

## **What is Wealth Management anyway?**

**By Charles L Stanley CFP® ChFC AIF®**

It seems that in our use of language, every few years a new marketing term is coined, intended to create a positive perception whether there is real substance behind it or not. A few years ago the title of a stockbroker disappeared from the face of the earth in favor of titles like Account Executive, Financial Consultant, Investment Consultant and Financial Advisor, etc. In reality, though, a stockbroker is a stockbroker.

The more recent addition to this redefinition of terms is “Wealth Management.” At some banks, offering trust and investment services is referred to as Wealth Management. At other firms, portfolio management passes as Wealth Management. I even know an insurance agent, who really is strictly an insurance agent, whose title on his business card reads “Wealth Manager.”

So, when I refer to Wealth Management, what exactly do I mean? At the definitional level, Wealth Management means taking care of the needs of affluent clients, their families and their businesses as part of a long-term, consultative relationship. It’s best conceptualized as a platform where a number of different sets of services and products are provided and/or coordinated. It’s a full-service model that can offer advice on investment management, estate planning, retirement, tax, asset protection, cash flow, and debt management.

Let me illustrate by sharing (anonymously, of course) how this has worked out for one client in particular. I will call them George and Mary (how fictitious can I get?) George was contemplating the sale of his business and while he had the wealth all along, it became a new reality to him when he saw it would be liquidated, that is, for him it would now be a pile several million dollars of cash. Suddenly, he felt the need to clarify his estate planning like never before. So, when he became a client, that is where we started and developed their written Family Financial Philosophy, a fairly comprehensive document that records a little history (where did all this money come from, hard work, inheritance, winning the lottery, etc.?), and a declaration of the family’s values. What is really important about money and its uses to them? We defined “Financial Independence” so the planning that would follow would take that into consideration. (It is the single most important number in estate planning.) We determined what the appropriate legacy is for their heirs and finally what their desire is for their Social Capital, that is, their philanthropic interests. With this documentation done, the next phase was to consider the strategies that would support their statement.

In coordination with their estate attorney, their estate documents were drawn up. One value of having a team approach is that we were able to identify some significant errors that had gotten by the proof readers at the law firm and were able to get that fixed the easy way (that didn’t involve any court activity).

After having experienced some less than acceptable results with some other “financial advisors”, we developed a comprehensive investment policy statement and were able to handle the complete investment portfolio including retirement assets and the taxable accounts as well. For the first time, George was able to understand the processes and principles around the investment strategy. He told me that before this investing had always been this mysterious thing that other people did in a black box and he was never able to understand how it was done. Now, it is clear and makes sense.

A review of the auto and homeowner’s insurance policies showed up some missing coverage and inadequate limits. An, of course, that was fixed.

Even though George works with a fine CPA Firm, a review of his income tax returns resulted in 3 years of amended returns in order to capture significant deductions that had been missed. Since these are ongoing, that will produce literally thousands of dollars in income tax savings over the next several years in addition to the last 3 years of amended returns.

We have ongoing reviews of different aspects of their financial life and how it intersects with the other aspects of their family life including how to introduce their children to the management of the family wealth in the future.

Wealth Management is more than investments and trusts and done rightly, requires a personal relationship between the family and the wealth manager. Every family is a little different (sometimes a whole lot different) and a true wealth manager must really know those unique differences from family to family and be able to customize service accordingly. This *really* is the essence of Wealth Management.

*Charles L. Stanley CFP® ChFC AIF® is an author, educator, and public speaker as well as a wealth manager with Capital Financial Advisors, LLC, a fee-only Wealth Management Firm in La Jolla, CA whose mission it is to provide Wealth Management to Successful Business Owners. In addition to many published articles and quotes in the financial press, Mr. Stanley regularly conducts continuing education classes for Attorneys and CPAs and is available for public speaking, seminars and private consultations. Mr. Stanley can be reached at 858-395-8694 or email [cls@charlesstanley.cc](mailto:cls@charlesstanley.cc) or [www.charlesstanley.cc](http://www.charlesstanley.cc)*