DIVERSIFIED ASSET MANAGEMENT INC.

A Wealth Planning Process for Pursuing Success On Purpose

One of the best things you can do when managing wealth is to be extremely clear on what you're looking to accomplish and what hurdles stand—or could stand—in your way.

Why? Success—in investing, in business, in life—rarely happens by accident. When you're clear-eyed about where you want to go and what could get in your way along the journey, you can both create a better map and build in better contingency plans.

The good news: There's a process you can implement in your financial life that can better enable you to resolve your issues and arrive at your desired destination.

Six steps that build on each other

We call the process the Virtuous Cycle because it's a multistep approach that continually reinforces itself over time. The Virtuous Cycle has six components (see the chart on the next page) that are highly customizable.

1. **Profiling.** Truly effective wealth planning happens when you—and any financial advisors you work with—have a deep understanding of yourself and the people in your life who will be involved in, or impacted by, your planning decisions. Without these insights, all the specialized financial expertise in the world or the most advanced solutions are of little use. It's like a doctor treating a patient's illness: If the diagnosis is incorrect, the treatment is not likely to be effective.

   That deep understanding has to include your financial situation and goals, of course. But it also needs to go well beyond that information to include your financial values, your interests, your most important relationships and other key factors. The goal is to develop an extremely detailed and expansive understanding of you and your world. That information, in turn, allows your advisors to work effectively with a professional network of experts.

2. **Consultation with a professional support network.** No one—not even the very best financial professional out there—is expert enough in all areas of managing wealth to deliver the highest-quality advice across the board. The best advisors realize that fact and therefore create and maintain strong networks of other expert professionals to turn to when necessary. The very best of these professional support networks have four characteristics:

- **Specialized expertise.** The members of the network should be top authorities in highly specialized areas that are relevant to your financial life.
- **Integrity.** The highest ethical standards are indispensable in all aspects of wealth planning.
- **Professionalism.** The network participants must embrace professionalism in every way.
- **Personal chemistry.** Everyone within the network must "play well together in the same sandbox."

3. Scenario thinking. With profiles created and a professional network in place, advisors can engage in scenario thinking with you. Simply put, this is a method of generating alternative futures—it's when all the "what if" questions are asked and answered. Some possible examples:

- "What if I die early, while the children are young? Who will decide when they should have unrestricted access to the money?"
- "What if I want to pay the lowest possible tax bill on my investments without having to give up control over how the money is managed?"
- "What if someone wants to take advantage of us when we're a lot older and not as with it?"
- "What if someone falls in my building, hurts himself and sues?"
- "What if I want to expand my business to other countries and want to legally minimize the amount of taxes I will have to pay?"

From the meaningful possible outcomes devised in this phase, the most viable course or courses of action are selected.

4. Framing the recommendations clearly. At this point in the process, you're looking for a wealth manager to communicate the various scenarios and recommendations to you in a way that makes a great deal of sense. Depending on the complexity of your situation, this might be very straightforward or quite complicated. What's essential is that you understand—in broad stokes or in excruciating detail, depending on your preference—how the recommended solutions can enable you to achieve your agenda, and any limitations of those solutions.

5. Implementation. Once you've chosen the way you want to proceed, the plan is put into motion. Implementation—taking action—is typically very straightforward, and it should be. By this point, the hurdles have been identified and the approaches to surmounting them have been specified. This doesn't mean implementation is easy; it often demands a great deal of work. However, it should be something advisors and their teams do extremely well.

6. Ongoing monitoring and refining. Laws change—and lives change. It's smart to ensure that any wealth planning you do stays up to date with such changes, and that the plan remains positioned to generate the results you want. Therefore, a major aspect of the Virtuous Cycle approach is to continually monitor any and all changes that could impact your future success—and make modifications to the plan as required. Ongoing monitoring often involves periodic reviews and responses to important changes and innovations.

The upshot: Wealth planning should be a continuous process of refining goals and needs along with the strategies and tools to achieve them. The same should hold true for you and your wealth plan. Think about it: If your plan becomes outdated—it no longer reflects your situation and needs, or the tools it uses are suboptimal—it's you and the people most important to you who lose out.

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