rate of return, but have very different ending values because of volatility.

	Consistent Investment: $1,000,000		Volatile Investment: $1,000,000	
Year	**Rate of Return**	**Ending Value**	**Rate of Return**	**Ending Value**
1	**8%**	**$1,080,000**	**30%**	**$1,300,000**
2	**8%**	**$1,166,400**	**-20%**	**$1,040,000**
3	**8%**	**$1,259,712**	**25%**	**$1,300,000**
4	**8%**	**$1,360,489**	**-20%**	**$1,040,000**
5	**8%**	**$1,469,328**	**25%**	**$1,300,000**
Arithmetic annual return	**8%**		**8%**	
Compound annual return	**8%**		**5.39%**	

Exhibit 1 – Less Volatility = Greater Wealth

Note: This is a hypothetical series of returns to indicate the significance of volatility and does not represent any specific investments at any specific time.

Exhibit 2 shows two portfolios with the same average return. As a prudent investor, you want the less volatile ride of Portfolio A, not only because it helps you ride out the emotional curve, but because it may also help you create the wealth you need to reach your financial goals.

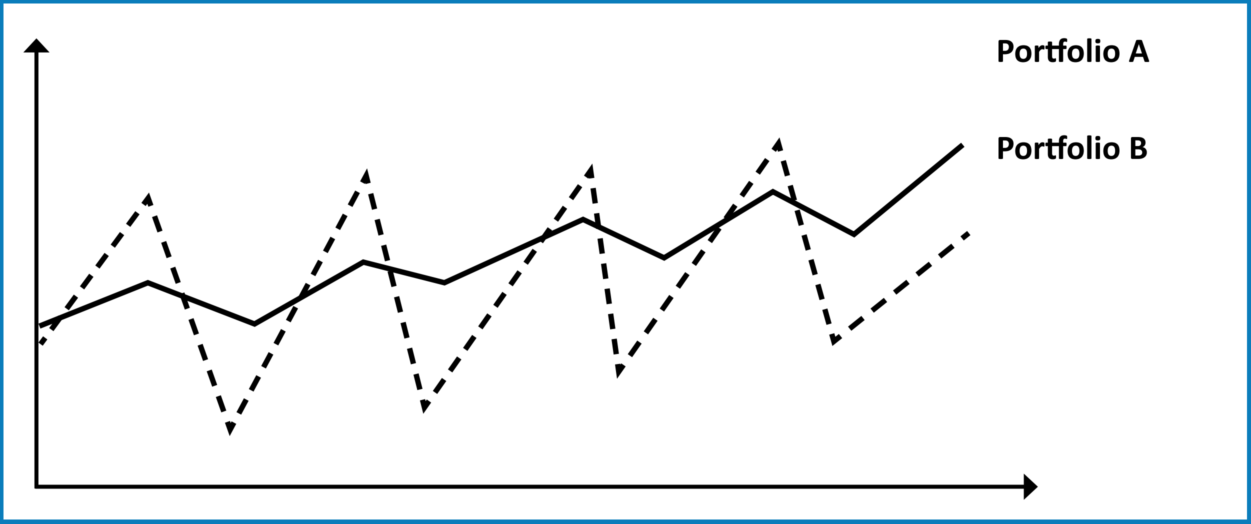


Exhibit 2 – Two Portfolios with the Same Average Return

Four: Diversify Globally to Enhance Returns and Reduce Risk

Investors in the United States tend to favor stocks and bonds of U.S. based companies. For many, it's more comfortable emotionally to invest in firms they know and whose products they use than in companies located on other continents.

Unfortunately, these investors' emotions are causing them to miss out on a way to potentially increase their returns. That's because the U.S. financial market, while the largest in the world, still represents less than half of the total investable capital market worldwide. By looking to overseas investments, you could increase your opportunity to invest in global firms that can help you grow your wealth.

Global diversification in your portfolio also can help you reduce overall risk. American equity markets and international markets generally do not move together. In investing, there is a correlation between risk and return: Individual stocks of companies around the world with similar risk have the same expected rate of return. However, they do not necessarily get there in the same manner or at the same time. The price movements between international and U.S. asset classes are often dissimilar, so investing in both could help increase your portfolio's diversification.

Exhibit 3 illustrates the potential benefits of diversifying your portfolio globally. Investors who focused solely on large cap U.S. stocks, as represented by the S&P 500 index, did well over the past decade. Investors who invested across a broad mix of different parts of the U.S. market, as well as developed and emerging markets around the world, would have likely experienced better returns over this period.

Total Returns of Various Asset Classes

Asset Class	Index	10 Year Total Return - December 2021
US Large Cap	S&P 500 Index	362%
US Mid Cap	S&P 400 Index	277%
US Small Cap	Russell 2000 Index	246%
US REIT	Dow Jones US Select REIT Index	202%
International Markets - Developed	MSCI EAFE Index	117%
International Markets - Emerging	MSCI Emerging Markets Index	71%
US Investment Grade Bonds	Barclays US Aggregate Index	33%
US High Yield Bonds	iBoxx USD Liquid High Yield Index	78%
Short-term US Government Bonds	Three-Month US Treasury Bills	4%
US Intermediate Government Bonds	Five-Year US Treasury Notes	18%
Gold	Gold Spot Price p/Troy Oz.	18%

Exhibit 3 – Total Returns of Asset Classes, 2011 – 2021

The S&P data is provided by Standard & Poor's Index Services Group. Russell data copyright© Russell Investment Group, all rights reserved. MSCI data copyright MSCI, all rights reserved. Dow Jones Index data provided by Dow Jones Indexes. Indexes are not available for direct investment.

Index performance does not reflect the expenses associated with the management of an actual portfolio. Diversification neither guarantees a profit nor prevents a loss. Past performance is no guarantee of future results.

Five: Track Your Progress

As you move forward, assess your progress on a regular basis to determine whether you are still on track and if you need to make any adjustments in response to changes in your personal situation or the markets.

Ideally, you will conduct this assessment on a quarterly basis. At a minimum, it should be done annually. Should you work with a financial advisor, he or she should facilitate a progress report.

To check your progress, you (or your financial advisor) should answer these questions:

- **Have there been any significant changes in your life or family since the last progress report? Do you expect any significant changes in the near term?** Changes such as a divorce, retirement, birth of a child or grandchild, or death of a close family member can have a major impact on your goals and financial situation. This, in turn, may require adjustments to your investment plan.

- **How has your portfolio performed?** Performance should be gauged against the benchmarks representing the asset classes in your portfolio. So the performance of large company U.S. stocks or stock funds, for example, would typically be measured against the S&P 500 index.

- **What accounts for the portfolio's performance?** If your portfolio's performance is not matching your expectations or is falling below historical performance, find out why. It could be caused by short-term market fluctuations, or it could mean that your asset allocation should be adjusted.

- **What changes, if any, should be made in the portfolio?** While we believe that a patient, long-term outlook is important to investing success, there are also instances where a change of course is indicated. Most often this will be in response to changes in your life or family, but it can also be called for by performance-related issues with particular investments.

By addressing each of these questions, your regular progress meetings will become one of your most important tools for making disciplined, unemotional decisions about your investments.

Go Confidently Forward

As we discussed, a comprehensive approach to your financial life requires wealth management. This means more than just preserving your wealth by taking care of your investments. It also means addressing your advanced planning needs, including wealth enhancement, wealth transfer, wealth protection, and charitable giving.

So, if you choose to work with a professional, you will want one who uses the wealth management approach. However, many in the financial services industry today call themselves wealth managers while offering little more than investment management. How will you know whether you are dealing with a true wealth manager?

The advisor should offer a full range of financial services in the four areas of advanced planning. In addition, the financial advisor should do two key things: use a consultative process and provide access to a network of professionals. We will look at each of these crucial items in some depth.

The Consultative Process

Research on the best practices of leading wealth managers shows that they use a consultative process with their clients. This allows them to uncover their clients' true financial needs and goals, to craft long-range wealth management plans, and build ongoing relationships.

Our consultative process usually unfolds over a series of meetings:

- At our **Discovery Meeting**, we determine your current financial situation, financial goals, and any obstacles that may stand in the way of reaching those goals. In addition, we will ask detailed questions on key non-financial issues, such as values, interests, and important relationships. Using these answers, we will create an in-depth profile of the most important aspects of your life.

- At the **Investment Plan Meeting**, using the information gathered at the Discovery Meeting, we present a complete diagnostic of your current financial situation and a plan for working toward wealth preservation-related goals.

- At the **Mutual Commitment Meeting**, assuming that we can truly add value to your financial life, we formally decide to work together.

- At the **45-Day Follow-up Meeting**, we help you understand the new accounts that have been opened and answer any questions you may have.

- At **Regular Progress Meetings**, which are typically held quarterly, we report to you on the progress toward achieving your goals and check in about any important changes in the your life that might call for an adjustment to your investment plan.

In addition, at the first Regular Progress Meeting, we present a wealth management plan - a comprehensive blueprint for addressing the client's advanced planning needs that has been developed in coordination with their network of professionals.

At subsequent progress meetings, together we decide how to proceed on specific elements of the wealth management plan. In this way, over time, every aspect of the client's complete financial picture is effectively managed.

If you decide to work with a financial advisor, or begin working with one who uses a consultative process, keep in mind that you are an active participant throughout the process. At every step, re-examine your commitment to the process and make sure you have the information you need to make informed decisions.

If you choose to manage your finances on your own without a financial advisor, we still recommend you undertake a consultative process to help ensure that you move forward thoughtfully.

Our Professional Network

Just as no one person can know all subjects, no one wealth manager has the skills and experience to address the entire range of advanced planning needs beyond wealth protection. To provide our clients with the required knowledge and experience, we work with a network of carefully selected financial professionals.

Exhibit 4 provides an overview of our consultative wealth management process and how it is supported by a network of professionals.

Typically, we will create a core network composed of three professionals:

- An attorney who is skilled in estate planning, wealth protection planning, succession planning, and developing charitable giving programs
- An accountant who deals with income tax planning and cash flow
- An insurance specialist who can identify and structure solutions that leverage the entire range of insurance options

As needed, we can bring in additional professionals to address highly specific challenges. These professionals might include credit specialists, corporate tax lawyers, actuaries, derivatives specialists and securities lawyers.

We also work closely with the client’s other professional advisors, such as attorneys and accountants.

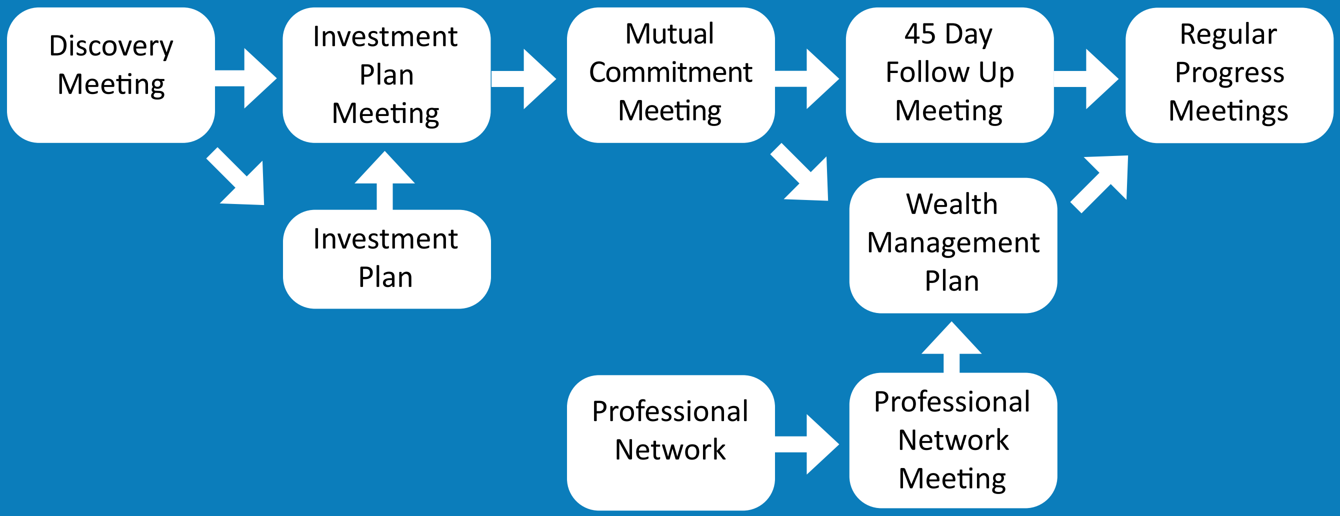


Exhibit 4 – Our Consultative Wealth Management Process

Selecting a Financial Advisor

In selecting an advisor, you will also want to choose someone with whom you can build a satisfying relationship over time.

Research in the financial services industry shows that there are six major factors that contribute to clients' satisfaction with their advisors. We recommend that you look closely at each of these six attributes. If you already work with a financial advisor, think about whether he or she displays these six traits.

1. **Character -** Without doubt, any advisor you work with should have integrity, be trustworthy, and be dependable. He or she should demonstrate these character traits in every contact with you.

2. **Chemistry -** This is the ability to "connect" with you. You should feel a genuine rapport with him or her from your very first meeting.

3. **Caring -** They must be truly concerned about you as a person and should understand what is most critical to you, beginning with your life goals and financial objectives.

4. **Competence -** Of course, they should be smart and able to manage the technical aspects of your finances. Better yet, they should be recognized as a leading professional in your area.

5. **Cost effective -** This is not a question of what the financial advisor costs, but one of whether he or she provides you with true value for the cost.

6. **Consultative -** This is the most important factor because it frames your entire relationship with the advisor as an ongoing, long-term partnership. It has three major components:

   - ***Cooperative orientation*** **-** Some advisors feel it is their job to constantly hold their clients' hands and take care of everything for them. Most clients may actually prefer a more collaborative approach where they take an active part in the management of their finances.

   - ***Contact*** **-** The advisor should ask you how often you prefer to be contacted, how you prefer to be contacted and on what topics you want to be contacted. As appropriate, he or she should also reach out to you on matters beyond your finances.

   - ***Customized communications*** **-** The advisor should tailor his or her communications to you and your specific needs and interests.

Let Us Stress Test Your Wealth Plan

As you consider a new financial advisor - or take a closer look at your own current advisor - keep in mind that you need someone to not just help you manage your finances, but also help you reach your most important financial goals. This is one of the most important decisions you will make. You deserve to be extremely satisfied with your choice.

If you are currently working with an advisor and are unsure whether he or she is using the consultative wealth management approach discussed here, we recommend our complimentary and confidential second opinion service.

During this process we will “stress test” your investment plan and advanced plan. You will leave knowing if you are on the right path of if there are real gaps in your strategies. In any case, you will find the experience educational and empowering - giving you the confidence you need to take decisive action.

You owe it to your family and yourself to make sure that your investment plan - and overall wealth management plan - is designed to effectively address your specific needs. This will maximize the probability that you will achieve all your financial goals and, along with them, your dreams.

We wish you nothing but success in achieving all that is important to you.

We wish you nothing but success in achieving all that is important to you.

About Relevant Wealth

Relevant Wealth was founded with the vision of providing a unique investment proposition – one based on trust, integrity, professionalism, discipline, and partnership. We believe no professional relationship is more intimate than that of advising on the investment of accumulated wealth.

To this day, we remain steadfast in our mission. In the face of ever changing financial markets, we owe our duty to our clients and their individual interests, and objectives. We are their advocate and what we do must be for their benefit. These basic tenets have led to lifelong professional relationships resulting in prudent and successful wealth management strategies.

If you are looking for a personal Chief Financial Officer who will take the time to get to know you, build a custom financial strategy for you and your loved ones, and maintain a relationship with you over time, then we encourage you to get started right away.

While the first step may be the most difficult, I know you will have no regrets. I can be reached at 415.925.4000 to schedule an introductory discovery meeting. This engaging process will allow us to stress test your current wealth plan and possibly identify real gaps between your goals and your current plan. There has never been a better time to take care of your financial future.

I look forward to hearing from you.

Bruce Raabe - Founder & CEO
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“If you want to go fast, go alone;
if you want to go far, go together.”

- African Proverb

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