

Sound Advice for Affluent Investors

If you've started to build an investment portfolio or have amassed substantial assets, you face a variety of financial challenges. How do you reduce the risks of investing, while still achieving your personal goals, such as a steady income in retirement, a larger "nest egg" for your children or leaving a legacy to charity?

In the past, an affluent investor might work with a banker, an investment manager, a CPA, a life insurance agent, an estate attorney or professionals from other disciplines. But today, many investors prefer to work with a primary advisor who can serve as the "quarterback" who provides direction to the team. That's because most successful individuals lack the time or expertise to deal with the intricacies of financial management. They would rather be golfing, boating, traveling or spending time with their children or grandchildren.

So, one of the best ways for affluent investors to get 2014 off to a good start is to take a look at their advisors. Are they working together as a coordinated team? If not, what steps can be taken to bring them closer together, since the recommendations made by a life insurance agent, for instance, can have a significant impact on an individual's estate plan.

It's also a good idea for investors to review their personal and financial goals on an annual basis, and to reflect on the events of the past year. How well has the investment portfolio performed? Should there be any rebalancing of asset classes? Have there been significant personal changes, such as a death, divorce or the birth of children or grandchildren?

That type of information is a great help to an investor's financial, accounting and legal advisors, since they may need to revise legal documents, tax strategies or portfolio allocations. Investors should also talk with their financial advisors about the outlook for the coming year and whether or not to make any changes to their strategies. The issues to discuss might include:

- What is the overall investment outlook for 2014? Should some assets be shifted to take advantage of potential opportunities for higher returns? Should the portfolio be "underweight" in asset classes where the risk factors have increased?
- Should an investment policy statement be revised? For instance, how would raising or lowering the desired overall return on the portfolio affect the current allocation of assets? Are there specific types of asset classes that should be ruled out because of unacceptably high risk? Are there certain industries or specific companies that should be ruled out because of their undesirable social, environmental or workforce practices?
- How does the gradual approach to retirement affect the composition of the portfolio? An investor in her 40s, for instance, has a longer time to grow her portfolio than an investor who's just turned 60 and wants to retire in five or six years.
- If you are close to retirement, what kind of annual or monthly income will you need to achieve your desired lifestyle? How will you make the financial transition from accumulating assets to maximizing retirement income, assuming that is your goal?
- If you have already retired, how quickly are you drawing down your assets? Should you continue to hold a significant amount of equities so that your portfolio could keep growing and prolong your income stream into your 80s or 90s? After all, Americans are living longer today than ever before.
- How large an estate do you want to bequeath to your heirs or a favorite charity? Should you

consider strategies to maximize your estate to benefit others, or would you really prefer to spend freely during your senior years?

As you can probably tell, there is no right or wrong answer to any of these questions – they vary from individual to individual and family to family. But these are the right questions for affluent investors to discuss with their advisors in order to prepare a game plan for life.

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