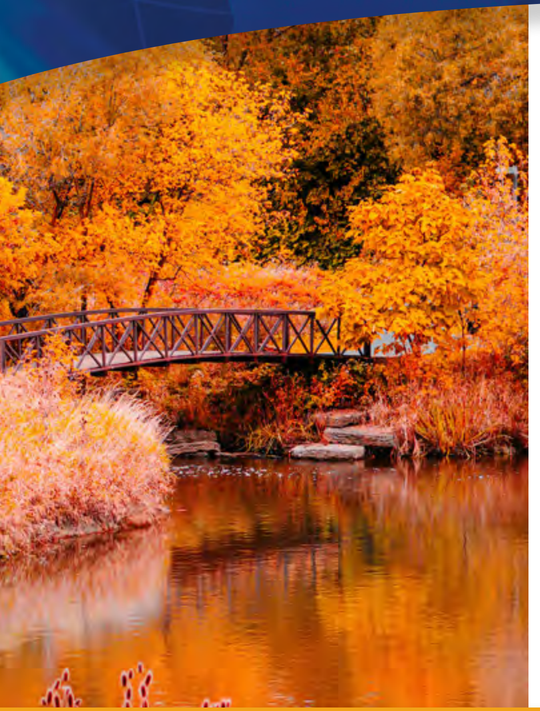
FALL 2019

THE JENTNER REPORT

Wealth Management Strategies from Jentner Wealth Management



Four Ways the Super Rich Manage Their Wealth

The Super Rich turn to industry-respected professionals who can help them understand nuances and personalize their plan.

The self-made Super Rich, people with a net worth of at least $500 million built through their own hard work, often possess insights and actionable strategies that many of us can adopt in our own lives to enhance our success. Here are four ways the Super Rich manage their wealth.

#1: Work with top-of-the-line experts.
No one we know has ever said, "I want to work with an inferior advisor!" The Super Rich strive to work only with professionals who are recognized as experts by other professionals as well as by other wealthy, successful individuals and families.

These prominent authorities are not renowned because they say they are. They are respected among their clients and other high-quality professionals because they share meaningful insights, evidence-based methodologies, and effective solutions with others. For these professionals, it's all about raising the bar for everyone.

There's no guarantee that simply working with a well-known expert will ensure you achieve your financial goals. But being methodical and thoughtful can help you find top-of-the-line experts who can deliver great value. Concentrate your search on experts who are prominent thought leaders in their fields. Most importantly, talk to other professionals and peers you trust. These actions can dramatically increase the probability of working with extremely talented, trustworthy professionals.

#2: Make sure your experts are focused on the human element.
Attentiveness to the human element—the personal and emotional components of financial and wealth planning—is essential. That's because most, if not all, legal strategies and financial products have become commoditized. Focusing on the human element is what truly produces optimal results today. Therefore, you need to work with outstanding professionals who are intensely focused on you and your world, not simply on financial tools and ideas.

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This means the professionals you work with should be taking five key action steps in their dealings with you:

- Ask what you want to accomplish.
- Learn about you and the other members of your family.
- Build bridges by becoming increasingly attuned to how you view the world.
- Learn what really matters to you deep down and what concerns keep you up at night.
- Do what's in their power to help you achieve your most important goals.

#3: Make sure you understand what you're agreeing to.

The Super Rich make sure they have a good grasp of what they agree to when it comes to their financial and legal decisions. You should, too! This doesn't mean being cognizant of every little technical aspect of your financial plan. Rather, it's about understanding the benefits, limitations, and implications of the solutions you are considering.

For example, when people fund irrevocable trusts, it means they cannot later completely change their minds. When a person sets up a charitable trust, there are tax benefits. But he or she cannot, some years later, decide to just cancel the trust and take back the money.

Sometimes, individuals and families don't really understand a financial solution, tool, or strategy under consideration. It can be extremely problematic to not understand both the likely and long-shot consequences of actions taken with your wealth. Be assertive. If you don't understand the big picture of a strategy or solution, such as why it's being proposed or how it might behave in a variety of possible scenarios, get the answers. It's perfectly fine to say that you can't move forward until you understand the implications of a proposed strategy. The Super Rich have no problem being assertive in this way with their professionals.

#4: Trust, but verify.

The Super Rich are big proponents of Ronald Reagan's dictum: "Trust, but verify." If you're unsure or uncomfortable about a proposed wealth-management solution, you should look for verification. This is especially true if the proposed solution comes from someone other than a trusted advisor you already work with. In such cases, it's often smart to get a second opinion from your trusted advisor.

Along the same lines, it's generally a good idea to (when appropriate) stress test your wealth plan to determine whether it's still likely to deliver the results you want in the way you want. Stress testing can uncover issues before they become costly.

Best Practices

Best practices are ways of thinking and approaching situations, including strategic and tactical activities, that produce superior results. The ways the Super Rich find and work with professionals are best practices. They get enormous value from their relationships with their professionals, not just because they hire talented experts, but because of how they structure and manage those relationships to achieve their goals.

The message is clear: To enjoy the same results the Super Rich enjoy, consider applying these four lessons as you work with your financial and legal professionals. This can potentially help you maximize the probability of achieving the things that are most important to you.

ACKNOWLEDGMENT: This was adopted from an article published by the VFO Inner Circle, a global financial concierge group working with affluent individuals and families and is used with its permission.

Smart Investing

Our brains hate uncertainty. Waiting with unknowns is uncomfortable. "Just give me the news, good or bad. I just need to know!"

Insurance companies also hate uncertainty. That is why insurance companies offer their guarantees only when they can provide their service to a large number of people. Once they spread the risk among thousands of insureds, they are no longer taking an uncalculated risk. They do the research, determine how many claims to expect for every thousand or ten-thousand insureds, and price their premiums and benefits accordingly.

It is no different for investing. By diversifying with a broad, global investment allocation, the investor is not betting their financial future on just a few people or companies. They are taking a calculated risk, placing their future returns on the collective wisdom and success of thousands upon thousands of people, companies, and countries, using both stocks and bonds to invest in these opportunities.

This is important because it can be difficult for humans to keep a cool head when facing uncertainty. When an analyst makes a confident prediction of what the market or the economy will do, we are tempted to believe them because certainty makes us feel more comfortable. Even if the long-term evidence clearly demonstrates that analysts are unable to consistently predict future economic events and market returns, our brains gravitate to the apparent certainty of an expert opinion.

Here are several facts:

- **Losses hurt.** The pain of a loss typically stings more than the joy reaped from an investment gain.
- **We are frequently tempted by short-term results.** Current events take our eyes off the long term. Short-term speculation rarely works over time. True investing only works if it works over the long term.
- **There are many investment opinions and choices.** Information overload can tempt one to play it safe with low-risk, guaranteed investments. Earning low returns over long periods of time is not investing.
- **We mistakenly think performance track records indicate who has figured it out.** Even though an active manager may have done well over the past five or ten years, there is essentially no correlation to their ability to repeat this superior performance.

Is there a solution? Here is what our experience has taught us.

Education alone does not help people become good long-term investors. Well-educated people still fall prey to their emotions. Make no mistake: There are times when emotions can be far more powerful than logic.

Examining long-term investment research is imperative. Developing a consistent plan based on evidence helps each of us overcome our tendencies to make investment mistakes.

Developing realistic expectations is important. In addition to developing a reasonable expected long-term rate of return, one must recognize investment markets will unexpectedly decline, sometimes over relatively long periods of time.

Keep an adequate emergency fund of cash, and insure risks you cannot personally self-insure. Maintaining a cash emergency fund and proper insurance coverage are key bedrocks for enabling one to invest successfully.

Trust the process. Don't abandon your systematic investment plan by trying to predict the markets. Long-term investing only works if you follow a solid, evidence-based process that avoids short-term reactions to market volatility.

In the final analysis, each person must determine if they are an investor or saver. Listen to your internal voice. Do the research. Develop a plan accordingly. Let us know how we can help.

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The Basics of Index Funds

Indexes are tools used to measure the performance of various sectors of the investment markets. Index funds are low-cost investments designed to replicate an index with returns essentially equal to the underlying index's return, less a small internal management fee.

While some active managers periodically provide better returns than the index that most closely represents the sector of the market in which the active manager is investing, most active managers struggle to outperform their index over longer periods of time. Using index funds can provide investors a higher probability (compared to using an actively managed fund) of meeting their financial goals over the long term.

Jentner uses passive investments like index funds and asset-class funds because they are transparent, systematic, commission-free, tax-efficient, and less expensive than their actively managed counterparts.

We employ these funds for clients in carefully crafted investment allocations designed to provide competitive risk-adjusted long-term returns for each client based on their risk tolerance.

We do not employ a simple buy, hold, and forget strategy. Periodically, there will be rebalancing opportunities to capture gains and re-invest in other opportunities to keep the overall investment portfolio within its desired risk parameters. Rebalancing opportunities arise when an investment performs well and needs to be brought back to its proper weighting. The sales proceeds can then be invested in under-performing investments that may be "on sale."

This is not rocket science. It is systematic and disciplined, requiring time and attention. Historical evidence indicates this approach is a very effective strategy—perhaps the most effective strategy—to achieve and maintain long-term financial independence.

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