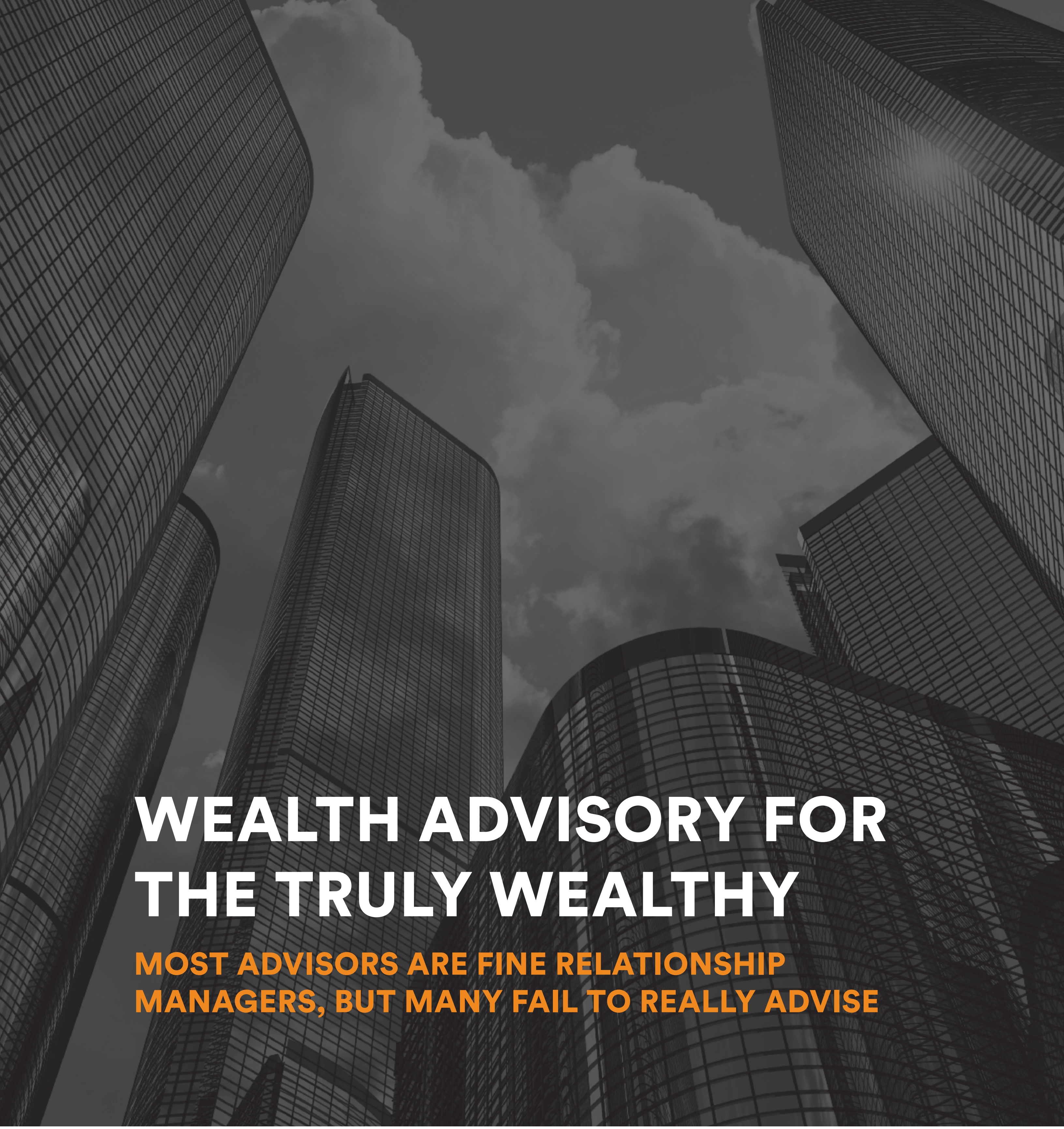

WEALTH ADVISORY FOR THE TRULY WEALTHY

MOST ADVISORS ARE FINE RELATIONSHIP MANAGERS, BUT MANY FAIL TO REALLY ADVISE

AdvicePeriod

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GROWING YOUR WEALTH BY GENERATING SUPERIOR INVESTMENT RETURNS: IT'S YOUR WEALTH ADVISOR'S MOST IMPORTANT JOB. OR IS IT?

Effective estate planning trumps investment advice.

Most advisors claim to provide not just investment services but also in-depth, comprehensive financial planning. And yet, in our opinion, the vast majority focus on investment management and provide too little planning; in particular, for the wealthy they offer little or no estate planning guidance. The reason is simple: Gathering assets for investment management can be very profitable for the advisor, even if the advisor doesn't deliver much performance for the client.

As we will show in this paper, we believe that proactive, in-depth estate planning presents a far greater potential value for families of wealth than does investing. Countless families pay their advisors a great deal for their investing "prowess," and in return receive uncertain results at best. In contrast, qualified advisors can implement estate-planning strategies that can disinherit the IRS and save families a massive percentage of their inter-generational wealth.

To increase wealth through investments almost always means an increase in risk. In contrast, increasing your family's net worth through tax planning is typically accomplished without any increase to portfolio risk. Seems like a better trade.

Oddly enough, the creators and stewards of significant wealth continue to accept the status quo in which investing is at the heart of wealth advisory services. That's partly because of investors' natural desire to beat the market and partly, we believe, because stewards of wealth often don't understand the relative impact of eliminating tax obligations versus gaining a few elusive points of investment return. Additional returns manifest in the form of larger account balances while tax savings are tangible only in the form of a reduction in taxes. Psychologically, the latter, while significantly larger, is difficult to enjoy. In contrast, an increase in portfolio value – however small in comparison, illicits a euphoric feeling of accomplishment.

We believe that families who are very wealthy—and wish to remain so—need to heed the math and re-think the status quo. While it's true that people get wealthy by taking risk, they typically stay wealthy through thoughtful steps like tax mitigation; not by taking needless investment risk.

YOU DON'T KNOW WHAT YOU DON'T KNOW. THE MOST IMPORTANT INVESTMENT YOU CAN MAKE IS FINDING THE RIGHT ADVISOR.

THAT DECISION SHOULD BE BASED ON SKILL, NOT PERSONALITY.

INVESTING REALLY MOVES THE NEEDLE... FOR ADVISORS

The bait is usually some version of a promise to outperform the competition.

Financial advisors are typically judged by their investment results. Delivering better returns than their peers lands investment managers on the front pages of investment publications and makes them in-demand guests on cable business channels, and this, in turn, attracts return-hungry clients.

To understand the extent to which investors are drawn to the promise of returns, look no further than Bernie Madoff's infamous Ponzi scheme. Predominantly wealthy, highly intelligent investors fell for Madoff's scheme, partly due to its air of exclusivity and its strangely consistent, high (but not too high!) returns. Investors' emotions do not discriminate by intellect and a master charlatan is not required to fall prey to the attraction of investment returns.

So it's no wonder that most investment advisors' initial pitch is to suggest that they can provide better performance than their counterparts and deliver returns greater than the market. But take a step back, and you'll find that most investment managers cannot beat the market on a consistent basis. In fact, they often trail the very indexes they seek to beat.[1] And the fees and taxes that come with the approach of active investing make it almost impossible for clients—that's you—to come out ahead.

Active managers' inability to provide more value than a low-cost, passive index fund is no great secret: This shortfall has been documented in study after study. And yet, advisors continue to dangle the carrot of delivering "alpha" to their prospects—Wall Street speak for "beating the market."

Their bait—typically some version of "We can [time the markets and] pick a better asset mix than other firms" or "Not only can our firm pick managers that will outperform the markets, but we can also get you into managers that others cannot"—have been the same for decades.

Why does this investing-centric framework persist? You need only follow the money. Active asset managers earned an estimated $600 billion in fees in 2014, according to State Street's Center for Applied Research. That's about the gross domestic product of Switzerland. It's little wonder that 60% of financial firms' capital expenditures go toward attempting to generate short-term performance.[2]

1. S&P Dow Jones Indices, SPIVA U.S. Scorecard, 2015
2. State Street Center for Applied Research, Folklore of Finance, December 2014

Being a financial advisor can be an extremely lucrative business. Little capital expenditure is required. Barriers to entry are almost non-existent. The business is extremely scalable, and the revenue extracted from long-term clients is recurring and often increasing.

This money spigot has helped to make the financial services industry profitable like no other. Financial services makes up approximately 8% of the U.S. gross domestic product—but amazingly, accounts for between 30% and 40% of GDP profits. Translation: A lot of people are moving their money (in the form of fees) to a much smaller number of people (in the form of paychecks) - wealth transfer of the worst kind.

Being a financial advisor can be an extremely lucrative business. Little capital expenditure is required. Barriers to entry are almost non-existent. The business is extremely scalable, and the revenue extracted from long-term clients is recurring and often increasing.

Think about it: Advisors may charge 1% or more of clients' investment assets annually to manage their portfolios. The bigger the portfolio, the more cash advisors collect, usually without having to do more work to earn it.

Wealthy families can easily pay hundreds of thousands of dollars - even millions - each year in advisory fees. And what do they get for their money? Surprisingly little. Even though their active managers are supposed to be scouring the world for alpha, they typically deliver inconsistent results relative to passive investments that charge a fraction of active management costs.

> Fees matter. They are one of the only reliable predictors of success.
> - **MORNINGSTAR**

This data has been borne out consistently by research firms such as Morningstar and S&P/Dow Jones, which track active managers (using the proxy of actively-managed mutual funds) versus their appropriate market indexes. Remember, investing in passive, index mutual funds or exchange-traded funds (ETFs) is ultra-cheap, with their costs as low as one-twentieth of one percent, or less. Advisors, by comparison, may charge an additional one percent or more—typically by offering little more than the promise of finding

Approximately 80% of managers under-perform their passive counterparts. Before-taxes.

managers that will beat the indexes decisively. That's over 20X the cost to have a high probability of underperformance. Unfortunately, when it comes to sales *there are no bad projections, only bad results*.

As the chart below illustrates, active managers don't beat the markets the majority of the time. In fact, their results make most gaming establishments look inviting by comparison.

MORNINGSTAR®

SPIVA® / S&P INDICES VERSUS ACTIVE

MORNINGSTAR

Morningstar's Active/Passive Barometer is a semiannual report that measures the performance of U.S. active managers against their passive peers within their respective Morningstar Categories. The Active/Passive Barometer report is unique in the way it measures active managers' success relative to the actual, net-of-fee performance of passive funds, rather than an index, which isn't investable.

The report finds that actively managed funds have generally underperformed their passive counterparts, especially over longer time horizons, and experienced high mortality rates (that is, many are merged or closed).

In addition, the report finds that failure tended to be positively correlated with fees. (Higher-cost funds were more likely to underperform or be shuttered or merged away and lower-cost funds were likelier to survive and enjoyed greater odds of success). Fees matter. They are one of the only reliable predictors of success.

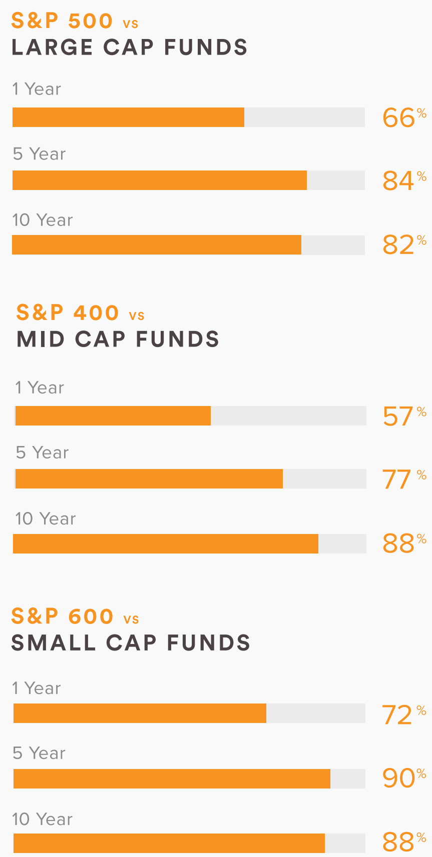
MID-YEAR 2015 SPIVA REPORT

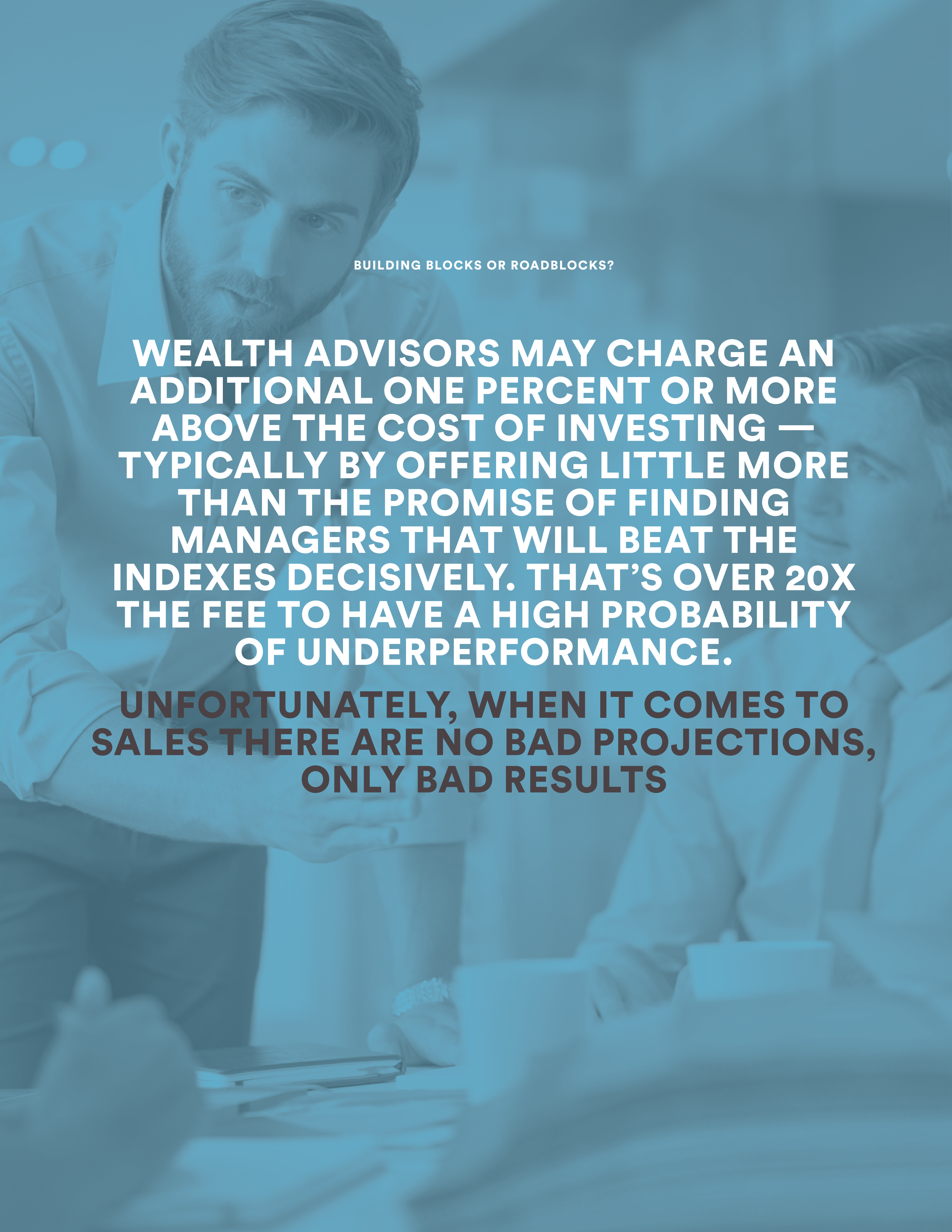
It is commonly believed that active management works best in inefficient markets, such as small-cap or emerging markets. This argument is disputed by the findings of this SPIVA report. The majority of small-cap active managers consistently underperformed the benchmark in both the 10-year period and each rolling five-year period since 2002.

S&P/DOW JONES SPIVA SCORECARD

- During 2015, 66.11% of US large-cap managers, 56.81% of mid-cap managers, and 72.2% of small-cap managers underperformed their respective indices.
- The figures are equally unfavorable when viewed over longer time horizons. For the 5-year period, 84.15% of large-cap, 76.69% of mid-cap, and 90.13% of small-cap managers lagged their respective benchmarks.
- Over the 10-year horizon, 82.14% of large-cap, 87.61% of mid-cap, and 88.42% of small-cap managers failed to beat their benchmark.
- Over the 10-year investment horizon, managers across all international equity categories underperformed their benchmarks.

PERCENT OF ACTIVELY MANAGED FUNDS THAT UNDERPERFORM THEIR BENCHMARK





WEALTH ADVISORS MAY CHARGE AN ADDITIONAL ONE PERCENT OR MORE ABOVE THE COST OF INVESTING — TYPICALLY BY OFFERING LITTLE MORE THAN THE PROMISE OF FINDING MANAGERS THAT WILL BEAT THE INDEXES DECISIVELY. THAT'S OVER 20X THE FEE TO HAVE A HIGH PROBABILITY OF UNDERPERFORMANCE.

UNFORTUNATELY, WHEN IT COMES TO SALES THERE ARE NO BAD PROJECTIONS, ONLY BAD RESULTS

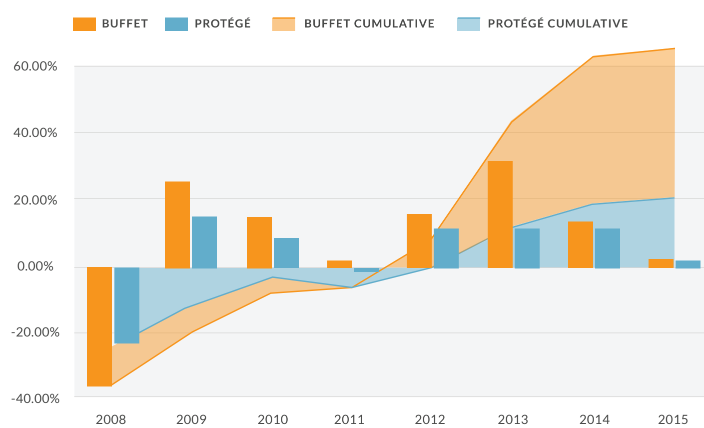
Not surprisingly, the industry does not illustrate after-tax performance in its advertisements or client communications.

By the way, two primary performance hurdles for investors are fees and taxes—and when it comes to active investing, these costs are almost always higher than the passive alternatives. These fees and taxes, which are typically not factored into performance results, vastly reduce active advisors' odds of adding value. Not surprisingly, the industry does not illustrate after-tax performance in its advertisements or client communications.

Of further concern is the fact that wealth advisory clients are too often sold investments that may be illiquid and unnecessarily complex, all in the name of "accessing the best opportunities." This is no accident: Complexity helps to keep consumers dependent on their advisors, who "helpfully" decipher the complications that their own firms have engineered.

While a select number of advisors offer valuable services, assist clients in remaining disciplined, and truly behave as fiduciaries; advisors that focus on planning over investments are in the minority. We believe that a significant majority of the advisors you are likely to encounter are wired to focus on trying to outsmart capitalism through market timing or security selection. Many even truly believe they can succeed at choosing a better asset mix and/or better managers than all of their competitors. This is often a result of what's known as "overconfidence bias." This overconfidence has famously played out in what is now know as the "Buffett Bet."

Oracle of Omaha vs. Masters of the Universe: Round 8



In 2008, Warren Buffett challenged the hedge fund industry to a wager. In a bet with a investment manager, Protégé Partners, Buffett wagered that over 10 years a simple, passive index fund would outperform a hand-picked group of top hedge funds, factoring in fees and expenses (but ignoring taxes). Protégé accepted the challenge. With two years to go, Buffett's index fund has tripled the hedge funds' performance.

In short, Wall Street promises, but doesn't deliver. The consumer pays, but doesn't receive.

As Nobel laureate Dr. Daniel Kahneman has explained to lay-investors: "Overconfident professionals sincerely believe they have expertise, act as experts and look like experts. You will have to struggle to remind yourself that they may be in the grip of an illusion…you should not take assertive and confident people at their own evaluation unless you have independent reason to believe that they know what they are talking about." Kahneman often reminds advisors and investors alike that investment performance is far more luck than skill, regardless of our attempts to convince ourselves otherwise.

Some active investment managers may actually succeed over shorter periods of time. However, the data continues to demonstrate that over the typical time period that most families are invested—the balance of their lives or longer—active management is either futile or only marginally additive when compared to a passive, diversified portfolio. And, once again, this data ignores the erosive impact of taxes on active management.

Effective estate planning, in particular, is an area where skilled advisors can make a profound impact on longterm family wealth.

This state of affairs is reversed dramatically, however, when advisors focus on planning services rather than investing. Effective estate planning, in particular, is an area where skilled advisors can make a profound impact on long-term family wealth.

In the advisory world, however, investing dwarfs planning because gathering and managing investment assets is absurdly profitable. And wealthy families shouldn't expect the industry's priorities to change any time soon. Instead, they must insist on working with advisors who focus on the greatest area of value for clients. And that is estate planning.

THE TRANSFER TAX IS AN ASTOUNDING 40%--AND THEN 40% AGAIN TO SKIP A GENERATION.

WITH ALMOST $50 TRILLION TRANSFERRING BETWEEN GENERATIONS IN THE COMING DECADES, THE IMPORTANCE OF EFFECTIVE PLANNING IS PARAMOUNT FOR FAMILIES OF WEALTH.

A DOLLAR SAVED IS A DOLLAR EARNED

In a truly client-centered financial industry, the focus would not be on the chimera of investing alpha. Passive index funds would be prevalent. And the resources once devoted to beating the market would be used for a real difference maker: Planning. For the wealthy, estate planning is a fulcrum of immense power.

For many wealthy families there is no better way to influence the total family balance sheet than by maximizing the amount of wealth that transfers from generation to generation. By minimizing taxes on the transfer of wealth, families can create—or protect—a legacy. Think of it as disinheriting Uncle Sam and giving the money to your family instead. The transfer tax is an astounding 40%--and then 40% again to skip a generation. With almost $50 trillion transferring between generations in the coming decades, the importance of effective planning is paramount for families of wealth.

For many families there is no better way to influence the total family balance sheet than by maximizing the amount of wealth that transfers from generation to generation.

The rules around wealth transfer are straightforward. Currently, a married couple with net worth below $11 million can take advantage of transfer exemptions, lifetime gifts and other non-taxable gifts to remain unscathed by the transfer tax. But every additional dollar of net worth beyond $11 million (for couples, $5.45 million for individuals in 2016) is taxed at a decimating 40% when passed to just the next generation. Then those assets are taxed again when they move to the next generation. And, so on.

Effective estate planning can be thought of as delivering a 40% immediate return in the form of taxes avoided. Investors simply cannot earn enough—without taking the kind of risk that could jeopardize their wealth—to add more value than that.

By way of simple example, let's look at a hypothetical $100-million estate. Let's say that the investment returns for this estate—whether due to superior management or luck—are 8%, rather than the 7% market return. That extra 1% of return adds up to $1 million, before taxes in any given year. Even if the estate doubles the market's 7% return, it's only earned $7 million in alpha.

$5.45M

Each US taxpayer is afforded a lifetime exemption from gift and generation skipping transfer taxes, which increases slightly each year.

40%

The government's share of transfers that exceed the existing exclusions.

80%

The tax on transfers that skip a generation and exceed the existing exclusions.

Estate planning, when accomplished successfully, can add immediate return with little to no increase in portfolio risk.

In contrast, if the family plans their estate effectively and avoids transfer tax, the savings will leave the family almost $40 million ahead. Try earning $40 million through excess performance.

We believe that the best estate planning advisors use tools like recapitalization of businesses, freezes, discounts, and transfers into generation-skipping trusts to help protect family wealth. As the diagram below illustrates, effective planning can lead to an exponential advantage in family wealth over time. In this example, "Unicorn Investment Advisory" is an exceptional investment management firm, consistently beating the liquid markets by 100 basis points (or 1 percentage point).

"Tortoise Wealth Advisors," meanwhile, is a planning-focused firm that only uses passive investments. The Tortoise team doesn't waste their resources attempting to beat the markets, but instead focuses its efforts on minimizing transfer taxes.

A wealthy 50-year-old couple with a 20-year-old child considers both firms. Neither spouse has used their lifetime or generation-skipping exemptions. Each has sufficient assets to use their exemptions and also to pay the taxes that will result from the Grantor status of the trusts. For simplicity, all returns assume that taxes are paid by the grantor or outside of the portfolio.[3]

The results are clear and can be seen in Exhibit A on the following page. The Tortoise betters the Unicorn when transfer taxes are considered.

Does investing still matter? Should your advisor invest your money well? Of course. But chasing alpha, which consumes time and energy better used on tax planning, isn't the answer.

Even if successful, modest outperformance is likely achieved at the expense of estate planning, something which when accomplished rarely increases portfolio risk. By deploying a diversified portfolio of low-cost, passive funds, advisors will likely outperform peers who are attempting to better the markets. Their clients will also pay less in fees. And they will free up important resources to make a certain impact through effective planning. Simply put, we believe that your advisor should be focused where his or her impact will add the greatest value, not weaving a tale of *what could be* if everything goes as pitched.

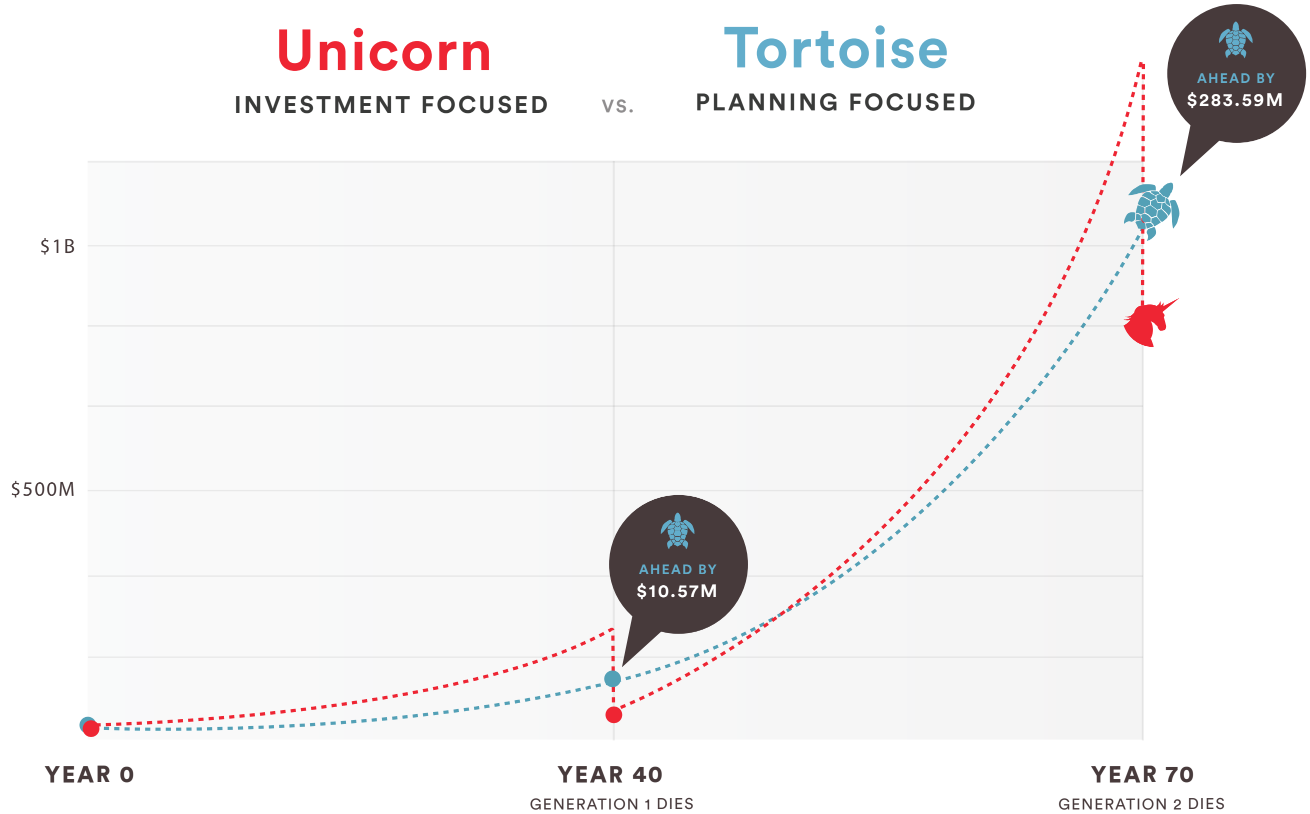
Quality estate planning will trump investment planning.

3. Grantor status allows the grantor of the trust to pay the taxes on behalf of the trust so that the trust can grow tax free. In essence, it's like a tax-free gift of the tax payment.

Exhibit A

Unicorn vs. Tortoise

INVESTMENT FOCUSED vs. **PLANNING FOCUSED**



FAMILY WEALTH	40% ESTATE TAX $217.25M – $78.07M	40% ESTATE TAX $1.4B – $544.21M
$10M @ 8%	$139.18M	$856.31M
FAMILY WEALTH	NO ESTATE TAX	NO ESTATE TAX
$10M @ 7%	$149.74M	$1.14B
	DIFFERENCE $10.57M	DIFFERENCE $283.59M

Unicorn Investment Management is that rare, exceptional manager that delivers 100 basis points of extra return year in and year out. Consistently delivering 8%, rather than the market return of 7%, Unicorn is the rarest of finds.

Tortoise Wealth Advisors took a different path. Rather than focus on the difficult task of trying to beat the markets net of fees and taxes, Tortoise only invests in the lowest cost, passive ETFs. However, they've allocated the resources they might have spent on investment management into top tax planners. Tortoise merely used the clients' exemption to set up a GSTT. The results speak for themselves.

TAX PLANNING: THE BETTER FULCRUM

QUALITY ESTATE PLANNING WILL TRUMP INVESTMENT PLANNING

WHERE LAWYERS' WORK STOPS

Many families assume that financial advisors' jobs don't include in-depth estate planning. Candidly, most advisors support this view. While many claim to provide estate-planning services, these advisors typically do little more than farm the work out to a few lawyers in their networks. And, most advisors have only a cursory understanding of estate planning.

On the other hand, wealthy families often work directly with attorneys to provide their core estate planning. A micro-set of these families will do some additional "active estate planning" with their lawyers, frequently evaluating ways to minimize transfer taxes; but this cohort is the minority.

Even excellent estate attorneys will tell their clients that they don't have the time or skills to stay on top of portfolios, or even monitor transactions that they themselves have engineered for their client. Most often the client gets a "set it and forget it" approach. But life isn't static: Marriage, divorce, childbirth, illness, business ups and downs and liquidity events are continual realities.

Almost all lawyers use an episodic approach to estate planning. And while that can work for the basics, the greatest planning benefits are achieved by capitalizing on the untamed movements in interest rates, market volatility, and the ever-changing tax laws.

Using the simplest of examples-a grantor-retained annuity trust (GRAT) strategy—one can see the opportunity missed if market changes are ignored. In a GRAT strategy, an asset is exchanged for an annuity within a trust established by the grantor. In a simple example, the grantor might establish a two-year GRAT by putting $1 million worth of a single stock into a trust. Over the term of the GRAT, the grantor is due back the lesser of the value of the GRAT or the initial $1M contribution plus a small amount of interest, the rate being established by the government (Section 7520 rate).

Most attorneys will set up the GRAT, and may even notify the client of the annuity payments, at the end of year one and when the GRAT terminates at the end of year two.

We believe the legal profession is not set up to proactively serve estate-planning clients, and neither, for the most part, is the financial advisory profession.

But attorneys typically do not monitor the value of the underlying asset during the term. To illustrate the point, let's assume a very volatile stock is valued at $10 per share on the date of its contribution to the GRAT and the Grantor does not want to sell the stock. Next, let's suppose that during the two-year term the stock appreciates to $20 per share, then falls to $2 per share, then rises again to $20 per share prior to the end of the GRAT term where it settles back in at $10 per share.

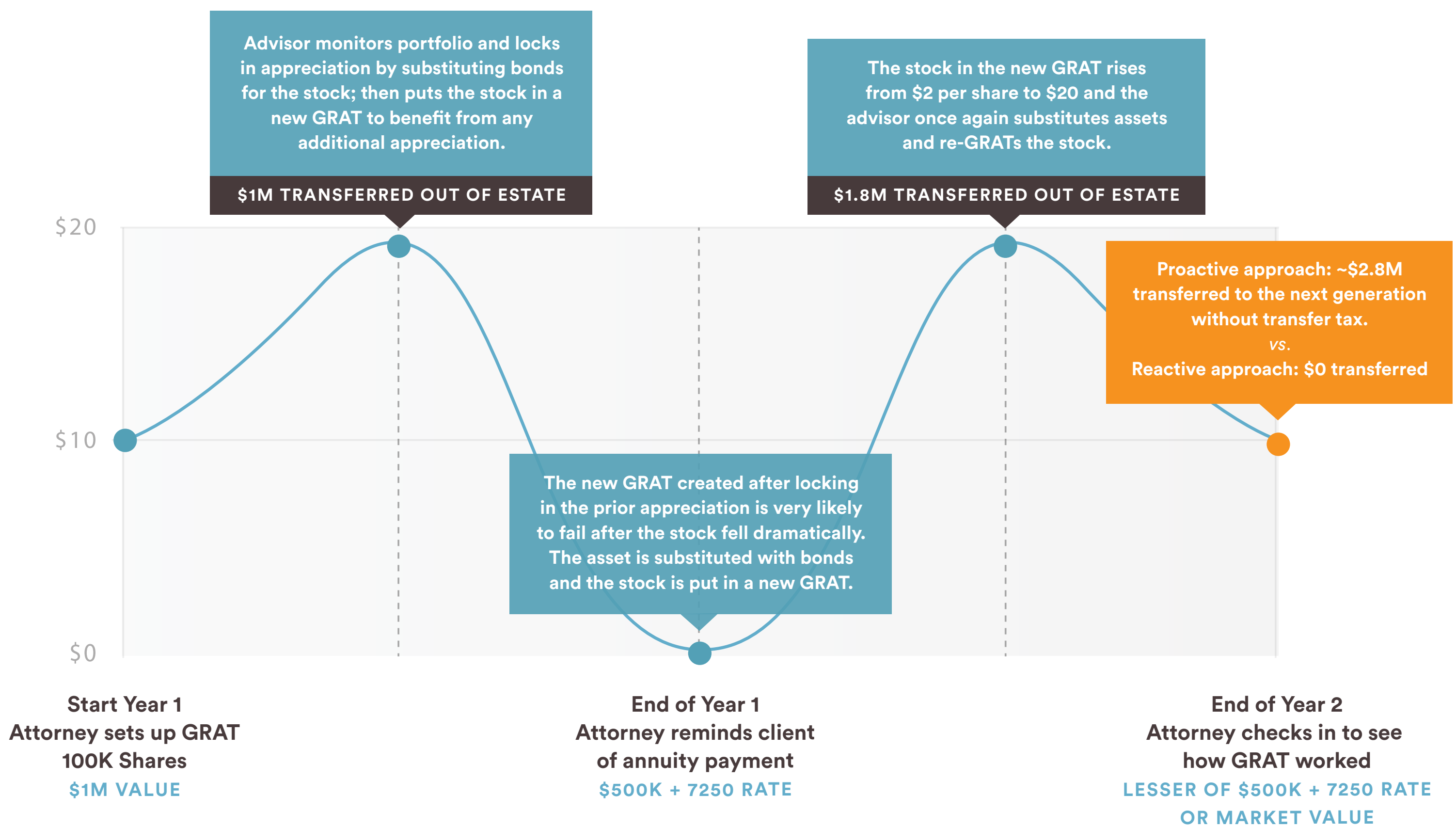
With a typical attorney's more reactive approach, the GRAT will mature without transferring any assets out of the grantor's estate because at the end of the term the value is equal to the original contribution *(see exhibit B)*. But a vigilant, savvy advisor would use a few simple steps to capitalize on the volatility of the stock. This can be accomplished by substituting a low volatility asset for the stock and re-GRAT'ing the stock in a new GRAT. One can lock in gains prior to the end of the term of the GRAT and still enjoy further appreciation. The same technique could be used to "re-set" a GRAT that is likely to fail if the GRAT is too far below the initial contribution.

Using our hyperbolic illustration, the savvy advisor moves almost $2.8M to the next generation without any tax while the less proactive approach yields $0. This technique can be repeated over and over, capitalizing on the movement of the asset price. And remember, this is only a basic example of the sophisticated estate-planning opportunities that a skilled advisor can deliver.

We believe the legal profession is not set up to proactively serve estate-planning clients, and neither, for the most part, is the financial advisory profession. But there is a small segment of financial advisors who are known for their expertise and pro-active approach in this area. These are the advisors that families of wealth should seek to employ.

Exhibit B

Grantor Retained Annuity Trust (GRAT) Strategy
A Reactive Approach versus a Proactive Approach



THE MOST IMPORTANT ASSET ALLOCATOR: YOU

You—not any advisor—are responsible for deciding how much of your assets you spend for various advisory services, based on what you'll receive in return. Your decisions will have a meaningful impact on your wealth.

Under the status quo, wealth management clients are focused on investment management services, paying hefty fees for a confusing and often unsuccessful set of solutions. But times are changing, with competition and technology leading to more transparency and lower-cost options.

Case in point: Passive investing has caught fire with individuals and institutions alike. Vanguard, best known best for its low-cost, passive ETFs and mutual funds, attracted $236 billion from investors in 2015, ending the year with more than $3.3 trillion of assets under management and cementing its place as the world's second-largest asset manager.

In all, investors put $361.8 billion into index funds and withdrew $139.5 billion from actively managed stock and bond funds through November 2015.

Meanwhile, technological advances are threatening to overturn Wall Street's old order. So-called robo-advisors such as Betterment.com and Wealthfront.com are providing well-diversified portfolios of low-cost ETFs tailored to meet investors' goals. The new breed of "robos" not only define and implement customized portfolios, but they also rebalance and tax-manage them for a fraction of advisors' traditional fee.

As for transparency, technology is helping investors understand whether they're getting enough value from their fund managers. Tools such as FeeX.com and PersonalCapital.com allow investors to view their assets, see clearly what they pay, and understand the alternatives.

Those who are serious about preserving and increasing their family's long-term wealth must break from the "investments-first" mindset. One way to do that is to understand the services an advisor provides, and the relative value of each service.

4. Wall Street Journal, Investors Poured Record $236 Billion Into Vanguard Last Year, January 2016

While there are numerous ways to divide the responsibilities that an advisor has to their client, we segregate them into four primary categories:

1

Asset Allocation

As simple as determining how much of a portfolio should be allocated to stocks and bonds, asset allocation has a zillion derivatives of one flavor.

2

Manager Selection & Oversight

If you do insist on employing active management, there is a cost to doing so. And, in fact, some parts of the market simply are not available in a passive form.

3

Planning

There's plenty of math and even more rules to navigate in order to deliver an effective financial and / or estate plan. This may be the most important value - along with Guidance - that your advisor provides.

4

Guidance

Your advisor is a fiduciary. Their job is to focus on your financial related needs so you can focus on other things. Their primary role is to keep you out of trouble and get you pointed in the proper direction.

If you're not receiving any or all of the services, then you shouldn't pay for them. Furthermore, each category should have a maximum fee: After all, many of the services an advisor provides require the same effort for a small account or a large account. Wealth advisory clients should pay only for the value that is truly being delivered.

Fixed fees that represent the services received and complexity of the relationship reduce conflicts of interest.

That's not the way the industry has traditionally worked, however. Advisors may charge a fee starting at approximately 1% or more, regardless of the range of services they deliver. But a very different approach is emerging: unbundled fees, which allow clients to pay for exactly the value they receive. We hope that the unbundled fee structure will ultimately gain ground, forcing advisors to be accountable for the services they do and do not provide.

PRICING GUIDELINES
WHAT SHOULD YOU PAY?

There is no magic formula. Complexity and services should yield differentiated pricing. However, in a world where most advisors deliver just another flavor of vanilla, consider the following service categories and approximate relative value.

25% (of the total fee)
–
Responsible for 90% of returns

ASSET ALLOCATION

Many wealth advisors use the same mean variance optimization models to derive their asset mix. Over long periods of time there should be no meaningful difference in outcomes.

INVESTMENT SELECTION

According to the Morningstar and Dow Jones/S&P SPIVA† reports, the significant majority of active managers, when compared to their respective benchmarks, have underperformed for the trailing 5 and 10 year time periods.

20% (of the total fee)
–
80% of active managers underperform

35% (of the total fee)
–
Good planning often trumps investing

PLANNING

Having the best manager in the worst asset class is of little value when markets retreat. The impact of good planning is often felt immediately and typically has little to no portfolio risk associated with it.

GUIDANCE

The financial services industry is rife with complexity – some of it necessary and much of it unnecessary. Having a guide to help you navigate the murky landscape can be invaluable. Sometimes what you don't do is as important as what you choose to do.

20% (of the total fee)
–
Because expertise and discipline matter.

All services should be subject to minimums and many of the services should have maximums!

† SPIVA® 2015 Mid-Year U.S. Scorecard

CONCLUSION

A little bit of knowledge goes a long way when it comes to preserving family wealth. We believe it's important to focus on adding value in areas that we can control and minimizing friction in the areas we cannot.

Wealth advisory means both earning money and keeping what you've earned. That's why we believe investors should vigorously question the old investment-centric paradigm and insist on working with the experts who provide the most impactful advice. Period.

Summary

1. Most advisors claim to provide full service wealth advisory, but the vast majority focus narrowly on investment management.

2. While profitable for advisors and the investment industry, active investing provides little, if any, advantage for clients.

3. For those seeking to preserve and transfer significant family wealth, the impact of estate planning typically dwarfs that of investing.

4. In a truly client-centered financial industry, inexpensive, passive index funds would replace most active management, and advisors' focus would turn to in-depth estate planning.

5. While few wealth managers do comprehensive, proactive estate planning, unfortunately neither do most lawyers.

6. As clients gain more understanding with respect to where value lies within wealth advisory, they should demand to pay only for the value they receive.

7. AdvicePeriod is leading the way to a client-centric wealth advisory model, including providing truly impactful estate planning, and a revolutionary, un-bundled fee structure.

WHAT TO LOOK FOR WHEN IDENTIFYING OPPORTUNITIES.

1. OVERLY COMPLEX INVESTMENT SOLUTIONS.
2. LOTS OF MANAGER OR ASSET ALLOCATION CHANGES.
3. HIGH FEES.
4. REDUCED LIQUIDITY.
5. CONFLICTS OF INTEREST.
6. DOES YOUR ADVISOR PROACTIVELY REVIEW AND UNDERSTAND THE NUANCES OF YOUR BALANCE SHEET AND ESTATE PLAN OR CARE MORE ABOUT GETTING ASSETS TO MANAGE?
7. FOR ESTATES OVER $25M, HAVE YOU FUNDED IRREVOCABLE TRUSTS?
8. FOR ESTATES OVER $25M, HAVE YOU STARTED TO USE YOUR LIFETIME EXEMPTION?

GUIDELINES FOR FAMILIES WISHING TO MINIMIZE THE TRANSFER TAX.

(assumes married couples; divide in half if single)

- If your estate is less than $10M, your advisor should ensure that all of your core estate planning documents are complete and up-to-date.
- If your estate is between $10M and $30M, your advisor should have all of your documents up to date and begin using your lifetime exemption.
- For estates between $30M and $100M, your advisor should have used all of your lifetime exemption and should consider additional freeze techniques.
- For estates over $100M, there's almost always an opportunity to reduce estate taxes given changing markets, interest rates, and laws.

APPROACHING THREE DECADES OF SERVICES TO SOME OF THE WORLD'S MOST AFFLUENT FAMILIES, IT'S CLEAR TO US WHERE THE RUBBER MEETS THE ROAD.

AS IT'S BEEN SAID: IT'S NOT WHAT YOU EARN. IT'S WHAT YOU KEEP.

WE DEAL WITH THE VERY WEALTHY HELPING THEM DO WHAT MATTERS MOST TO THEM - STAY WEALTHY.

AdvicePeriod

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Steve Lockshin is a Founder and Principal of AdvicePeriod and former Chairman of Convergent Wealth Advisors, a company he founded in 1994. Steve helped pioneer the independent advisory industry, building one of the largest independent RIAs in the nation. Lydian Wealth Management was acquired by City National Bank (NYSE:CYN) in 2007.

Steve is widely known for his contemporary approach to wealth advisory as well as his estate-planning knowledge and is a frequent speaker on both topics. He memorialized his concerns about conflicts of interest in the industry in his guide for consumers, Get Wise to Your Advisor (John Wiley & Sons: 2013).

Steve has received many industry accolades, including being ranked #1 by Barron's in both their state (CA) and national rankings in numerous periods. In 2010, Washingtonian magazine named Steve as one of the Top Financial Advisors in the Washington, DC area. Steve is a champion for the fiduciary standard and consumer education in financial services. In 2012, in an attempt to unify the industry by providing a simple set of standards for consumers, Steve helped launch Advizent.

In 1995, as part of the development of Convergent Wealth Advisors, Steve founded CMS Reporting. CMS Reporting is now known as Fortigent, LLC, a leading provider of outsourced wealth management solutions with more than $75 billion in assets on its platform. Fortigent was acquired by LPL Financial Holdings, Inc. (NASDAQ: LPLA) in 2012.

Steve has been a member of the Young Presidents Organization (YPO) since 1998 and is an accomplished pilot, graduating from his private pilot certificate to piloting corporate jets in less than three years.

STEVEN GUISE

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Steve is a Wealth Preservation Consultant with AdvicePeriod. For over 40 years Steve was a tax attorney whose practice was focused primarily in the fields of Trusts and Estates and Charitable Planning. Steve retired from the practice of law at the end of 2015. For 25 years Steve was a partner in the Los Angeles law firm Munger Tolles & Olson LLP and then spent his last 5 years as of counsel in the Los Angeles office of the law firm Katten Muchin Rosenman LLP. For the last 10 consecutive years of his law practice, Steve was recognized in Best Lawyers in America in the field of Trusts and Estates.

Steve brings his broad legal experience to AdvicePeriod where as a non-attorney he helps structure wealth planning strategies for AdvicePeriod's clients.

Steve is a graduate of the University of Michigan with an A.B. in Economics, of the Vanderbilt University School of Law with a J.D., and of Georgetown University Law Center with an LL.M. in Taxation.

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