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Ever since the Industrial Revolution, investments in science and technology have proved to be reliable engines of economic growth. If homegrown interest in those fields is not regenerated soon, the comfortable lifestyle to which Americans have become accustomed will draw to a rapid close.

NEIL DEGRASSE TYSON

All things considered, the first quarter of 2019 has been pretty good. Consumer confidence indicators are at their highest levels in 18 years since dotcom crash, so it's no surprise that people are buying instead of saving.

Yet, many experts forecast that US economic growth is likely to slow and is vulnerable to a possible recession in 2020, but not as bad as what we experienced a decade ago in 2008. In fact, such experts agree that 2020 will bring the next recession, with some predicting growth will begin to fall as 2019 comes to a close.

For now, the Feds aren't sure whether interest rates are inching up or down. The housing market has weakened; consumer spending grew steadily even as business investment was weak, and a potential trade war looms while the debt ceiling remains an issue.

Internationally, China and the European economies are slowing down with Europe potentially on the verge of a recession, even before the possibility of a disruptive hard Brexit. Beginning on page 12, writer Matthew Edwards shares insights from prominent international researchers and business leaders in his article, "A Brexit Silver Lining."

We continue to capture concise observations from entrepreneurs who provide our readers with informative and educational views about events in business and finance.

Our cover feature brings you the story of international entrepreneur, Barb Stegemann, founder of The 7 Virtues. Writer David Gargaro offers a glimpse into how her personal journey became her life's work.

Tired of hearing about millennials? Well, we turn our attention to their younger siblings – or their offspring – in our article entitled, "The Autonomous Generation Z" starting on page 22.

And, finally we offer two informative articles to help investors make a wise choice when it comes to selecting a financial advisor.

Advisors Magazine is known for bringing our readers in-depth interviews and reports, and in this issue our mission continues.

Enjoy!

Erwin Kantor

Erwin Kantor, Publisher

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Barb Stegemann is a tenacious, creative, and resourceful social entrepreneur who built The 7 Virtues, an international company whose tagline touts, "Make Perfume Not War."

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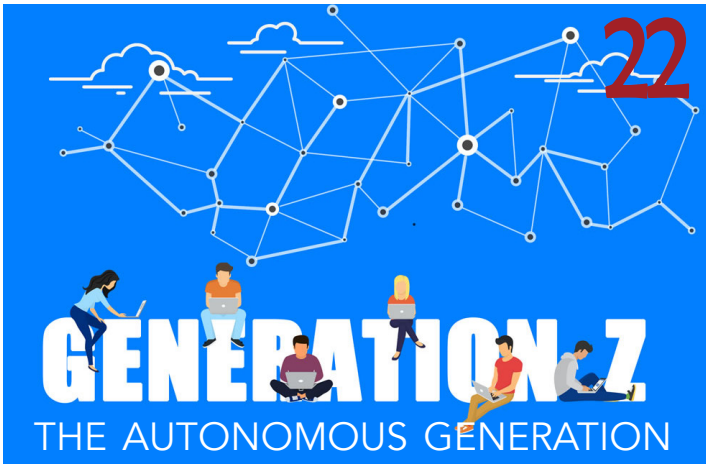

PROPONENTS AND SKEPTICS SPEAK OUT AS DEADLINE APPROACHES

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How to Vet a Financial Advisor

Advisors tell investors what to look for

BY MATTHEW D. EDWARD

An ethical financial advisor would not hesitate to show their personal portfolio to prospective clients.

"Tell any new advisor that you will only invest in securities that he or she personally has money in. Then be prepared to look them in the eye and ask for proof," said Fred Wollman, CFP®, MPAS®, AIF®, founder of Wollman Wealth Designs. "You want to see the statements with their investments. Ask them to show you their financial plan. You want to see their succession plan, buy-sell agreement."

Investors need to thoroughly vet prospective advisors, and that starts with asking the right questions. "Advisors Magazine" recently spoke to several wealth managers about how new clients should approach potential advisors and which questions they should be prepared to ask.

"The consumer may view this as similar to a resume and consider themselves as the potential employer," said Tiffany Bergland Ballard, CFP, AIF, president of Bergland Wealth Management, Inc. "What questions would you have before hiring this individual? A great list of questions would bring about an advisor's responses that reveal the person's character as actions speak louder than words."

Financial literacy remains low across the United States. In fact, only five states – Utah, Alabama, Missouri, Tennessee, and Virginia – require a financial literacy class in high school. Outside of those five states, only 8.6 percent of high school students nationwide take financial literacy, according to a study by the non-profit Next Gen Personal Finance. And adults do not fare much better considering that the U.S. placed 14th world-wide in FINRA's last financial literacy survey, conducted every three years. Weak financial literacy only makes life easier for those unscrupulous advisors, and more difficult for legit professional practitioners.

"The public does not have a base to determine the quality of the person in front of them seeking to gain their trust," said Nancy J. LaPointe, MBA, CFP, ChFC®, CLU®, RICP®, a financial planner, wealth manager, investment adviser representative for Navigate Financial. LaPointe added that the Certified Financial Planner (CFP) designation does require holders to act as a fiduciary – meaning clients' best interests come before commissions or other bottom-line considerations – but these sorts of industry ins and outs remain unclear to the average consumer.

"The CFP designation, the ongoing continuing education, and monitoring of

the ethical standards of a CFP is not as well-known or reinforced by regulatory organizations like the Securities and Exchange Commission or FINRA," she said. "I tell folks anyone can call themselves a financial planner, but not just anyone can call themselves a doctor or a lawyer."

The SEC is mulling new regulations that might restrict who could present themselves as what sort of advisor but has not released any final details as of this writing. So, if anyone can call themselves a fiduciary or a financial planner, then simply asking is unlikely to get a prospective investor anywhere. Instead, potential clients should hone in on specific issues such as how an advisor gets paid.

"Ask what their relationship is with a broker-dealer and are there incentives to use or engage in services or products," LaPointe said. "Ask if they manage investments directly and if so, who is the custodian of the funds."

Financial qualifications are a good place to start for investors who want to research which advisors to look out for. A qualification is no guarantee of a reliable advisor, but the time and energy required to earn a CFP or a ChFC designation is significant and can mark somebody as a serious professional. Many investors get wrapped up in the branding surrounding a popular television or online personality without considering who that person is or what qualifies them to manage money. Stepping back and looking at an advisors background can help investors sidestep being suckered.

"I am biased toward professional financial qualifications. There are a lot of 'asset-gathers' roaming around, that are not fiduciaries, and the investing public is unaware of the distinction," said CPA John H. Bishop, president of Wellington Capital Advisors. "Many investors are attracted to the personalities attached to a big-brand name sales folks, not realizing those individuals are beholden to the sales salary and incentives of the employer."

LaPointe echoed Bishop and noted that the organizations that grant professional qualifications make demands on holders' behavior.

"Ask what their qualifications are and then verify they are in good standing with national organizations such as the CFP Board, College of Financial Planning, and the American College," she said.

Another way to find the right advisor is for an investor to dig through their personal connections.

"Skip the Google search and marketing dinner seminars when seeking a financial planner. Get an introduction from your CPA, attorney, or someone you know well that has a long-term relationship with an advisor," Wollman said. "You have a much better chance that advisor will act as a 'real fiduciary.' This advisor not only wants your business but is anxious to maintain the relationship with the person making the introduction."

Finding a real fiduciary can be difficult. Most advisors, in fact, have slightly definitions of what a fiduciary is. Investors know that they want a fiduciary advisor, but few can clearly define what that means.

"They can buy a 'cat in a bag' from a big name organization with a salesperson attached, or they can engage the services of a fiduciary to map the path forward," Bishop said, adding that his firm acts as a fiduciary for clients. "We stick to the big picture, and don't permit the client to get distracted by fear, greed, shiny bells, and whistles. We focus the client on fact-based investment decision-making."

But maybe the easiest way to prove whether an advisor is a fiduciary is to simply ask them to lay their cards on the table and explain their personal portfolio. An advisor who gets antsy when asked to do that likely is not somebody an investor wants to entrust their money to, Bishop said.

"Any ethical advisor will be eating their own cooking. They need to be doing exactly what they are asking you to do," he said. "Are they 'walking the walk' or merely talking to you about doing things they are not doing for themselves? That is called a hypocrite."

BY MATTHEW D. EDWARD

Hiring a Financial Advisor?

5 questions to ask – and why you should ask them!

"Advisors Magazine" routinely asks financial advisors and wealth managers what questions a prospective investor should ask before committing to a relationship with a financial professional. Here are the top five we've heard over the past few years.

1 Who pays you? How do you make your money? Are any commissions or third-party payments involved whatsoever?

Investor tip: The purpose of this question is to determine whether you're the one who is fully in control of the client-advisor relationship, or if there are competing financial interests in play. Make sure you know where your advisor's revenue comes from, all of it.

2 Who is custodian over the funds?

Investor tip: Remember, your advisor should not be directly in control of your money. A third party custodian always should be involved.

Investor tip: Again, qualifications alone can't guarantee honesty, but they do require serious commitment to attain. Qualifications also can make advisors answerable to certain professional organizations, and clients should cross-check with those groups to make sure their advisor has had no serious issues regarding their conduct.

3 What are your professional qualifications?

4 Are you a fiduciary and how do you define "fiduciary"?

Investor tip: Any waffling on this question is a red flag. An advisor should be able to clearly tell you whether they are a fiduciary and should define it in simple language.

Investor tip: Make sure that your advisor's philosophy toward investing (for example: high-risk, high-reward; heavy reliance on mutual funds, etc.) matches yours. The advisor you are talking to today might be honest, professional, and capable, but subscribes to an investment style at odds with yours, meaning it's a poor fit all around.

5 What is your investment philosophy? How does it work in practice?

BY ADVISORS STAFF

A BREXIT Silver Lining?

Proponents and skeptics speak out as deadline approaches

As the clock ticks down to the United Kingdom's divorce from the European Union, one prominent billionaire is predicting a major recession. While other experts see a bit of hyperbole in the doom-and-gloom forecasts, multinationals appear to be hedging their bets. But could U.S. firms find ways to benefit from Brexit?

A self-described prominent billionaire said he believes the United Kingdom's impending "Brexit" from the European Union will wreak havoc on the world economy, creating a "lose-lose" situation for Britain, the U.S., and others. And as Brexit edges closer, multinational companies around the world appear to be taking heed of at least some of the possible worst-case scenarios.

"There can never be such a thing as a win-win in Brexit. Unfortunately, it will only result in everyone losing," said Vijay Eswaran, the entrepreneur, speaker, and philanthropist who founded the QI Group of Companies. "Will the E.U. lose more than the U.K.? This is the more pertinent question now. Not even the pundits can predict who will face the greater loss. In my opinion, when this comes to pass, both the U.K. and Europe will be left reeling … There is therefore no upside, no winners. There is bound to be a recession followed by Brexit, which will have an impact on the U.S."

Britain is slated to leave the E.U. on March 29. Prime Minister Theresa May, however, has so far failed to secure Parliament's support for her exit plan, leading to fears of a chaotic "hard Brexit." Without an agreement, E.U. will simply stop applying to British citizens at 11 p.m., March 29, with no transition period – this will affect the ability of British citizens to travel to the E.U. and vice versa, tariffs, and it remains unclear as to whether the union's bilateral trade deals will continue to apply to the U.K. (most experts say no).

Multinationals recently have made moves to reduce their exposure to the U.K. economy. Japanese automaker Honda announced this week that it will close its lone British factory. Nissan also has pulled out of a plan to make a new SUV in England (CNN reported Nissan and Honda saying that Brexit did not play a role in their decisions, but many industry experts disputed that). Electronics company Panasonic announced as well that it would shift its legal departments to Europe. All of these moves came on top of each other after Japanese officials and business leaders reportedly lost confidence in the British government's ability to successfully manage the Brexit process.

It remains unclear what a hard Brexit's impact would be on the U.S., but the two countries' industrial bases are tightly intertwined and both rank among each other's top trading partners. But even if a hard Brexit comes to pass, could American firms find a way to benefit?

"U.S. businesses are the most significant investors in the U.K. with around $588 billion in investments. These companies use the U.K. as the gateway to free trade with the 28 E.U. nations. Britain's investment in the United States is at the same level," Eswaran said. "Brexit is a vote against globalization. It takes the United Kingdom off the main stage of the financial world."

Eswaran might be overstating his case, however. Substantial disagreement exists among academics and policy analysts as to the possible size of Brexit-related losses. And

without an agreement in place, it becomes even more difficult to predict.

"If the U.K. were to remain in the Single Market then any losses would probably be relatively minimal. A so-called 'hard Brexit' would entail a much larger economic hit. As such, from a purely economic standpoint it is correct to state that Brexit is lose-lose," said David Hearne, a researcher at the Centre for Brexit Studies at Birmingham City University. "To put this in some kind of context, the U.K. Treasury estimates that a Brexit in which the U.K. remained in the European Economic Area would entail a hit of 1.4 percent to U.K. GDP, whilst a 'hard Brexit' would entail a loss of 7.6 percent. My own view is that these numbers are probably pessimistic, but as I stress there is enormous uncertainty over the size of economic losses."

The damage, however, will almost undoubtedly be asymmetrical, Hearne told "Advisors Magazine" by email, given that the fallout to the E.U. will be spread out among the remaining 27 member countries. The U.S. as well is "reasonably well insulated" from Brexit's effects given the relative size of each country's economy and investments in the other.

"Although the UK is a significant trading partner for the US, the size of this trade is small relative to the overall size of the US economy. Individual businesses might feel some pain but over the economy as a whole the impact will be relatively muted," Hearne said.

Cross-border investments could face much more significant complications from Brexit. The U.S. is the single largest source of foreign direct investment into the U.K., and a Brexit-spurred tumble in Sterling could reduce the value of those investments. It also could, however, set U.S. businesses off on a chase to "bargains," Hearne noted. U.S. firms also could struggle with legal issues related to financial services as London currently stands as Europe's financial capital – former New York mayor Michael Bloomberg is on record saying this will remain true even after Brexit passes – but many firms have rushed to set up European offices to offset any issues created from the split.

"If the U.K. economy takes a nosedive, it will have ramifications in the U.S., especially on the eastern seaboard. Tourism will definitely take a hit once Brexit comes into force," said Eswaran, a member of the World Economic Forum's Global Growth Companies.

But Brexit may have a silver lining for some U.S. companies. The possibility exists that Brexit could spur the U.S. and U.K. to sign a free trade agreement. Stopping short of a free trade agreement, a U.K. free of the E.U. customs union could set its own tariffs, many of which are in place to benefit other European regions.

"Oranges are a classic example: the climate in the UK is too inclement to grow oranges, but tariffs are set at an E.U. level and exist to protect European orange growers, mostly in Spain. Orange farmers in California or Florida might therefore stand to benefit if the U.K. were to eliminate tariffs on that product," Hearne said.

These silver linings do seem relatively few in number, however, and it remains unlikely that the U.S. would be able to seal a free trade pact with the U.K., given the number of compromises the latter would need to make in regards to European health, safety, and other regulatory standards. Those compromises might cause too much friction with the U.K.'s European trading partners to be palatable, Hearne said.

That said, the pessimistic predictions surrounding Brexit, while possible, are not set in stone.

"The old adage 'economists have predicted nine out of the past five recessions' is a maxim worth bearing in mind in this regard," Hearne said. "A Brexit-induced recession is not unlikely, but it is far from a certainty."

BY JUDE SCINTA

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BETHENNY AND THE SHARKS

Hanging with the entrepreneurial in-crowd

Timing is everything, they say. And prolific entrepreneur and Skinnygirl CEO, Bethenny Frankel has a knack for judging when the time is right.

Frankel achieved yet another career milestone in 2017 when she appeared as a newbie Shark on ABC's mega-popular prime time reality show, "Shark Tank." But that wasn't her first invitation to join series veterans, including Mark Cuban, Daymond John, Kevin O'Leary, Barbara Corcoran, Lori Greiner, and Robert Herjavec. Earlier on, she had turned down the crème de la crème of entrepreneurial opportunities.

"I was approached years ago about the possibility of being a Shark and declined the offer to be interviewed for the show because I had other television opportunities and wanted to make sure that I could be supportive of entrepreneurs versus contrarian," Frankel told "Advisors Magazine."

Frankel's popularity first soared among a niche audience through another reality TV franchise, "The Real Housewives of New York City" aired on the Bravo network. She leveraged her newfound fame to promote her Skinnygirl Cocktail brand, a company she founded and later sold to Beam Global in 2011 for a reported $100 million. Frankel still holds the rights to the Skinnygirl name and has expanded the brand to include apparel, and hair and body care.

When Frankel eventually did accept the role as guest Shark and sat in a luxurious Eames Lounge chair alongside her fellow Sharks seated in identical white leather chairs, we asked, "How did it make you feel?"

"Later, when asked to join the cast, I was very excited and humbled. It made me feel validated, challenged, excited and up for the challenge," she said. "What an incredible gift as a business person. And the men, in particular, were so supportive of me as an equal. They wanted me to win and they want the show to win. I am forever grateful."

To date, Frankel has invested in three companies on the show: No Mo-Stache, a portable hair removal kit; Yumble, a subscription-based delivery service for kids' meals; and a healthy, yet edgy tea company aptly branded Snarky Tea.

"These are all female-run businesses, and I am so excited to promote and nurture female entrepreneurs, the fastest growing group in business," said Frankel.

We tapped into Frankel's take on the state of America's economy today, and how her businesses have been impacted.

"The economy is constantly fluctuating and since I'm in the idea and product business and philanthropy, there is always a void to fill," she said. "Watch the signs and be fluid and you can succeed in any climate."

Finally, we asked Frankel how budding entrepreneurs can leverage the current economy – and would she caution them about anything?

"I caution people from getting into debt, expanding too quickly, and being too complicated in ideas," she said. "Understand your idea intimately and the solution it provides. If you get a locked door, climb through the window. Be nimble. Be a hustler and work your ass off because most people don't, and most people are lazy. If you're not, you'll win"

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ALWAYS PROTECT YOUR JOY

BY DAVID GARGARO

BARB STEGEMANN: FOUNDER OF THE 7 VIRTUES

Barb Stegemann became a social entrepreneur before it was cool. She wrote a book that empowers women to use their buying power to promote peace and make a difference in the world. Then she began sourcing orange blossom oil for perfume to support farmers in Afghanistan. Her company, The 7 Virtues, has expanded its mission into other countries while selling perfumes in Sephora stores across the U.S. and Canada.

Stegemann has done all this – and more – by committing to protect her joy, no matter what stands in her way or what is going on around her. Meet her once and you'll understand what that means. She is honest, vivacious and passionate, and she connects with everyone who hears her message.

Humble beginnings taught important lessons

In 1977, when she was eight years old, Stegemann's family moved from Quebec to Nova Scotia, her mother's home province. Due to the struggling economy, her father lost his business and later left the family. While her mom needed welfare to raise her daughters on her own, living in Antigonish offered many sources of support, such as the 4-H Club, school, church and community.

Stegemann learned to be resourceful. She worked at her high school's student union, wrote for the newspaper, served food at the university cafeteria, and did volunteer work. She believed that education could elevate people out of poverty. In 1987, Stegemann studied sociology and philosophy at the University of King's College at Dalhousie University.

"It was amazing to be around such an educated and worldly group of students," said Stegemann. "I was also fortunate to learn from teachers who expected a lot from me. They meant the world to me, as they helped me to rise up to meet their expectations."

After graduation, Stegemann spent several years looking for her true calling. She volunteered with street youth, and spent three years as a flight attendant. Even though she was not doing her life's work, Stegemann's light shone through. Impressed by her attitude, a pilot remarked that her gift was her joy.

Stegmann went on to study journalism, and moved to British Columbia to pursue a career and raise her children. In 2000, she launched Acclimatize Communications, a public relations firm that worked with large corporate clients, which exposed her to the possibilities of economic and community development.

Tragedy creates a spark

Stegemann first met Captain Trevor Greene in 1987 while in university, and they've been best friends ever since. In 2006, he volunteered for duty in Afghanistan, helping civilians to get better access to clean drinking water and improve their lives. During one meeting, a young man attacked Greene with an axe, critically wounding him. When Stegemann heard the news, she left her professional responsibilities to be by his side in the hospital to help with his recovery.

"I wanted to be a part of his healing journey, and do whatever was needed to help him," said Stegemann. "I also promised him that I would continue his mission."

Greene wanted to bring peace to Afghanistan, and Stegemann felt that empowering Afghan women would help to accomplish this mission. The solution lay in the stoic wisdom taught through the ages, including Plato's "The Republic," which she had studied in university. She believed that women have significant buying and voting power but were not using that power effectively to reverse the issues of war and poverty.

Stegemann made a commitment to write a book, sitting down to write every day for two years. She based it on the concept of seven virtues: wonder, balance, truth, courage, justice, wisdom and beauty. The result was "The 7 Virtues of a Philosopher Queen: A woman's guide to living and leading in an illogical world." Stegemann self-published, dedicating the book to Greene, and launched it in 2008 on International Women's Day. The book was a huge success, and is currently in its seventh printing.

Turning words into action

While doing book promotion

in 2010, Stegemann wanted to do more to support her mission. Then she heard a radio interview with Abdullah Arsala, an Afghan man who was trying to convince local farmers to grow orange blossoms that could be distilled into essential oils for perfumes, rather than opium poppies for the illegal drug trade. Within the week, she flew to Ottawa and asked the Canadian International Development Agency to help find Arsala,

"Ambassadors have been begging the Canadian government to work with leaders of influence in Afghanistan who have the respect of the community," said Stegemann. "I learned that helping farmers to earn by growing legal crops would be honoring their faith. They don't care about your religion or sex when you treat them fairly and pay on time."

Stegemann connected with Arsala and put together $8,000 – including the last $2,000 from her Visa card – to purchase his last barrel of orange blossom oil. She worked with a Toronto perfumer to create her first fragrance: Afghanistan Orange Blossom. She turned that investment into $30,000 of revenue. And so, her perfume company, The 7 Virtues, was born, with the mission statement "Make Perfume, Not War."

The first step was a success, but Stegemann had to keep the momentum going, and for that she needed money. She tried to get a bank loan, but to no avail. So she turned to "Dragon's Den," a CBC show that enables entrepreneurs to pitch their business ideas and products to Canadian business investors. Stegemann gave her pitch and asked for $75,000 in exchange for 15 percent of her company. Her story struck a nerve with several "dragons," including Brett Wilson. He agreed to her proposal, making Stegemann the first female entrepreneur from Atlantic Canada to land a deal on the show. (Wilson currently owns 25 percent of the company.)

Appearing on "Dragon's Den" brought a lot of attention, as the show aired just before Valentine's Day in 2011. The 7 Virtues landed a deal to sell its perfumes in The Bay's retail stores. Stegemann received numerous awards and accolades for her accomplishments, and was able to help Arsala expand his distillery business by purchasing more product and bringing in new buyers. The international attention led to

> **"THEY DON'T CARE ABOUT YOUR RELIGION OR SEX WHEN YOU TREAT THEM FAIRLY AND PAY ON TIME"**

requests to expand her model – and perfume line – to other countries, including Rwanda, Haiti, India and the Middle East.

"We want to work with distilleries at the grassroots level, as you can't tell people what to grow or how to grow it," said Stegemann. "It has to be led by the community, by people who are passionate so that they are truly on board with what we are doing. You also have to pay fair market value, rather than giving donations, because charity does not work."

Along comes Sephora

In 2016, Stegemann went to Haiti to do volunteer work following the devastation of Hurricane Matthew. She learned via email that Sephora, one of the largest prestige

Barb Stegemann delivering a key note address, Photo credit Giacomo Bruno

> **YOU CANNOT BE BRAVE OR WISE UNLESS YOU ARE CHALLENGED**

beauty retailers in the world, had launched its Accelerates program, which mentors female entrepreneurs in the beauty business. She applied, and in 2017 she was one of 10 women – out of 1800 applicants – accepted into the program.

The six-month program taught the essentials of branding, marketing and redeveloping products for Millennials. She learned from experts in Google, Facebook and Instagram, and partnered with Sephora mentors who had in-depth beauty industry experience. Although the program did not guarantee anything, the result was an exclusive partnership between The 7 Virtues and Sephora. Stegemann redesigned her fragrance collection to appeal to Millennial women, and it has been an unparalleled success.

"We launched in Canadian Sephora stores about a year ago, and six months ago in the U.S., and our products keep selling out," said Stegemann. "We've exceeded sales projections by at least 50 percent, with almost no advertising. We got into another 100 stores four months ago, and we're on track to expand into hundreds more."

In addition to reformulating its seven original perfumes, The 7 Virtues is expanding into new products and formulations. This includes body oil sourced from Puerto Rico, candles imbued with the various scents, and a self-care kit packaged with Stegemann's book. All of its products are organic, hypoallergenic, cruelty-free, paraben-free, vegan-friendly and ethically sourced.

Overcoming challenges and achieving goals

You might think that Stegemann's biggest challenge would have been trying to break into the competitive perfume industry, or forming relationships with farmers in developing nations. These were "minor" compared to what she describes as "patriarchal thinking" in her own backyard. Stegemann was constantly underestimated and challenged in her ability to achieve her goals. She was determined to never let anyone stand in her way or prevent her from achieving her mission.

"You cannot be brave or wise unless you are challenged," said Stegemann. "I have a deep belief in that I must always protect my joy with gusto, no matter what is going on around me. I am not religious, but I have faith in something bigger than me."

Stegemann also learned that you can believe in an idea, but if it's not the right time or place, you could be spinning your wheels. Although relatively isolated in Nova Scotia, she was able to become part of a global partnership of people who believed in what she was doing. She followed the credo of keeping her "eyes in the boat" and focusing on making a great product while also making a difference.

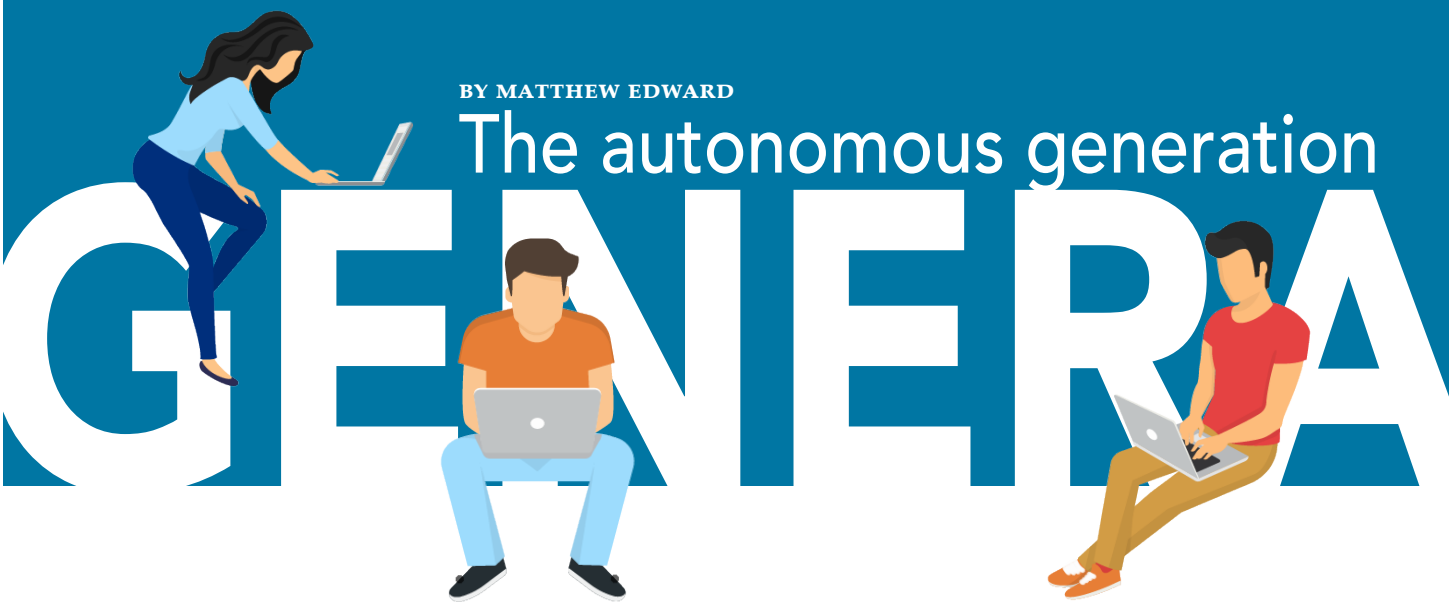
"When you're running a social enterprise, return on investment is important, but you also need return on love," said Stegemann. "We could charge more for our products but we choose not, as no one has to make all the money. We want our customers to be part of the mission."

For more information on Barb Stegemann, visit: www.barbstegemann.com or www.the7virtues.com


KEEP WALKING.
JOHNNIE WALKER.

BY MATTHEW EDWARD

The autonomous generation



Financial planners had better get ready for Generation Z. The generation that grew up watching their millennial relatives drown in student loan debt and finds it almost impossible to imagine how someone could save for retirement, already appears more conservative with money, distrustful of financial institutions, and disinterested in traditional money management tools, according to one expert.

"They don't really trust authority, or at least they feel they are on their own," said Marcos Jacober, gig economy expert and chief executive officer of Life Hacks Wealth. "It could affect attitudes with regards to established businesses and ways of doing business. Business will need to transform to serve Gen Z and to attract their business."

Generation Z – those aged 13 to 21 in 2018 – spent a large portion of its childhood watching the Great Recession unfold. Researchers in recent years have brought "Gen Z" into focus, finding them to be more socially open-minded than previous generations, but with a deep skepticism toward authority. Pew Research Center, for example, found Gen Z survey respondents to lean left on virtually all social issues in a 2018 study. When it comes to money, however, Gen Z appears to be deeply conservative to the point that most begin researching financial planning at age 13. In contrast to millennials – who many in Gen Z view as spendthrifts with too little self-control – this new generation invests and shops with care.

The data also shows that Gen Z does more than just take care with the money they have. Majorities in Gen Z reported in various surveys conducted by Pew, Accenture, and others, that they plan to attend colleges that offer in-state tuition or heavy discounts, avoid student loans, and commute to school to avoid taking on debt. Additionally, 75 percent of Gen Z reported that they would take jobs out-of-state if it led to financial security, and 58 percent said they would work nights and weekends if needed. Gen Z members, an impressive 77 percent of them, also are likely to have a "side gig" such as a freelance job, earned allowance, or other secondary income source. The millennials' experiences with student loans and underemployment appears to have made an impact on Gen Z, Jacober said.

"Generation Z is more conservative with money than millennials and it's totally understandable," he told "Advisors Magazine" during a recent interview. "They were raised during the recession. They have millennial cousins or family friends that are struggling to pay back their student loans. To avoid student debt,

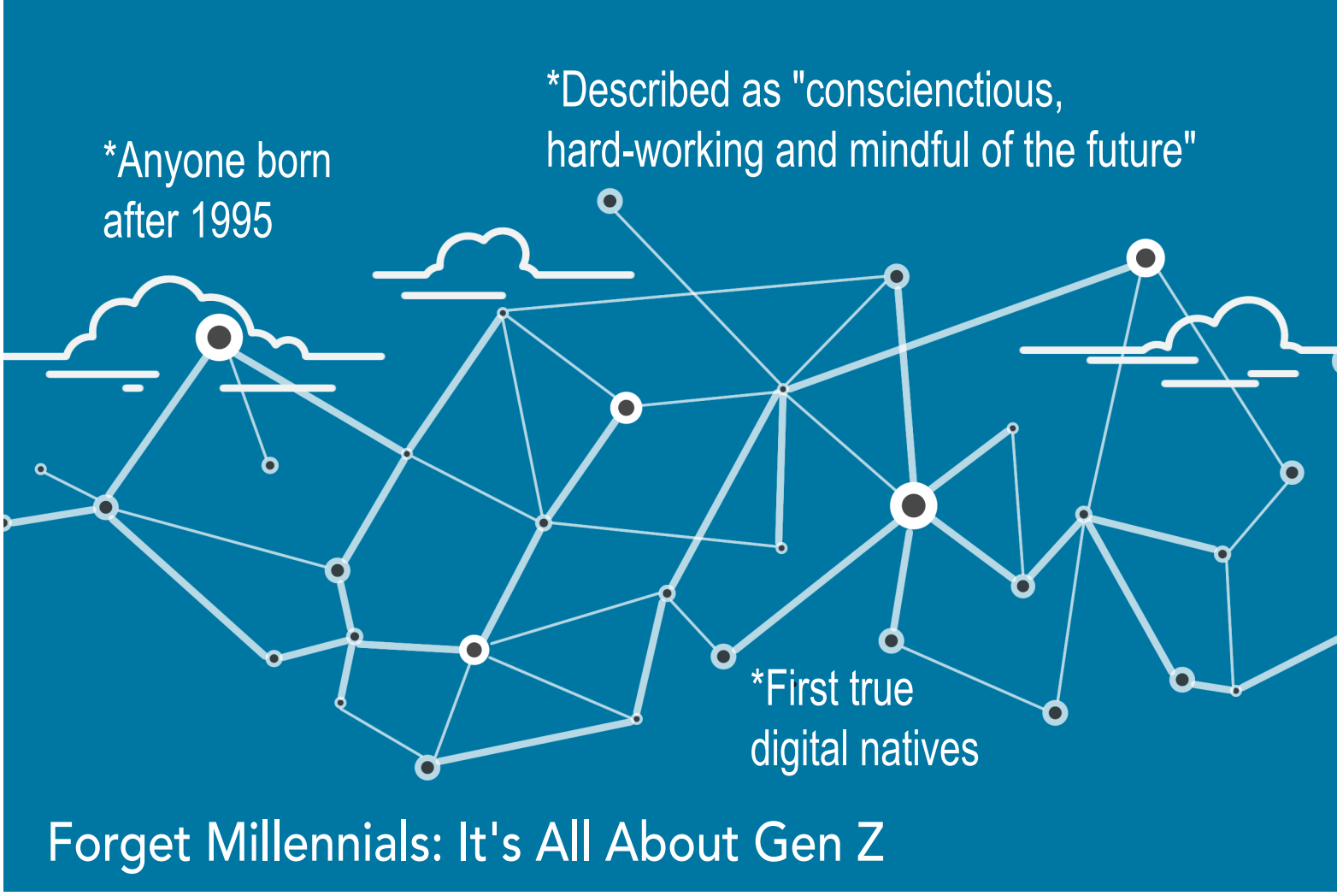
many Gen Z'ers are opting out of the traditional route of higher education and instead going straight into the workforce or pursuing more affordable online degrees."

The financial services industry might struggle to reach Gen Z without a significant change in approach. Traditional stocks, bonds, and mutual funds hold little appeal to would-be investors who watched their parents, aunts and uncles, and grandparents get wiped out during the Great Recession. Likewise, property investments could cause some trepidation among Gen Z members who saw relatives go through foreclosure or who prize their mobility and ability to follow work wherever it leads them. Investment vehicles that reduce investor autonomy likely will be no-gos for Gen Z.

"Gen Z is more skeptical about traditional investments that are stock-market related. They tend to look for alternatives like the gig economy, cryptocurrency, solo-preneuring," Jacober said. "They are prone to taking higher risks with alternatives that promote autonomy. For example, they were quick to invest in cryptocurrency because the idea of a 'currency' not controlled by government or banks was appealing. It's rebellious."

One thing Gen Z does not seem to take seriously, however, is saving. Gen Z appears to have faith that money will come either through hard work or investment and so slowly saving over time has become a "forgotten practice," Jacober said.

"With regards to saving, the Gen Z attitude is similar to millennials – they like paying for experiences … For Gen Z to hear that people 'saved their way to retirement,' it's like hearing there were dinosaurs roaming earth," Jacober said. "There may be bones left behind and proof, but it's not visible and 'doesn't happen' any more – at least not from their vantage point. That creates the resourcefulness attitude to do more as [financial security] can



Forget Millennials: It's All About Gen Z

only come from their ability to get or generate funds to invest."

Gen Z's self-reliance streak extends far beyond money. Whereas millennials are known for investing with online tools – the so-called "robo-advisors" – members of Gen Z have been found to be more hands-on in everything from making their own clothes to growing their own vegetables or biking instead of driving. Financial planners who market to clients with an angle toward taking away the stress of handling finances will find that message falls flat with Gen Z.

"Like millennials, Gen Z is definitely the 'go it alone' type, but it comes from a very different place," Jacober said. "Millennials' tendency toward using auto-invest platforms is not because they trust themselves over the experts. It's because it is cheaper and easier ... Gen Z's self-reliance is about autonomy. It's in their nature to fend for themselves because it is safer than depending on others. They do things for themselves because they are proactive and want to ensure stability."

Businesses hoping to capture Gen Z revenue will need to adapt to their "go it alone" mentality. A financial advisor will not be able to simply show Gen Z the path to success, but will need to instead provide a set of tools that allow these young investors to take charge of their own financial futures. Managing the shift from advisor to facilitator will be the key challenge for any financial advisor looking to work with self-sufficient Gen Z investors.

"Prior generations have been as self-reliant as this one I suppose, such as the people coming back from wars and nearly rebuilding the country," Jacober said. "But what's fascinating is that we have Uber Eats and Gen Z would rather have a garden and cook plant-based meals they grew in their backyard."

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BY SANDY JOHN

Safety First: Retirement Plan Should

Tackle Threats to Your Nest Egg

The annual Retirement Income Strategies and Expectations (RISE) survey of investors found that nearly one-half – 46 percent – of all participants are worried about paying for healthcare expenses when they retire. Fully one-third of people surveyed in 2018 said they are worried about running out of money in retirement to cover needs first, which is primary. Then we can plan for wants, likes and wishes after the needs are secure.

As a retirement specialist, financial planner SteVan Gates understands these fears and helps clients create a retirement plan to prevent such "out-of-money" scenarios.

"Our approach to retirement planning is safety first, with income planning you can never outlive," said Gates, a Chartered Retirement Planning Counselor (CRPC®) president and managing partner in the Financial Strategies Institute, a wealth management firm in Salt Lake City, Utah.

The "safety first" approach includes finding ways to limit the three biggest threats to your retirement nest egg – long-term care costs, taxes, and sequence of returns risk – in other words, taking principle from equities when in down markets and thus eroding principle and longevity.

"The biggest risk in retirement that you have no control over is the long-term care risk. Planning for long-term care and longevity is key in investment for protecting your hard-earned assets in retirement planning. Long-term care is something that can be self-funded, however, long-term care insurance has greater leverage and protection on remaining nest eggs. We believe, and the math validates, if you qualify, you need to be insured," Gates said, and he added, "Long-term care insurance is really protection for your legacy and for your spouse."

New income tax federal regulations now give advisors options to address the second big risk – taxes that eat away at retirement savings. Now with lower tax brackets, and long life expectancy, an IRA to Roth IRA conversation makes even more sense. This is one of numerous tax strategies to consider according to Gates who taught a 2018 Tax Reform Class at his local university extension.

Rounding out the trio of threats, the "sequence of returns" risk comes into play in years like 2001-2003, 2008, and December 2018 when the stock market was down substantially.

"Usually when people have a portion of their investments in the stock market, as they should to keep ahead of inflation, they draw on their interest when they take money out. However, when the market is down as much as it was last year or these other time periods, they are pulling from their principal and realizing a loss" explained Gates. "If not managed properly, those actions can reduce the longevity of equities by several years."

The majority of the work must be accomplished with the help of a professional using best practices of investment management as Vanguard's academic white paper points out in their article, "The Value of Professional Advice," which quantifies seven investment best practices. The BIG two are behavioral investment management and distribution strategies. This difference can add 3 percent annually to your returns over the long term

> "It is Not Enough to take steps which may some day lead to a goal; each step must itself be a goal and a step likewise."
> – Johann Wolfgang von Goethe

when these investment advisor best practices are used. Also called the "3% Rule," Gates and his firm, utilize these seven best practices.

Summing up the firm's safety-first philosophy, Gates said, "Almost universally, everyone wants a retirement plan that will result in them paying the least amount in taxes, having the highest amount of income, having the least amount of risk, having guarantees, and they want it to be 100 percent accessible. We understand those universals."

Clients at Financial Strategies Institute receive a customized plan that is built around their needs first, but that also considers their wants and goals. Gates refers to this as "lifestyle investing" that allows clients to maintain their lifestyle after retirement. His preference is to create a plan for predictable, certain income from a combination of Social Security, pensions, annuities, bond strategies (with bonds to a lesser degree with our current long-term increasing interest rate environment), equities interest, dividends, and capital gains. The company generally works with clients with at least $500,000 to invest.

Additionally, Gates says, when in retirement, the distribution income phase requires that different strategies and tools are used unlike the accumulation of wealth phase.

"I grew up a practitioner in the wealth accumulation phase. A distribution specialist addresses and solves these BIG risks to protect retirement lifestyle using various strategies. One strategy is what we called lifestyle investing. That is protecting the needs of retirement income as a priority. Using tools creating income that are certain, predictable and guaranteed. Then, we look at the wants, likes and wishes only after. A wealth accumulation advisor specialist often overlooks the specialized strategies in this distribution phase strategies such as not eliminating taxes drag, sequence of returns risk and long-term care asset protection strategies.

"You want to have a human communicate with you and make course corrections. Specific strategies require humans to make changes based on taxes, goals and objectives, time horizons, income needs, or market risks," Gates said. "Nothing is on autopilot. Needs change and we make alterations. It's not a one-time plan – it's monitored, and we make course corrections."

Presenting clients with suitable investment options that match their time frame and goals is part of Gates' role as a fiduciary and an investment advisor.

Active in financial education for more than two decades, Gates teaches courses on topics such as tax reform, tax strategies, retirement transitions, income planning and estate planning through various education and corporate forums. He also provides educational seminars for clients of Financial Strategies Institute. He decided to become a financial planner after seeing his father as a home builder go bankrupt in 1979 when interest rates skyrocketed and homes were not selling. He saw firsthand what poor advice looks like and the lack of planning, diversification, rainy day funds, protection for different life contingencies. Then, learning about the "time value of money" and other economic principles while he attended college and now 29 years later, he is a successful practitioner, elite planner and trusted advisor.

For more information about Financial Strategies Institute, visit: fsiplanners.com

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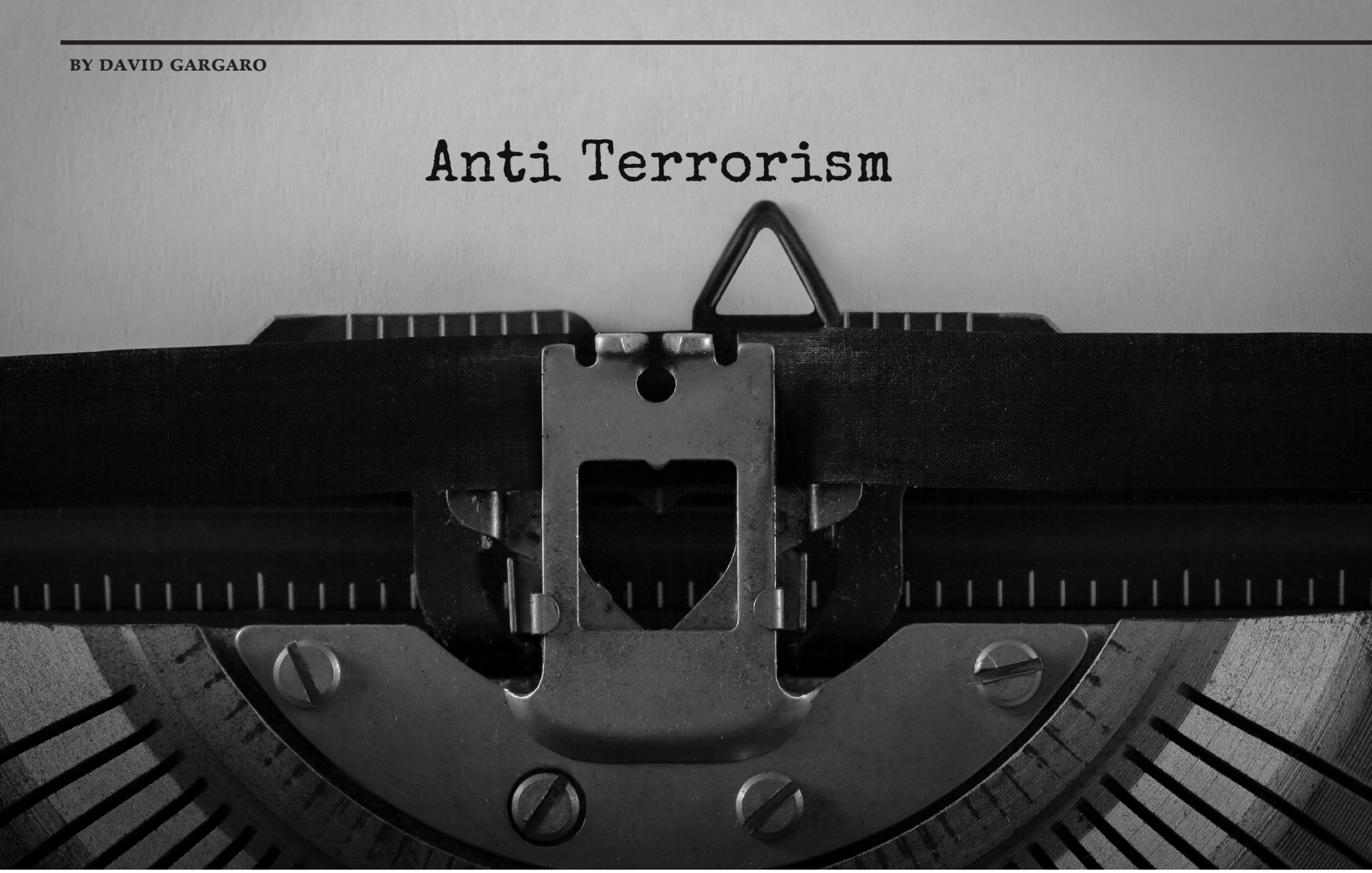
BY DAVID GARGARO



SOCIALLY RESPONSIBLE INVESTING GROWS

Investors seek companies to match their values

Historically, most people focus primarily on the bottom line when it comes to evaluating and making investments in the stock market. Nowadays however, many investors evaluate their investment strategy using many other criteria to judge whether an investment is suitable for their portfolio. Until now, many investors didn't always think too deeply about how the companies they own and invest in conduct business or make their money – as long as those investments produce a healthy return. But this approach to investing is changing.

Today's investors are becoming more socially conscious, choosing to put their money toward causes and companies that share their values. This is known as socially responsible investing. For example, some people like to invest in "green" companies because they have a desire to support firms that do positive things for the environment, such as reducing their carbon footprint or using renewable resources. Some people also choose to avoid investing in companies – and the funds that invest in those companies – that have disagreeable practices, such as polluting the environment or producing weapons. Some investors will even move their funds out of companies that treat their employees unfairly, or that are run by CEOs who make sexist or homophobic statements.

According to Mark Langerman, Managing Director and CEO of Empowerment Financial Group, today's investors can, in fact, marry their core values with their investment strategies. People can achieve equitable and competitive financial returns by choosing companies and investments that fit their belief systems. It's often a matter of knowing what different companies are actually doing and being educated on

"It is literally true that you can succeed best and quickest by helping others to succeed."
– Napoleon Hill

Make a DIFFERENCE PROCESS

their options.

"Most clients are not aware of what is going on in different businesses, and around the world," said Langerman. "Once they learn that a particular company is doing something wrong, they feel that they have an obligation to do something about it. However, many don't know what to do, and it's not uncommon for them to become overwhelmed or paralyzed by too much input. That's why they turn to us to learn about their investing options."

Empowerment Financial Group provides tailored financial services, including wealth management, retirement planning, and terrorism-free investing. The firm uses its proprietary Make a Difference® process to focus on what's important to clients and their families, and pinpoint how its team can help them to capture their ideal life. This enables its wealth managers to concentrate on what can be controlled to help align clients' financial plans with their values and priorities.

"We go step by step to put a plan in place for all aspects of our clients' financial future," said Langerman. "It removes the mystery for clients so that they can look forward with positive anticipation that all the pieces of their financial portfolio are in place."

Langerman is an Accredited Investment Fiduciary (AIF®) and has more than 30 years of wealth management experience. He has managed several brokerage firm branch offices, and has been published or written about in national and local publications, and is a nationally recognized expert on Terrorism Free Investing. He has also served on several boards of directors and is an Emeritus board member of America's Mighty Warriors.

Investors can pursue specific goals when engaging in socially responsible investing. For example, they can invest in companies and funds that promote environmental stewardship, consumer protection, or human rights. They can pursue impact investing, which involves making investments in companies and funds with the purpose of generating a measurable and beneficial social or environmental impact. Investors can also choose to avoid specific types of companies and investments with strategies such as alcohol, firearms, fossil fuels or pornography.

In a bold move within the financial services industry, Empowerment Financial Group created a socially responsible investing strategy called TerrorismFree Investing (TFI). Launched in 2007, TFI was modeled after the South African anti-Apartheid movement of the 1980s, as well as the green investing movement. In essence, this "values-based investment strategy" pre-screens investments in its portfolios to exclude the stocks and bonds of U.S. companies that do business with countries deemed to be state sponsors of terrorism, including Iran, Syria, Sudan and North Korea.

Many U.S. and global companies continue to do business with states that sponsor terrorism, even when there is negative political rhetoric and economic sanctions against those nations. The number of companies moves up and down depending on the profitability of the venture, the amount of public interest in those states, and the consequences of these actions. It's important to note that these countries would not have robust terrorist economies without Western businesses continuing to fund them. By choosing to follow TFI, U.S. investors can still get competitive returns for their portfolios and participate in fighting the war on terrorism.

"What American investors need to know is that Empowerment Financial Group never considers companies that invest in countries that sponsor terrorism," said Langerman. "Our clients love this approach, because they want to feel good about where they are investing their money. Investors don't have to compromise their returns in order to invest along with their morals and values."

For more information on Empowerment Financial Group, visit: empowermentfg.com

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TUDOR

TUDOR HERITAGE
CHRONO

BY MATTHEW D. EDWARD

TRANSPARENCY SERVES CLIENTS WELL

THE REWARDS OF FIDUCIARY-BASE FINANCIAL PLANNING

The film "The Big Short" might be a somewhat-sensational, fictionalized retelling of the 2007 financial crisis, but it got one thing right: nobody appears to read prospectuses.

"There are very few people, even in the industry, who read their prospectuses, and this is something that needs to be changed, in my opinion," said Alex Sugar CFP®, managing director and financial advisor within the Institutional Consulting Group at The Core Group, part of RBC Private Wealth Management. Sugar added that marketing materials often provide prospective investors with a more concise overview of how a product works.

"When you actually read the mutual fund prospectus you will learn about the fee-structure; what you can expect for returns, the risk that is associated with it, and the strategy that is going to follow," Sugar told "Advisors Magazine" during a recent interview. "The problem is that most mutual funds don't make this information available in marketing materials and most clients don't read mutual fund prospectuses."

The Core Group at RBC Wealth Management provides comprehensive financial planning, investment advising, and estate planning services to high net worth clients, typically those who hold more than $5 million in investable assets. The group plans to become more selective as the business grows, and most new clients now are worth in excess of $10 million, Sugar said. The Core Group primarily serves entrepreneurs who

RBC Private Wealth is an exclusive program for clients who hold $5 million or more with RBC Wealth Management. We are dedicated to addressing the financial needs of highly successful people like you. Every service we provide and every solution we offer is directed toward helping preserve and enhance your wealth.

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have had a recent "liquidity event" or divorcees who no longer wish to work with their former spouse's financial advisor.

Sugar founded The Core Group with his partner, Senior Vice President Grant DeVaul AIF®, a financial advisor and senior portfolio manager. A third partner, First Vice President Alex Davis, joined the team in 2001, and is also a senior portfolio manager.

"I witnessed many rookies learning the hard way through trial and error with clients' hard-earned capital," DeVaul said about partnering with Sugar in the 1990s. "Alex was able to coach me away from some typical rookie mistakes and help me take a deep dive into the whole client picture. Today we are a team of eight people managing close to a billion dollars for high net worth families. We collaborate as partners both in developing a big picture strategy and in developing individual portfolios. The families that we serve benefit from the diversification of ideas, collaborative construction of portfolios, and the ever present service of our team."

Investors often misunderstand how their investments work. A 2018 study by Personal Capital found that 20 percent of investors could not correctly say how much they pay in fees and a further 10 percent did not know if they paid any at all. Sugar's experience bears that out.

"I can't tell you how many times we've heard from investors that they're paying some unrealistic low fee; I recently had somebody tell me that they weren't paying a fee at all on an annuity. Of course they were, but they were never told, it was never disclosed what they were paying on it," Sugar said.

The Core Group fee structure is "incredibly transparent," Sugar said. The group uses a one-page weighted fee sheet that shows all advisory fees as well as expense ratios which are embedded in every fund. The bottom right of the page features the amount a client can expect to pay prominently displayed. The Core Group works to keep investors on the same page, and ensures that clients know exactly what they are paying – without readings a dense, legalese-laden prospectus.

"A clear statement of fees and fee structure should be much more prevalent in our business. No business segment is guiltier of obscuring fees than insurance." Sugar said. "Unless somebody really looks at the fine print or looks at the prospectus they won't really know what fees are on an annuity or Universal Life Policy, and trust me, they are there and they are substantial". "

Transparency builds trust with clients, but it also gives advisors peace of mind. Davis, Sugar's partner, was working for Paine Webber in 1999 when he learned first-hand that "stocks do not always go up." In midst of a downturn and with his then clients losing money, Davis found the resources at hand lacking when it came to serving investors well.

"I would sleep very little as the people who entrusted me to provide investment advice lost money," Davis said. "The lesson I learned quickly is that the people I was entrusting at my firm were not always right. The dotcom bubble was bursting and this is perhaps the best thing that could have happened."

The dotcom bubble popped in 2000, resulting in trillions of investment capital evaporating. As the market plummeted, Davis began

	RIA	Broker-Dealer	Dual-Registered
Advisory Fee (% of AUM)	YES	NO	YES
Trading Commissions	NO*	YES	YES
Mutual Fund Fees:			
- Sales Loads	NO*	YES	YES
- Redemption Fees	NO*	YES	YES
- Purchase Fees	NO*	YES	YES
- Management Fees	NO*	YES	YES
- 12b-1 Fees	NO*	YES	YES
- Account Fees	NO*	YES	YES
- Other Expenses	NO*	YES	YES

While RIAs do not collect or benefit from commissions or mutual fund fees, any clients they place trades for, or put into funds, may still pay these fees to a third party. **Source: Personal Capital**

looking for a more forthright and personally rewarding niche to fill in the industry. He contacted Sugar, who he had known since 1990.

"I was aware that Alex and Grant ran their business differently. They were managing client assets looking at the rest of their lives, and not on how much return they could provide in a year. They were managing client's wealth and helping them prepare for the future for a fee," Davis said. "It made perfect sense to me then, as it does today. Since joining forces with Alex and Grant I haven't lost a night's sleep."

Sugar had similar experiences with the financial services industry's less transparent side. Sugar began his career selling stocks and bonds, making money from markups and commissions. Brokers, at least back then, rarely took a fiduciary stance toward clients and Sugar sought a better, more open path.

"We have since migrated and are currently about 95 percent fee-based business and just about every one of the clients we have a fiduciary relationship with," he said.

The Core Group acts as a fiduciary to clients who use its investment management and financial planning services, meaning that investors' best interests come before firm commissions or bottom-line concerns. Fiduciary financial advisors must put clients' best interests first, unlike broker-dealers who must meet the less stringent "suitability" standard.

The client-advisor relationship is built on trust. To put clients first, an advisor needs to understand their motivations, fears, and hopes for the future. Financial advice often becomes an exercise in tempering client emotions and fears, and making sure investors stay aligned with their goals. The old axiom still remains true that markets reach glory at the top and fear at the bottom, but insulating clients from those chaotic ups and downs is a large portion of an advisor's job.

"I've yet to meet an unemotional client and it's our job to keep their emotions in check," Sugar said, adding that the 20 percent decline that roiled markets last December reminded him how important reaching clients on an emotional level can be. "It's remarkable how, when the market does that, few clients actually want to invest."

Keeping clients' emotions in check requires a strong investor-advisor relationship. Sugar spends a "tremendous amount of time" getting to know his clients and their views towards money, prosperity, and the future. The Core Group holds quarterly meetings with clients and ensures that their accounts are tested against serious setbacks.

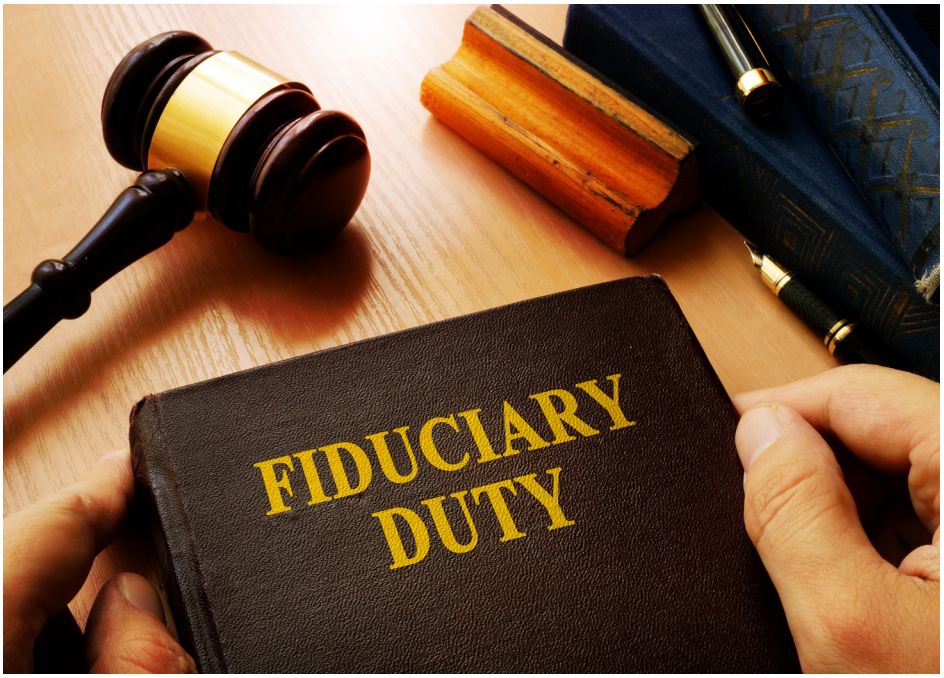
"On my quarterly reviews with clients I pull up their allocations and discuss what would happen in a bear market – especially like in 2008 or even something worse than that – and what would happen at that point to make sure they are comfortable with the overall risk that we've set for their portfolios, and if they're not than we can make adjustments," Sugar said. "We produce a cash-flow financial plan as well as a wealth plan and that is the blueprint for how we will work together in the future. This is where our work begins."

The Core Group's focus on high net worth individuals and business owners allows the group to maintain a small number of clients. That means clients get the personalized attention they need and the methodical, deliberate financial planning it takes to shepherd hard-earned money through difficult markets. The firm keeps the clientele limited in order to provide a level of service that larger, more cookie-cutter establishments simply cannot.

"It enabled us to step away from the daily moves of the markets and plan much more for the long-term," Sugar said. "It's our belief that clients are looking for advisors who are stewards of their wealth and want professionals who are motivated to protect their wealth as well as grow it efficiently."

For more information, visit: The Core Group

RBC Wealth Management



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BY DAVE GARGARO

TAKING A 'BUSINESS-LIKE' APPROACH TO RETIREMENT

Customer relationship management is a key component of retirement planning. This includes understanding and managing the client's expectations of their retirement plans. It is incumbent upon the financial planner to help the client to understand what is possible given their current level of investment, life situation, risk preference and other factors. It requires a degree of objectivity, which can be difficult when discussing an individual's personal retirement requirements.

Richard P. Moran, CFP®, Senior Financial Advisor with Moran, Heising & McElravey, LLC, believes that the traditional business model, as applied to creating defined benefit pension plans, offers a good approach to retirement planning. Under this model, companies use their employees' demographics, including salary levels, benefit packages, retirement dates and other information, to calculate how much is required to invest to meet their financial retirement goals. Management projects and tracks the company's revenues, expenses, debt and other financial information to ensure that the investments fit into the corporate financial plan

In the same way, Moran's team of financial advisors acquire the necessary information from their clients to create multi-year cash flow projections to determine what they will need during different stages of their life. This enables them to calculate, and then explain, how much the client must invest over time, given different rates of return, to reach their retirement goals

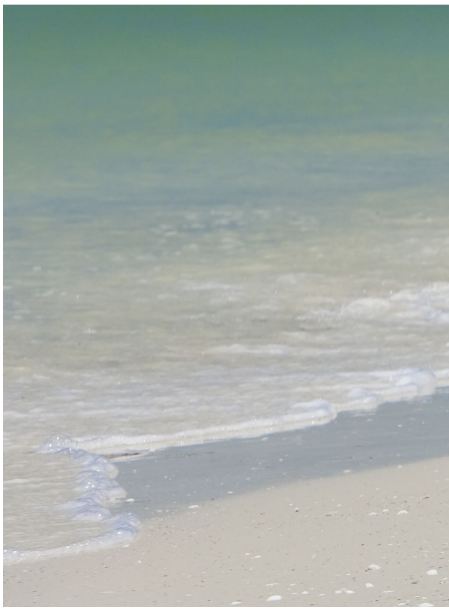
"We help our client to understand whether their retirement expectations are reasonable," said Moran. "If they're not, then we will counsel our client to either reduce their expectations, or explain the inherent risks of trying to get greater returns on their investments to meet their expectations. We work with our client to develop a personal cash flow anticipation and investment strategy for them."

One key advantage of this approach is that, once the plan is in place, it is relatively simple to implement the investment strategy. The groundwork is laid for moving forward. However, it is not a static plan. In most instances, the plan is updated every three years or so to deal with changes in the client's life status, income level, tax situation, expenses and other factors.

Moran, Heising & McElravey, founded by Moran and his partners in 2004, provides primarily fee-based financial planning and investment advisory services. This includes retirement income planning and spending, simplifying financial management for retired clients, legacy wealth planning for future generations, evaluating past performance and cost of various investment choices, and education funding for children and grandchildren. While the team's financial advisors work primarily with retired and soon to be retired clients, they have expanded into offering multi-generational advice, as they often deal with clients' parents, children and grandchildren. They also maintain consistent processes across the organization so that every partner can serve any client and provide standardized advice.

Moran is a Certified Financial Planner™ (CFP®), and has served on the CFP® Board of Practice Standards, where he developed mandatory standards for all 40,000 CFP® certificants nationwide. Prior to this, he was elected to the National Board of International Association for Financial Planning, where he chaired the National Ethics Committee and the Conference for Advanced Planning, and served as president of the Los Angeles chapter. Moran also has a Bachelor of Science in Economics from Purdue University.

Retirement planning includes dealing with the issue of sequential retirement.



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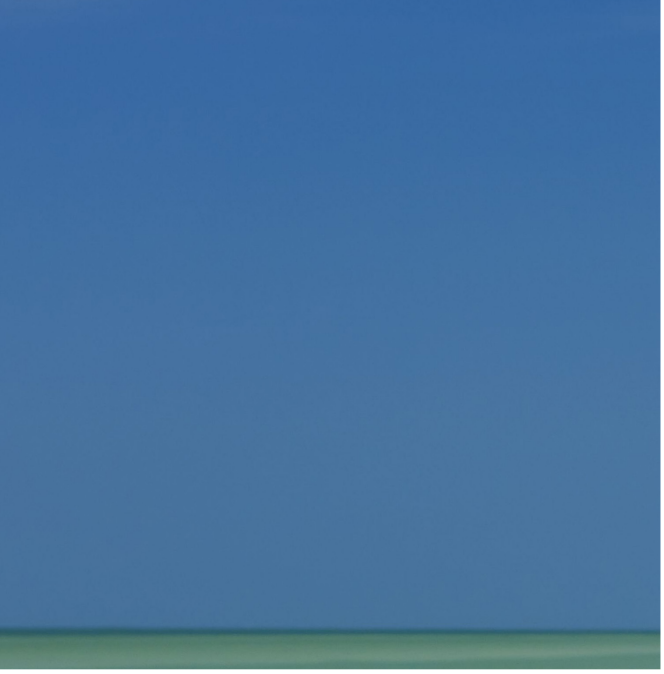
As financial advisors, we seek to minimize conflicts of interest by providing our clients with individualized solutions drawn from a wide range of investment options. We are not constrained by sales quotas for proprietary products, which lets us provide solutions that may prove to work better for your particular needs.



Moran takes the approach of beginning at the end of the client's life. The key question involves asking how much they want to leave to their beneficiaries. There are three possible answers in this scenario: all the remaining money, some percentage of their portfolio that will depend on various factors, or nothing. How the client answers this question serves as the main driver to determining the required rate of return to pursue their goals, as well as the allowed level of spending along the way.

This then leads to financing the client's long-term care requirements. This can be a challenge, as the individual might never need long-term care, and it is unlikely that they will know the exact timing if it does arrive. He will then take a financial planning approach when including long-term care insurance in the plan.

"We might not need insurance to cover all of a client's long-term care needs," said Moran. "For example, we could use cash flow from various investments to fund long-term care, or use insurance to fund part of their long-term care needs. The need to fund long-term care might disappear entirely due to an unexpected inheritance or greater-than-expected investment success, or a large decline in spending. We aim for flexibility so that we can change the client's financial plans when needed."

For more information on Moran, Heising & McElravey, LLC, visit: smarterdecisions.com

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BY DAVID GARGARO

FINANCIAL PLANNING SHOULD COVER THE UNEXPECTED

King Solomon, known for being the wisest man who ever lived, once said, "Plans fail for lack of counsel; those with valued advisors will succeed."

Many people make plans based on achieving and maintaining ideal circumstances. However, without trusted and valued advisors, when faced with adversity their financial plan – or the intent to follow that plan – may fall by the wayside.

This often happens when clients and their advisors develop financial and retirement plans. People expect the markets to continue growing, and their investments to grow as well. However, they don't consider the possibility that markets decline and investments don't meet expectations. They also fail to consider how their lives could change, such as losing a job, becoming ill or facing the loss of a loved one. Any negative occurrence in an individual's life can throw their financial plan into disarray.

James B. Underhill, CFP®, MBA, founder of Underhill Financial Advisors LLC, understands how life-altering events and the lack of planning can affect one's financial future. In fact, he experienced this firsthand. Underhill's grandfather became wealthy managing the family's furniture manufacturing business. Unfortunately, estate taxes forced liquidations that reduced the value over 50 percent. Underhill's father ran a successful small business for years, but a major recession seriously impacted his livelihood, forcing him to retire.

"These are just two examples of intelligent, hard-working individuals whose families were negatively impacted by economic events and the lack of planning," said Underhill. "It also illustrates the importance of having a well-thought-out financial plan in place and seeking the advice of trusted legal, tax, and financial advisors. Hope is not a plan, and simply thinking you're prepared is unlikely to ensure your financial success."

These situations formed the catalyst for Underhill to get into financial planning and wealth management following a successful career in engineering and plant management. After mentoring with an experienced financial advisor, he founded Tucson, Arizona-based Underhill Financial Advisors, LLC, a boutique wealth management firm providing comprehensive financial planning services. The firm creates personalized financial plans for clients that help them to achieve their financial goals while navigating transitions in their lives.

Many people do not understand how investing, retirement planning or the stock market in general work. Even the most successful business owners are not well-versed in key financial issues, such as proper asset titling, estate planning, and trusts. This lack of understanding is often compounded by the fact that some financial advisors sell services to clients rather than trying to service their clients' needs.

Underhill believes that advisors must offer clients choices before they present solutions. Financial advisors should develop options and tailor a strategy that best fits the clients' interests. They should also create financial plans to illustrate what the clients hope to accomplish and track their ongoing progress towards achieving their goals.

"Every financial plan is personalized to fit the client's individual goals, needs, wants, wishes, lifestyle and risk preferences," said Underhill. "We customize and build plans using different investment strategies rather than a fixed model. Our internal portfolio design combines individual stocks, bonds, and ETFs using proprietary research to make allocation adjustments based on changing market conditions. In addition, we have the capability to add boutique money managers to support clients' specific

Management Team

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Founder

Jordan Underhill
Financial Advisor

Emily Wade CRPC®
Operations Manager

Melissa Robles FPQP™
Senior Advisor Support

Jennifer Babin
Client Relationship Manager

tax and income needs."

Over the course of a person's life, many things can change. And with people living much longer than in the past, change is certain. Longevity means that people will have to deal with varying health issues and long-term care. They also have to address the possibility of caring for both parents and children, which can seriously strain any retirement plan.

One strategy for dealing with these issues is to follow the "buckets of money" theory. Using a financial plan as the foundation, you would direct funds to different "buckets" that would have specific purposes. One would focus on safety and provide funds for up to three years. The second bucket would focus on providing stable income during retirement such as Social Security, a pension or an annuity. The third bucket would include investment accounts designed for withdrawals over a three to ten year time horizon, while the final bucket would be investments allowed to grow more than ten years.

"We find our clients don't fit the traditional theory that they can live on 70 percent of their working income in retirement," said Jordan Underhill, Financial Advisor. "Many of our clients spend the same or more in retirement. Using these four buckets, we help them create a savings reserve, build monthly retirement income from multiple sources, and provide opportunities for growth."

Every financial plan must consider both the best-case and worst-case scenarios to ensure that clients are covered under as many different situations as possible. While everyone wants to live as long as possible, longevity brings with it certain challenges. It is possible to outlive one's funds and run out of money later in life, which is too common an occurrence to ignore. A good rule of thumb for any financial plan is to ensure up to 50 percent of an individual's retirement funds should be guaranteed or provide a steady stream of income that they cannot outlive. Pensions and annuities can help with achieving this goal.

Jim Underhill and his team will typically run Monte Carlo simulations when creating financial plans for clients. They factor in life expectancies based on clients living longer than 80 percent of the general population. In addition, they input specific goals and sequence of distributions to ensure those goals and needs can be met. They also calculate an "investment loss threshold" for each plan.

"Recessions and other financial challenges can create havoc for financial plans," said Underhill. "We ensure that every client knows how much their portfolio can lose before their plan's probability of success falls below an acceptable level. We set stop loss measures to protect investment values from reaching the loss threshold. A properly designed and managed financial plan provides the roadmap to success throughout our client's lives and helps them navigate all of the market's ups and downs."

For more information on Underhill Financial Advisors, visit: underhillfinancial.com

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Attorney Advertisement

BY DAVID GARGARO

Financial and Retirement PLANNING IS A TEAM SPORT

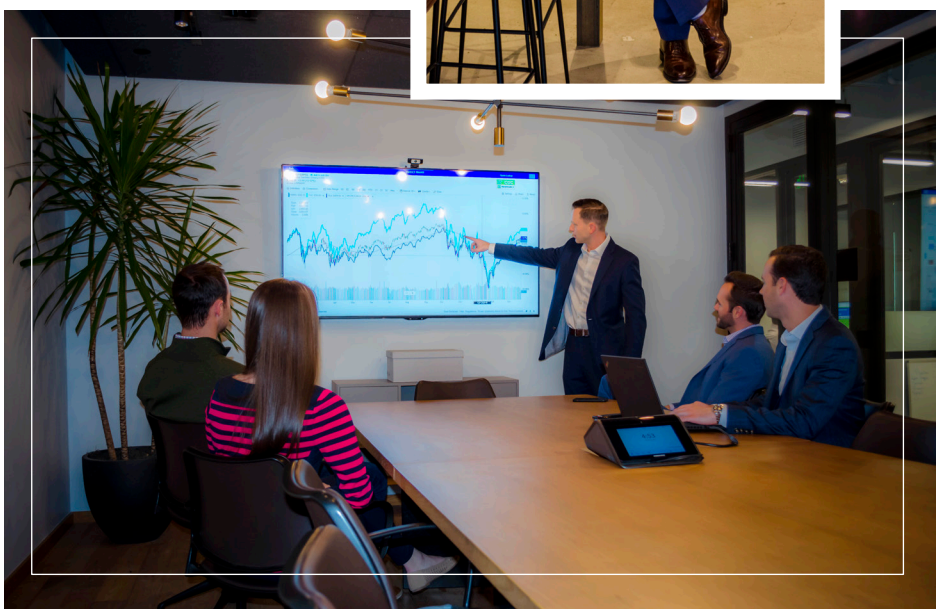
Every team sport depends on the participation and cooperation of all its members. The greatest athletes in any team sport will say that their success and achievements are due to the help they get from other players. Even athletes who compete on an individual basis depend on their support team to help them achieve their goals. Tiger Woods didn't get to where he is today all on his own.

The same applies for financial and retirement planning. As an individual who is growing your nest egg and saving for not only retirement but your many goals along the way, you cannot do it alone. That's why you hire a financial planner or investment advisor to help you with choosing the right investments, managing your portfolio, making decisions on when to buy or sell investments, developing tax strategies and so on. This person is a valuable member of your team, much like your accountant, bookkeeper, insurance agent, lawyer and other professionals who work with you to help you achieve your financial goals.

Nick Kolbenschlag, managing partner with Crown Wealth Group headquartered in Charlotte, North Carolina, believes that a registered investment advisor (RIA) can do more than provide clients with financial advice. This professional possesses significant knowledge and expertise in helping clients to build wealth and save for all of life's goals, including retirement. To do this efficiently, one must have a deep understanding of the client's financial needs and life goals. That's why Nick and his team use the Personal CFO (Chief Financial Officer) model in working with clients to create a holistic total wealth assessment.

"As our client's Personal CFO, we coordinate and implement the expert advice of each professional on the team, including the CPA, attorney, insurance agent, investment manager and so on," said Nick. "We are responsible for executing the actions of every part of the financial plan from start to finish. Our goal is to organize our client's financial affairs, simplify their life and save them time, all while getting better results."

Nick has spent many years developing the Personal CFO model. This includes eight years building and executing the model as managing director of a private wealth management firm, and another two years building a corporate RIA's Personal CFO division. Understanding the true power of working within an independent RIA structure, Nick partnered with his brother Tyler to launch Crown Wealth Group. Tyler is also a licensed broker with Berkshire Hathaway HomeServices Carolinas Realty, allowing him to represent the firm's clients in buying and selling their primary homes, vacation properties and investment holdings.



The CFO is primarily responsible for managing a company's finances, which includes doing financial planning, managing financial risks, record-keeping and producing financial reports. It's quite similar to what an RIA would do for clients, although on a larger scale. In this scenario, the client is the chief executive officer (CEO) of their financial life, which is the company. The CEO makes all decisions for the benefit of the company and signs contracts to execute those decisions, just as the client would with their financial life.

The CEO can only make informed decisions when the CFO does their job properly. To properly manage a company's finances, the CFO must have a clear understanding of its goals. The same can be said for the financial advisor, who must determine the client's financial goals. An integral part of Crown Wealth Group's Personal CFO model is the in-depth discovery process. It endeavors to develop a deeper understanding of the client's life path, passions, financial DNA and true life goals by utilizing a set of behavioral financed-based questions.

"Only after we have a full understanding of you, will we discuss your financial picture and available resources," said Nick. "We dive deep on every aspect of your financial picture to create a holistic total wealth assessment. This would include detailed advice around cash flow analysis, wealth accumulation, goals-based investment management, risk management, tax planning, wealth transfer, business strategy and other lifestyle services like securing boats and cars for our clients."

Of course, any reputable and competent financial advisor will thoroughly discuss with the client their financial goals, risk preferences, sources of income, revenue, and other key factors. It is integral to choosing the right financial solutions and strategies in building a financial plan, and part of managing the client's financial future. It is what clients should expect from their RIA.

However, it's the most basic requirement for any financial advisor. To provide clients with true value, an RIA who behaves like a real CFO would do more. As stated, the CFO must know more than just the company's financial goals – they must also understand its mission and purpose. Nick believes it's where the financial industry is lacking. Financial advisors should contribute to managing the client's life – their whole life.

"Their current lifestyle and future lifestyle are equally important," said Nick. "To be truly valuable and of service to clients, financial advisors must offer advice and execution in more areas than investments and insurance."

> AS OUR CLIENT'S PERSONAL CFO, WE COORDINATE AND IMPLEMENT THE EXPERT ADVICE OF EACH PROFESSIONAL ON THE TEAM

Any company that employs a CFO will undertake a thorough vetting process to ensure that the individual is capable of fulfilling their role, and fits the company's culture and values. Investors should also thoroughly screen potential financial advisors to determine whether they are the right fit for them and their financial goals. This involves asking in-depth questions about how they do business, as well as their advice philosophy, service model, the types of clients they work with, and the value they provide from their clients' point of view. RIAs have a fiduciary responsibility to their clients, which means that they must maintain transparency and provide advice in the client's best interest at all times, which begins when they're being interviewed for the role.

"Ask whether the advisor is a broker, RIA or both – and if they are independent or working for a larger corporate entity that has its own agendas. Find out how they get paid, as someone who works on commission could provide different advice from someone who gets paid a flat fee. Also determine if they are a broker or fiduciary – and if they're both, how they will indicate which hat they're wearing when providing advice," said Nick, and he added, "If you would like a second opinion on your plan or to create one, we are here to help."

For more information on Crown Wealth Group, visit: crownwealthgroup.com

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