



**IWM Advisors, LLC**  
INDEPENDENT WEALTH MANAGEMENT

## SAMPLE - WEALTH MANAGEMENT ANALYSIS

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## **SAMPLE - WEALTH MANAGEMENT ANALYSIS**

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### **Table of Contents**

<b>1</b>	<b>Key Findings</b>
<b>2</b>	<b>Recommendations</b>
<b>3</b>	<b>Balance Sheet</b>
<b>4</b>	<b>Income Statement</b>
<b>5</b>	<b>Cash Flow Analysis</b>
<b>6</b>	<b>Investment Analysis</b>
<b>7</b>	<b>Estate Tax Analysis</b>
<b>8</b>	<b>Insurance Analysis</b>

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## WEALTH MANAGEMENT ANALYSIS

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### I - Key Findings

➤ **Balance Sheet.** You have a strong Balance Sheet, with a good mix of Cash, Liquid Investments, Private Investments and Real Estate. Liabilities are low, which is also very good.

These assets should provide very well for life in retirement, with three caveats:

- 1 We should develop a disciplined savings and investment program, to ensure that you can replace your W-2 income in the next 5 years.
- 2 We need to get a much firmer handler on your expenses, by instituting an automated Income/Expense tracking system.
- 3 We need to eliminate a number of important risk factors.

➤ **Income Statement.** You have very strong income now, through the combination of business and your private investment. As noted above, one of our key mission is to replace your w-2 income in the next 5 years. This is very doable, with a disciplined plan.

➤ **Investments.** Your current investments are more of an assemblage of strategies than a coordinated portfolio. Fees are high and Performance is weak. You have \$6.8 million in Cash, generating almost no return. To meet the goal of replacing your business income in 5 years, if we invest the current Cash, add to it the ABC sales we should be able to replace your W-2 Income using a conservative approach.

➤ **Estate Plan.** This is one of the risk factors. Under your current plan, projected estate taxes are \$20 Million, which would substantially reduce your estate. There are many things you could do to shrink this liability: additional planning, charitable contributions and insurance. This is an important area for further attention. Given the many private business interests that you own, there are tremendous opportunities here.

## WEALTH MANAGEMENT ANALYSIS

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### I - Key Findings *(continued)*



**Insurance.** This is another risk factor, where there are some important areas for improvement:

**Life Insurance:** In light of the size of your estate, your total coverage (approx. \$3.5 Million) is low. At your age, additional coverage should not be expensive, and it is possible to pay for this on a pre-tax basis through the business.

**Property and Casualty Insurance:** Your liability coverage is very low, in light of your multiple homes, cars, boats etc. You should increase your underlying liability coverage and put in place an umbrella policy.

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## WEALTH MANAGEMENT ANALYSIS

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### 2- Recommendations

<b>CASH FLOW</b>	<p>Review and revise proposed Cash Flow Plan to replace business income in 5 years.</p> <p>Put in place an automated income and expense tracking system.</p>
<b>INVESTMENTS</b>	<p>Begin to invest the substantial Cash position in conservative investments.</p> <p>Simplify the investments by consolidating the current three accounts into one.</p> <p>Reduce Fees and Improve Performance.</p> <p>Consider replacing the current managers with better options.</p>
<b>ESTATE PLAN</b>	<p>Explore additional planning strategies to reduce very high projected estate tax.</p> <p>These could include:</p> <ul style="list-style-type: none"><li>Gifts to family members (through trusts).</li><li>Charitable planning strategies.</li><li>Additional life insurance.</li></ul>
<b>LIFE INSURANCE</b>	<p>Order in-force illustrations of existing policies to verify coverages and costs, and how the policies will perform in the future.</p> <p>Explore additional life insurance to cover part of your projected estate tax liability.</p> <p>Explore funding of life insurance through buy-sell agreements with the business.</p>
<b>PROPERTY AND CASUALTY INSURANCE</b>	<p>Ensure that property damage coverage matches values of homes.</p> <p>Increase liability coverage in base policies. Add umbrella policy coverage.</p>

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# BALANCE SHEET

4.31.17

ASSETS	\$	%
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## Liquid Assets

Cash in Bank	\$4,397,216	8.5%
Marketable Securities		
Personal	\$5,712,057	11.0%
Retirement	\$1,860,000	3.6%
<b>Total Liquid</b>	<b>\$11,969,273</b>	<b>14.6%</b>

## Real Estate

Home 1	\$2,800,000	5.4%
Home 2	\$750,000	1.4%
Ski House	\$400,000	0.8%
<b>Total Real Estate</b>	<b>\$3,950,000</b>	<b>7.6%</b>

## Business Interests

Business	\$17,500,000	33.7%
Various Partnerships	\$18,216,636	35.0%
<b>Total Business</b>	<b>\$35,716,636</b>	<b>35.0%</b>

## Other Assets

Notes Receivable	\$197,500	0.0%
<b>Total Other Assets</b>	<b>\$197,500</b>	<b>0.0%</b>

## Personal Property

Cars and Boats	\$639,000	1.2%
Furnishings, Art Etc.	\$150,000	0.3%
<b>Total Furnishings</b>	<b>\$150,000</b>	<b>0.3%</b>

**TOTAL ASSETS**                      \$51,983,409

**TOTAL LIABILITIES**                \$120,000                      0.2%

**NET WORTH**                        \$51,863,409

LIABILITIES	\$	%
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Accounts Payable	\$0
Mortgages Payable	\$0
Income Taxes Payable	\$120,000
<b>Total Liabilities</b>	<b>\$120,000</b>

## OFF-BALANCE SHEET ASSETS

Insurance - ILIT	\$	2,000,000
Keyman Insurance	\$	6,000,000

## CHILDREN'S INVESTMENTS

Son	UBS	\$	110,053	529
	B of A	\$	1,109,639	Personal
Son	UBS	\$	181,755	529

## NOTES

### Retirement Assets:

EMIP	\$	1,200,000	Est > Tax
401k	\$	230,000	
SOLAR	\$	430,000	Prem Paid
	\$	1,860,000	

### Dates of Birth:

H	8.4.1963
W	12.10.1963

# INCOME STATEMENT

4.30.17

INCOME	\$	%
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## Investment Income

Cash in Bank	\$34,530	1.1%
Marketable Securities		
Personal	\$77,542	2.5%
<b>Total Investment Income</b>	<b>\$112,072</b>	<b>3.6%</b>

## Retirement Income

Social Security	\$0	0.0%
RMD from IRA	\$0	0.0%
<b>Total Retirement Income</b>	<b>\$0</b>	<b>0.0%</b>

## Business Income

Income From P'Ships	\$2,043,410	65.8%
<b>Total Business Income</b>	<b>\$2,043,410</b>	<b>65.8%</b>

## Salary

W2	\$950,000	
<b>Total Salary Income</b>	<b>\$950,000</b>	<b>0.0%</b>

<b>TOTAL INCOME</b>	<b>\$3,105,482</b>	<b>69.4%</b>
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<b>TOTAL EXPENSES</b>	<b>\$0</b>
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<b>CASH FLOW</b>	<b>\$3,105,482</b>
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EXPENSES	\$	%
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## Personal Expenses

Charitable Gifts	???	
Family Healthcare	???	
Tuition - Education	???	
Household	???	
<b>Total Personal Expenses</b>	<b>\$0</b>	<b>#DIV/0!</b>

## Real Estate Expenses

	???	
	???	
<b>Total Real Estate Expenses</b>		<b>#DIV/0!</b>

## Sub-Total Expenses

## Taxes

Income Taxes	#DIV/0!
<b>Total Taxes</b>	

<b>TOTAL EXPENSES</b>	<b>\$0</b>	<b>#DIV/0!</b>
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## WEALTH MANAGEMENT ANALYSIS

### 5 - Cash Flow Analysis

Business - 70%	\$	8,589,406	2017	<i>See next page for calculations</i>
Internet Net	\$	3,870,000	2017	
Portfolio	\$	10,349,271	2017	
Total	\$	22,808,677		
Business - 30%	\$	3,681,174	2021	<i>See next page for calculations</i>
	\$	26,489,851		
Income Need	\$	1,000,000		
		4.38%		

	at	3.00%	3.50%
Principal Need	\$	33,333,333	\$ 28,571,429

GROWTH RATES							
	4.00%		5.00%		5.50%		6.00%
Start	\$ 22,619,851	\$	22,619,851	\$	22,619,851	\$	22,619,851
1	\$ 23,524,645	\$	23,750,843	\$	23,863,942	\$	23,977,042
2	\$ 24,465,630	\$	24,938,385	\$	25,176,459	\$	25,415,664
3	\$ 25,444,256	\$	26,185,305	\$	26,561,164	\$	26,940,604
4	\$ 30,290,447	\$	31,359,802	\$	31,905,667	\$	32,459,085
5	\$ 31,502,065	\$	32,927,793	\$	33,660,479	\$	34,406,630
6	\$ 32,762,147	\$	34,574,182	\$	35,511,805	\$	36,471,028
7	\$ 34,072,633	\$	36,302,891	\$	37,464,954	\$	38,659,289
8	\$ 35,435,539	\$	38,118,036	\$	39,525,527	\$	40,978,847
9	\$ 36,852,960	\$	40,023,938	\$	41,699,431	\$	43,437,577
10	\$ 38,327,078	\$	42,025,135	\$	43,992,900	\$	46,043,832

Add 30% Business  
(Assumes no  
further savings)



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## WEALTH MANAGEMENT ANALYSIS

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### 5 - Cash Flow Analysis

#### Projected Terms of Business Sale

\$	420,000,000	Assumed FMV
\$	(40,000,000)	Less Debt
<hr/>		
\$	380,000,000	Net Sales Proceeds
	4.613%	Client share
\$	17,529,400	Client 100%
\$	12,270,580	Client 70% -selling now
\$	(3,681,174)	Less taxes 30%
<hr/>		
\$	8,589,406	<b>Client net 70%</b>
\$	5,258,820	Client remianing 30%
\$	(1,577,646)	Less taxes 30%
<hr/>		
\$	<b>3,681,174</b>	<b>Client net on 30%</b>
<hr/>		
\$	12,270,580	<b>Client Total</b>

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## WEALTH MANAGEMENT ANALYSIS

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### 6 - Summary of Investment Analysis

- **Complicated Account Structure.** There are 3 separate investment accounts in your name. This creates unnecessary paperwork and makes it hard to coordinate the work of different managers. All of the investments could be held in one account, which should provide a sharper investment focus and better results over time.
- **High Cash.** There is \$6.8 Million in Cash or CDs, providing negligible growth or income.
- **Asset Allocation.** Your overall allocation is 23% Stocks - 10% Bonds - 66% Cash.  
This allocation is not likely to provide the growth you need.  
By investing the Cash in conservative investments, you should be able to generate the level of growth you need.
- **Stocks.** The Stocks are heavily concentrated in US investments, which has hurt performance this year, as Non-US stocks have noticeably out performed US Stocks: 13% vs 7.5%. Over the long run, your Stock manager has underperformed the market, while taking more risk than the market. Fees are high for those results.
- **Bonds.** The structure of your bonds is sound, with high quality and good coupons. This year, your Bond manager has noticeably underperformed that market. Fees are very high -- more than double what this manager charges its "direct" clients.
- **Reporting.** There is no regular reporting of fees or investment performance. Obtaining this information is critical to effective management of the investments.

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## 6 - Detailed Investment Analysis

### GOAL

#### ALIGNMENT

The investments do not appear not well aligned with your goals:

- 1 The investments seem more an assemblage of unrelated strategies than a cohesive unit, tied to your financial goals.
- 2 The investments are 23% Stocks, 10% Bonds and 66% Cash, providing almost no growth. You will need more growth to meet your goals post-ABC.

Goal definition should be the first step in the investment process - investment design should follow.

### ACCOUNT

#### STRUCTURE

There are three separate accounts for Stocks, Bonds and Cash. This separation is related more to UBS's internal structure and pricing. All of these investments could be held in one account in your name. Simplifying the account structure would provide a sharper investment focus, and promote reaching your goals.

UBS is out-sourcing the investment management to third parties. This increases cost and makes it more difficult to coordinate the different investment strategies.

All of the accounts are titled "\_\_\_\_\_TOD \_\_\_\_\_ Revocable Trust." This titling does not accomplish the benefits of a Revocable Trust, which are privacy and avoidance of Probate. You should consider holding the investments in your Revocable Trust.

### ASSET

#### ALLOCATION

The asset allocation of the Individual Accounts is 23% Stocks - 10% Bonds - **66% Cash**.

- 1 There is too much Cash to meet your long-term goals.
- 2 The combined income from of the portfolio is 1.11%, only slightly more than your fees.
- 3 With only 23% of the portfolio in Stocks, you have negligible growth.

By investing more of the Cash, in a conservative way, you should be able to generate the growth you need to meet your goals.

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## 6 - Detailed Investment Analysis

### **ASSET ALLOCATION** *(continued)*

Your geographical allocation is 87% US and 13% Non-US.

This allocation has hurt you this year, as Non-US investments have notably outperformed US Investments.

### **STOCKS**

The Stock portfolio is managed by "Atalanta", a small money manager in New York City.

The Stocks are reasonably well diversified across asset classes (Large Mid, Small, etc.).

However, based on publicly-available information, over the 10-year period ending 3.31.17, this manager:

Has significantly underperformed the market

Has higher risk than the market

As noted below, fees are high for this type of portfolio.

### **BONDS**

The Bond portfolio is managed by "RSW", an even smaller money manager in Morristown, NJ.

The portfolio structure here is good, with high-quality bonds and good coupons.

However, as noted below, the performance of this portfolio has been weak and fees are very high.

### **CASH**

You have \$6.8 Million in Cash, earning almost no return:

\$1.8 Million is in a money market fund earning 0.19%.

\$2.6 Million is in UBS bank accounts earning nothing.

\$2.5 Million is in CDs earning 1.37%.

Overall, your Cash is earning just 0.51%.

### **PERFORMANCE**

The UBS statement does not provide any useful information about how their managers are performing.

Does UBS meet with you regularly, and provide you with performance reports?

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## 6 - Detailed investment Analysis

### PERFORMANCE

*(continued)*

Based on the limited information on your statements, performance has been weak. For the first four months of 2017:

RSW - Bonds: Has underperformed the market by 1.5%

Atlanta - Stocks: Has underperformed the market by 0.30%. (Primarily because of its high fees.)

401k Plan This account has slightly outperformed the market: 5.79% vs 5.53%.

### FEES

The fees for both of your managers are quite high:

Atlanta - Stocks: You are paying 1.22%, which is high in general, especially for a manager who is underperforming the market.

RSW - Bonds; You are paying 0.70%, which is very high for bonds, and more than twice what this manager charges its direct clients.



6 - Asset Allocation - Summary

	TOTAL	PERSONAL	RETIREMENT
	\$ 10,349,271	\$ 10,117,642	\$ 231,629
		98%	2%
STOCKS			
BONDS	23%	22%	100%
CASH	10%	10%	0%
	66%	68%	0%

		TOTAL ALLOCATION	ASSET CLASS ALLOCATION
STOCKS		23%	
Traditional	Large Cap	14%	61%
100%	Mid Cap	4%	17%
	Small Cap	2%	9%
	International	2%	9%
	Emerging	1%	4%
	REIT		
Alternative	L/S Hedge	0%	0%
0%	Abs Return	0%	0%
	Mgd Futures	0%	0%
	Private Equity	0%	0%
	Commod		
BONDS		10%	
Tax- Free	Municipal	10%	100%
100%	Municipal HY	0%	0%
Taxable	Corp	0%	0%
0%	Floating Rate	0%	0%
	High Yield	0%	0%
	Non-US		
CASH		66%	
	Taxable	100%	
	Tax Free	0%	

## 6 - Asset Allocation - Detail

		PERSONAL ACCOUNTS					RETIREMENT ACCOUNTS			ALL ACCOUNTS										
		1		2		3	PERSONAL SUB-TOTAL	PERSONAL AA	7	H ABC 401k	RETIRE SUB-TOTAL	RETIRE AA	ALL TOTAL	ALL TOTAL	ALL SUB-AA					
		H	UBS - Bkrg	H	UBS - Mgd	H										UBS - Mgd				
		4.28.17 Cash Pledged	4.28.17 Cash + 10 Munis	4.28.17 55 LC, Funds Pledged												3.31.17 4 MFs				
TOTAL (PRE-DEBT)		\$	6,815,070	\$	1,048,191	\$	2,254,381	\$	10,117,642	98%	\$	231,629	\$	231,629	2%	\$	10,349,271			
STOCKS		\$	21,262	\$	-	\$	2,222,375	\$	2,243,636	22%	\$	231,629	\$	231,629	100%	\$	2,378,570	23%		
Traditional	Large Cap			\$	-	\$	1,334,739	\$	1,334,739	13%	\$	122,857	\$	122,857	53%	\$	1,457,596	14%	61%	
	Mid Cap			\$	-	\$	318,064	\$	318,064	3%	\$	83,940	\$	83,940	36%	\$	402,004	4%	17%	
	Small Cap			\$	-	\$	208,383	\$	208,383	2%			\$	-	0%	\$	208,383	2%	9%	
	International		\$	21,262	\$	-	\$	178,724	\$	199,985	2%	\$	22,073	\$	22,073	10%	\$	222,058	2%	9%
	Emerging REIT					\$	85,770	\$	85,770	1%	\$	2,759	\$	2,759	1%	\$	88,529	1%	4%	
						\$	96,695	\$	96,695	1%										
Alternative	L/S Hedge			\$	-			\$	-	0%			\$	-	0%	\$	-	0%	0%	
	Abs Return							\$	-	0%						\$	-	0%	0%	
	Mgd Futures							\$	-	0%						\$	-	0%	0%	
	Private Equity							\$	-	0%						\$	-	0%	0%	
BONDS		\$	-	\$	1,017,228			\$	1,017,228	10%			\$	-	0%	\$	1,017,228	10%		
Tax- Free	Municipal Muni HY			\$	1,017,228			\$	1,017,228	10%						\$	1,017,228	10%	100%	
Taxable	Corp			\$	-			\$	-	0%			\$	-	0%	\$	-	0%	0%	
	Floating Rate							\$	-	0%			\$	-	0%	\$	-	0%	0%	
	High Yield			\$	-			\$	-	0%			\$	-	0%	\$	-	0%	0%	
	Non US			\$	-			\$	-	0%			\$	-	0%					
CASH + CDs		\$	6,786,270	\$	18,092	\$	32,007	\$	6,836,369	68%			\$	-	0%	\$	6,836,369	66%		
Taxable		\$	6,786,270	\$	18,092	\$	32,007	\$	6,836,369	68%						\$	6,836,369	66%		
Tax-Free								\$	-	0%						\$	-	0%		
Accruals Adjustments		\$	7,538	\$	12,871	\$	-	\$	20,410				\$	-						
TOTAL		\$	6,815,070	\$	1,048,191	\$	2,254,382	\$	10,117,642			\$	231,629	\$	231,629		\$	10,349,271		
Loan		\$	-			\$	-													
NET		\$	6,815,070	\$	1,048,191	\$	2,254,382	\$	10,117,642								\$	10,349,271		
Est Income Yield		\$	34,530	\$	44,750	\$	32,792	\$	112,072							\$	112,072			
			0.51%		4.27%		1.45%		1.11%								1.08%			
Fees	Mgmt Fee	\$	-	\$	7,178	\$	21,148.40	\$	28,327											
	MF Fees	\$	-	\$	-	\$	7,208													
			0%		0.71%		1.28%		0.86%											
Cap Gains	Realized	ST	\$	-	\$	-	\$	9,662.72	\$	9,663										
	Realized	LT	\$	3.60	\$	-	\$	10,769.42	\$	10,773										
	Unrealized	ST	\$	509.00	\$	(2,409.82)	\$	70,769.43	\$	68,869										
	Unrealized	LT	\$	16,106.92	\$	8,973.55	\$	445,632.81	\$	470,713										
																			\$263k is stocks \$252k is Funds	

**SAMPLE WEALTH MANAGEMENT ANALYSIS**

**Performance Analysis**

	PERSONAL ACCOUNTS			RETIREMENT ACCOUNTS	
	1	2	3	4	
	H	H	H	H	
	UBS - Bkrg	UBS - Mgd	UBS - Mgd	LAZ 401k	
	4.28.17	4.28.17	4.28.17	3.31.17	
	Cash	Cash + 10 Munis	55 LC, Funds	4 MFs	
	Pledged		Pledged		
AA	0-0-100	0-97-3	99-0-1	100-0-0	
Jan - April Gain	N/A	\$ 6,712.70	\$ 157,770.91	\$ 12,834	Jan - Mar
4 mo Perf - Pre Fee		0.65%	7.49%	5.79%	
4 mo Perf - Post Fee		0.42%	7.07%	5.79%	don't know fees - assume 0
Benchmark 4 mo		2.15%	7.36%	5.53%	
Benchmark		S&P Nat'l Muni	S&P 500	S&P 500	
Diff in bps		-1.5%	-0.29%	0.26%	
% of B'mark		30.3%	96.0%	104.7%	

CSRSX	REIT	B'mark hugging (FTSE NAREIT), well under S&P 500 1,5, 10 yr (matched 3 yr)
HFOIX	International	< B'mark 1 yr, > 3,5,10
OFSFX	Small Blend	Benchmark tracking after fees - high fees (1.35)
ODVYX	Emerging Mkts	Good fund - above b'mark 1,3,5,10

## 7 - Estate Tax Analysis

### 1 ESTATE TAX DUE

Net Worth	\$ 51,863,409			
Lifetime Exclusion	\$ 10,980,000	assumes none used yet		
Taxable Estate	\$ 40,883,409			
Estate Tax	\$ 21,259,373	→	\$16,353,364	40% Federal
Life Ins	\$ 2,000,000		\$4,906,009	12% Connecticut
Liquidity Needed	\$ 19,259,373		\$21,259,373	52% Total

### 2 LIQUIDITY ANALYSIS

Investments	\$ 10,000,000
LK Net - 70%	\$ 8,589,406
Games 24/7	\$ 3,870,000
Available Now	\$ 22,459,406
LK Net - 30%	\$ 3,681,174
Available in 3-5 Years	\$ 26,140,580

### 3 NET ESTATE

Net Worth	\$ 51,863,409	
Estate Taxes	\$21,259,373	41%
Net Estate	\$30,604,036	

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## SAMPLE - WEALTH MANAGEMENT ANALYSIS

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### 8 - Insurance Analysis

#### A Life Insurance

It appears that you have two life insurance policies :

RELIASTAR	\$2,000,000	Term
VOYA	\$1,640,874	Indexed Universal Life

The Reliastar policy is designed to be held by your Irrevocable Life Insurance Trust (ILIT).

It is not clear, however, if the policy was ever transferred to the ILIT.

This is critical, because if the policy is not transferred to the ILIT, the death benefit will be considered part of your taxable estate and therefore will be subject to estate tax.

The VOYA policy is one version of a very "hot" product right now - indexed life insurance. In my opinion, the investment assumptions contained in the illustrations are very aggressive, and probably not realistic.

It also appears that the VOYA policy was sold to you partly as a retirement plan. Although you can take money out of the policy after retirement, this will reduce the death benefit. I think you should look at this policy as life insurance.

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## SAMPLE WEALTH MANAGEMENT ANALYSIS

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### 8 - Insurance Analysis

#### B Property and Casualty Insurance

The most recent summary of your P&C insurance shows the following covered properties:

Real Estate	Haddam, VT
Cars	4 automobiles
Boats	4 Boats
Snowmobile	4 Snowmobiles

No insurance for Old Lyme is reflected in the summary. You should verify that it is covered and add it to the summary.

The insured values of the following two properties are less than the value stated on your PFS:

	PFS Value	Insurance Value
Haddam	\$ 750,000	\$ 670,000
VT	\$ 400,000	\$ 383,333

If appropriate, you should increase the property damage coverage for these two properties.

The liability coverage under these properties is very low -- only \$250,000 - \$500,000.

Especially in light of your multiple homes, and the boats, snowmobiles and skidoos, you should have much higher liability coverage, both in the main policies and through an umbrella policy.

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