DAVIE KAPLAN
Wealth Care Advisors, LLC

YOUR GUIDE TO

Wealth Management

Your Guide to Wealth Management

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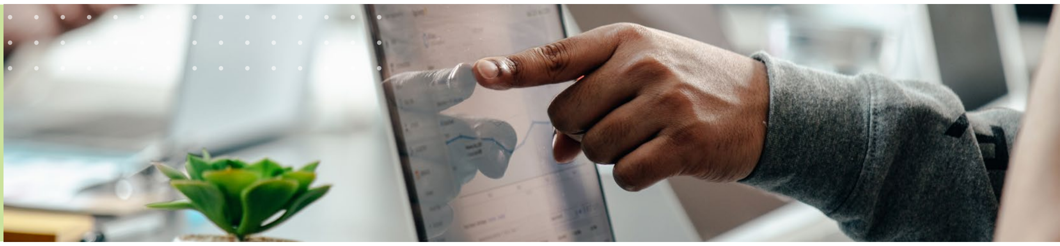
Introduction

Regardless of how we spend our days, for many of us, building and growing wealth is one of our biggest life goals. However, because we're busy with other pursuits, wealth management often gets relegated to the back burner.

Unfortunately, growing and protecting wealth doesn't happen on its own. Rather than leaving this goal on the back burner, it may be time to give wealth management the attention it deserves. And because tax liabilities affect every wealth planning decision, it's best to approach wealth management and tax planning jointly. Davie Kaplan offers a unique, holistic approach to planning with Certified Financial Planners™ and Certified Public Accountants working together as part of each client's interdisciplinary team.

In this guide, we look at holistic wealth management, who needs it, and how it can benefit families for generations.

CHAPTER 1



What Is Wealth Management and Do You Need It?

Wealth management is more than standard financial planning. It is a specialized form of financial planning that takes a holistic look at a client's entire financial picture.

With an eye to managing the client's full financial life, wealth management includes a variety of different services including investment management, financial planning, tax planning and estate planning. At Davie Kaplan, every wealth management team includes both Certified Financial Planners™(CFP) and Certified Public Accountants (CPA) who work together to ensure that wealth plans always proactively include tax planning.

Understanding Wealth Management

Wealth management includes establishing a relationship of advocacy with a financial planner, who helps invest your assets in alignment with your desire to take risks and achieve long-term goals. If you work with a CFP® or a wealth manager employed by a Registered Investment Advisor (RIA), he or she will take on the role of a fiduciary. That means the professional is required to prioritize the needs of clients over their own profits, so he or she must put your needs first and work in your best interest.

In addition to working with a professional, wealth management requires you to set financial goals. With goal-based financial planning, your investment returns are always a means to an end—accomplishing your individual financial goals.

Davie Kaplan's wealth managers help clients reach their goals by developing a holistic plan that includes all aspects of the client's income and assets. Regardless of where your assets are located, they are all included in the wealth plan to make sure they complement each other and work together to help you reach your goals. For example, if you have funds in IRAs, a 401(k) and your kids' college accounts, and you own real estate and expect an inheritance in the next 10 years, all those assets would be included in your wealth plan.

More than simply stock picking, wealth management involves an entire suite of services, including retirement preparation, insurance, estate planning, tax abatement strategies and investment management. Because no one professional is an expert in all these areas, the best wealth management relationships often involve working with a team of professionals, such as a Certified Public Accountant and a Certified Financial Planner™, rather than a single professional, for guidance in managing your assets.

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Who Needs Wealth Management?

Wealth management is geared toward high-net-worth individuals, but that threshold can vary. Some wealth management firms require clients to have several million dollars in investable assets, while others require a lower threshold, such as $250,000 in investable assets.

Many people decide they need a wealth management plan when they have amassed significant wealth but don't have the time or inclination to focus on growing and protecting that wealth. If you want to build a legacy for your family, plan for a secure retirement, pay for your children's education, preserve your wealth and maximize its growth, or all of the above, wealth management may be the comprehensive solution you need.

CHAPTER 2

The Benefits of Wealth Management

If you're accustomed to managing your own assets or working with various professionals to handle different types of assets in a piecemeal way, tracking your financial life may be somewhat stressful.

And while making a change can be daunting, choosing to work with a wealth management firm to oversee your entire financial life can offer you a number of benefits. Here's a look at four of the most important benefits that wealth management can provide.

Setting and Reviewing Goals

Before you can achieve goals successfully, you must first have a clear picture of what you're trying to achieve. While setting financial goals is crucial, it's also a delicate process. Setting the right goals requires you to think about what you want and need in the future, and how your finances can affect those goals—and vice versa.

A wealth manager can guide you in creating realistic and manageable goals for your future, ranging from short-term goals for the next year or five years, to long-term goals for the next 20 or 50 years. Creating the right goals is essential for creating a wealth plan that will work for your particular situation.

And because your situation and your needs are always prone to change, a wealth manager will also take time to review your goals with you periodically. These reviews give you a chance to gauge progress and reconsider your objectives based on your life circumstances and preferences.

Professional and Proactive Guidance

With your specific goals in mind, a wealth manager will develop a wealth plan to help you reach those goals. This plan won't just include your investable assets; it will include all your assets, such as your 401(k), IRA, brokerage accounts, income and bonuses, stock options, inheritance, real estate and other assets.

Once a plan is in place, it's never set in stone. Rather than setting up your portfolio and forgetting it, wealth managers regularly review your portfolio in light of current events and your changing plans and goals. Through regular reviews, analysis and updates, your wealth manager will provide you with active oversight of your investments, as well as strategies and solutions that will help you get closer to your goals.

Throughout the process, your wealth manager will implement strategies to diversify your portfolio in a way that will match your individual risk tolerance. As your risk tolerance changes over the years, he or she will adjust your portfolio's diversification to make sure it continues to match your appetite for risk.

Davie Kaplan's Team-Based Approach

Because wealth management is a holistic approach to your financial life, it usually involves working with more than one professional. For example, to manage your finances appropriately, you may need the services of a Certified Financial Planner™, Certified Public Accountant, estate lawyer, banker, and other professionals. The best wealth managers will work as a team member with the other financial professionals you need, or be able to refer you to other trusted advisors as needed.

At Davie Kaplan, CPAs work directly with CFPs® in all aspects of a client's wealth management and planning. By working together, we strive to integrate considerations from both professionals to maximize the value provided with proactive wealth management and tax efficient advisory services.

Preparation for Retirement

A wealth management plan can help prepare you for retirement, and when you reach retirement, it can continue to help you manage your finances.

For example, many people struggle with the transition from the accumulation phase of their careers to planning for income as the retirement years approach. With an experienced wealth manager, those conversations happen organically and as goals change when retirement nears, the plan is altered to meet the new goals of turning retirement savings into retirement income.

At Davie Kaplan, when we help clients make that transition from accumulating income to planning for income in retirement, our advisors look at both a client's assets and tax bracket, taking a holistic look from a tax perspective. However, we don't wait until retirement age to start discussions; these conversations happen long before retirement to make sure individuals are prepared financially.

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CHAPTER 3

5 Steps for Successful Family Wealth Management

Most families want to avoid the horror stories of heirs fighting over their inheritance, or of having to give up a large portion of their inheritance to the taxing authorities. The good news is that proper family wealth management can help prevent those scenarios.

Davie Kaplan's professional wealth managers can help manage your family's wealth successfully, avoiding large estate tax bills and court battles over an inheritance. Start with these five steps to make sure your wealth is managed well for your family today and into the future.

1. **Conduct regular reviews with a team of professionals.**
   Managing family wealth for the present and for the generations requires the help of more than just one professional. Your wealth management team should include a team approach, and members of the team might include a Certified Public Accountant, Certified Financial Planner™, estate planning attorney and others.

2. **Involve the family in planning.**
   If you're looking to manage your family wealth now and into the future, you need generational wealth planning. That requires involving multiple generations in the planning, at least on a part-time basis. If you have adult children, for example, it's a good idea to bring them into the conversation with your wealth management team.

Some parents hesitate to share all their financial information with their adult children, and that's ok. You can simply have an introduction meeting to let the children meet your advisors; they don't have to be filled in on everything about your finances. However, simply introducing your adult children to your wealth management team can help put your mind at ease because they will know where to turn when they have a need, such as estate transitions.

Even if an estate transition is many years away, it's important to continuously ensure that your planning objectives are aligned with your life situation and goals, and that appropriate family members remain on pace with your status and progress toward those goals.

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3. **Coordinate your financial plans with an estate planning attorney.**
   Your estate planning attorney should be an important part of your wealth management team. If you don't have an estate planning attorney, ask your wealth manager to recommend one.

   At a minimum, your estate plan should include these documents:

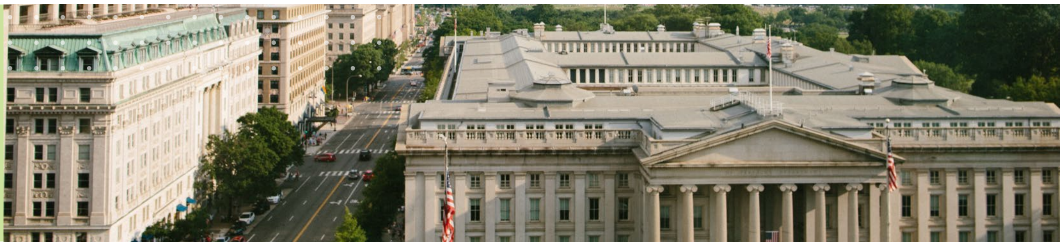
   - **Will.** Review your will periodically to make sure it's not outdated and revise it if necessary. Dying without a will means the state will get to decide what will happen to all your assets.
   - **Power of attorney.** This form allows you to appoint another person to act on your behalf and make decisions about finances, real estate and business, in case you become incapacitated. It's best to communicate with family members about who you have selected and your reasons for selecting this person to diffuse any potential family conflicts later.
   - **Healthcare directive.** This document should outline your wishes in case you become incapacitated and unable to make decisions about your own health. Make sure the document stays updated and your family knows where to find it.

   Depending on your particular situation and goals, your estate plan may also include one or more trust documents.

4. **Incorporate tax planning into your financial plan.**
   As you make financial decisions and plans, it's crucial to keep in mind the tax implications of each decision. It's best to work with a wealth planning firm that can provide tax-centric oversight for today and the future, as well as investment planning. Most wealth planning firms can recommend tax advisors to help you, but some, such as Davie Kaplan, have tax advisors working with wealth management as part of the service team. As a result, tax insights are always considered in all wealth planning decisions.

5. **Include life event planning in your long-term plan.**
   Wealth planning isn't just about preparing for retirement. In addition to planning for a financially secure retirement, your generational wealth plan should also include plans for all the future life events you expect to experience with your family. That might include funding college educations, purchasing one or more vacation homes, creating a foundation, funding trust accounts, preparing for long-term care, and any legacy gifts you want to provide to your family.

CHAPTER 4



Financial and Tax Regulations Change Regularly, Affecting Your Wealth Management Plan

Legislation is continually changing, and as a result, financial planning and tax planning must keep pace with ever evolving laws and rules.

It's important to work with a wealth management team that stays informed about current legislation and regulations, and can interpret the rules accurately to ensure that your portfolio is prepared to abide by the rules and still meet your goals.

Understand the Impact of Rule Changes

Even slight adjustments to tax rules and other legislation that impacts finances can result in big changes to a wealth management plan. For example, the SECURE Act has resulted in several significant changes in just a few years. The age at which you must begin taking Required Minimum Distributions from a Traditional IRA has been moved back from age 70½ to 72. In addition, a few years ago, if you inherited an IRA, you could take distributions throughout your life expectancy. Now, however, beneficiaries other than a spouse who inherit an IRA are required to receive a full distribution of qualified plan assets within 10 years following the year of the decedent's death.

Another recent change affects college savings 529 plans. Traditionally, the funds invested in a 529 plan could not be used to repay student loans, but today, parents can withdraw up to $10,000 from a college savings plan without penalty to repay student loans. Also, new rules make it possible for people over the age of 72 to continue contributing to IRAs; in the past, contributions were stopped when an individual reached age 70½ or 72, depending on the year they were born.

It's easy to see how rule changes such as these could significantly alter an individual's wealth plans. You may have more time or less time to contribute to a certain account, you may have more time or less time to start distributions, and you may have more options for using tax-advantaged accounts.

It can be almost impossible to keep track of all the changes and update your financial plan in response to each one. That's why it's important to work with a wealth management firm that is focused every day on wealth planning news and updates.

Rely on Davie Kaplan's Wealth Managers to Interpret Changes

Most investors are too busy to keep track of all the changes to tax regulations and laws that might affect their wealth plans. It can be almost impossible to keep track of all the changes and update your financial plan in response to each one.

That's why it's important to work with a wealth management firm that is focused every day on wealth planning news and updates. If you have a team that is tuned in to keeping track of the changes and qualified to understand the new rules and the reasons why they were implemented, you won't have to worry about whether your plan will be affected. A highly qualified wealth management team will keep you informed about any changes that might have an impact on your plan, and guide you in making necessary adjustments to keep your portfolio protected and your plan on track to meet your goals.

CHAPTER 5

How Fortunes Fail: The Biggest Mistakes You Can Make with Your Investments

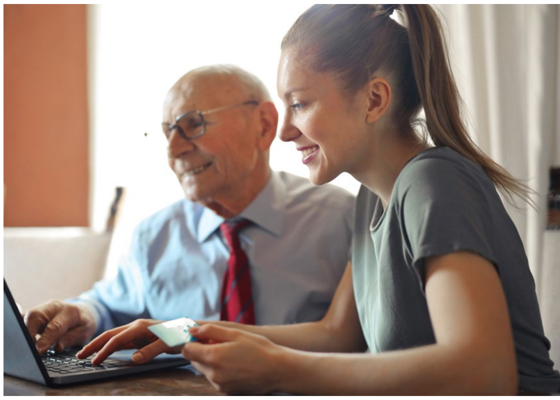
Nobody wants to watch the wealth they've worked to build and protect simply disappear. But the truth is that people lose fortunes all the time.

Here's a look at eight mistakes most often made by high-net-worth individuals as identified by Davie Kaplan's wealth management team. We can help you protect your wealth and your fortune by avoiding these mistakes.

MISTAKE #1:

FAILING TO TEACH THE NEXT GENERATION ABOUT HOW TO MANAGE AND PROTECT WEALTH

You've probably heard the adage, "Shirtsleeves to shirtsleeves in three generations." In many cultures, there's a traditional proverb pointing out that most wealthy families lose their wealth within three generations. To avoid becoming one of the statistics, wealthy families must work to instill their own financial values in their children and grandchildren.



MISTAKE #2:
ALLOWING PORTFOLIOS TO GROW UNCHECKED

An investment portfolio should never be treated as "set it and forget it." Goals change, investments change and the market changes. To maximize growth, you need to review your holdings and rebalance your portfolio at least once a year. Regular portfolio checkups are vital for maintaining diversification, which is important for both protecting and growing your wealth.

MISTAKE #3:
NOT UNDERSTANDING THE AVAILABILITY OF YOUR FUNDS

You may spend many years in the accumulation phase of building your nest egg, but a time will come when you will need to use some of the funds you've worked to build, whether it's for purchasing a vacation home, paying for your children's education, or launching your retirement. When you're ready to tap into your portfolio, it's crucial to plan carefully for those distributions. If you don't understand the tax issues and other regulatory issues surrounding the availability of your funds, you could end up losing a significant chunk of your money.

MISTAKE #4:
FALLING INTO TRAPS OF INVESTOR PSYCHOLOGY

When the stock market drags, even seasoned investors can fall prey to knee-jerk reactions such as selling their holdings rather than waiting for an increase to return. Of course, every investor is chasing returns, but investing in the market is a long-term strategy. Selling when the market is low often results in deep losses over time.

Your personal financial plan is the best guide for determining when and whether to sell investments, rather than the current ups and downs of the market. To avoid falling into the trap of making a knee-jerk reaction when you see your portfolio's value dropping, refrain from constantly watching the financial markets, social media and news media.

MISTAKE #5:
FAILING TO ADEQUATELY DIVERSIFY ASSETS

All investments carry risk, and diversification is crucial for mitigating that risk. Rather than putting all your eggs in one—or a few—baskets, diversifying your investments means spreading them across many baskets.

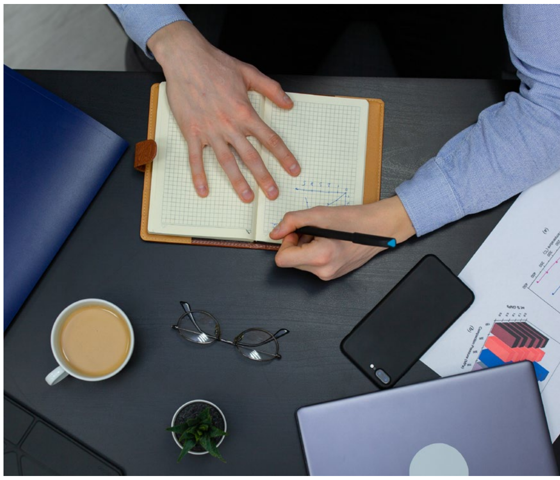
When your portfolio is adequately diversified, you always have backup. For example, if the domestic stock market is suffering, your international investments may continue to grow. If technology companies are floundering, real estate may be thriving.

MISTAKE #6:
FAILING TO COORDINATE FINANCIAL PLANNING WITH TAX PLANNING AND ESTATE PLANNING

Every time you make a move financially, your tax liability is affected. And if you're planning to leave a legacy for your loved ones, every financial move you make could also potentially affect your estate. By neglecting to coordinate your financial plans with your tax and estate planning, you could potentially leave your fortune vulnerable to huge losses.

MISTAKE #7:
HAVING UNCLEAR INVESTMENT GOALS

Saving for a rainy day is one thing, but building a long-term wealth plan is quite another. And doing so effectively requires setting clear goals: You must understand what you want to accomplish in order to make it happen.



However, setting goals one time isn't enough. As your life and priorities change, your goals and investing objectives are also likely to change. To do the best possible job building and protecting your wealth, you need to periodically revisit your goals and adjust them if necessary.

MISTAKE #8:
WAITING TO PLAN UNTIL THE FUTURE LOOKS LESS VOLATILE

There will never be a time when we can predict the future with certainty. If you're waiting to create a wealth plan when everything seems less volatile and more predictable, you may be waiting forever. In the meantime, you are likely missing out on the growth that you could be experiencing with a focused financial and wealth management plan.

About Davie Kaplan

As one of the region's leading CPA and advisory firms, Davie Kaplan has been guiding Rochester businesses and families for over three generations.

Whether you are looking for a CPA firm with proven expertise in tax, compliance, and financial management for our region's key industries, including construction, manufacturing, real estate development, and multi-family property management—or need holistic analysis and advice to support your plans for expansion or business transition, our team brings focused experience and on-call resources to the table.

DAVIE KAPLAN
Certified Public Accountants

In an economy rife with uncertainty, Davie Kaplan brings you practical solutions and strategies to anchor your growth and long-term success.

daviekaplan.com

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