Strategies in Managing Wealth

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There are many options to choose from when it comes to selecting a strategy in managing wealth. Truly effective wealth management begins by taking charge of the process early in life before there are sustainable assets such as excess cash, stocks or bonds. Having a longer time horizon with these financial assets will assist in overcoming the costs, fees and economic forces (such as inflation or our current recession) from eroding your wealth. This is why 2009 is vitally important for families and wealthy individuals to take a disciplined approach to this process and protect that which they've been working toward for years. We must view 2008 as a lesson insofar as many people in this country were simply not prepared, focused or diversified in their overall approach to having a proven wealth management strategy for multiple generations. Individuals and families should measure financial performance on the basis of overall investment return. A timeline should also be established for a regular review of the investment advisor's job performance as well as the financial performance of investment portfolios, trusts, and other components of the family's financial portfolio. Depending on the portfolio, a review should be done on a quarterly or annual basis regarding the asset allocation or strategy diversification.

Diversification and focus combine the best of both worlds. Diversification achieves risk mitigation, and with focus comes the intensity to succeed over the long term that many need to prosper in life. The principle of diversification applies in other ways, with most individuals having both taxable and tax-deferred (retirement and deferred compensation plans) investment portfolios. Some have life insurance savings plans that are tax exempt for the beneficiary and a select few also control corporations. Each of these entities receives different tax treatment. Because tax rates don't all rise and fall at the same time, it makes sense to diversify the tax treatment of your assets. Diversification needs to be allocated to several areas, such as alternative investments, private equity, real estate, oil and gas, and emerging markets.

At the core of this topic of wealth management is the discussion of asset protection and tax minimization. These concepts are increasingly relevant as we hear more frequently about the rich seemingly getting richer, while the poor seem to go in the opposite direction. The wealthy utilize a company / trust structure to accomplish what is known as asset protection. This allows these individuals to continue to accumulate wealth, just not in their name. Not having this legal structure in place allows for exposure to creditors, and hard earned wealth is left open and unprotected in the event of future economic crises.

As for 2009, we have seen and will continue to see a very low interest rate environment as our economy struggles through the worst recession since The Great Depression. Companies that have maintained strong balance sheets will continue to gain interest in the corporate bond asset class as investors continue to seek out the quality yields and capital protection that are not currently available in traditional savings accounts or certificates of deposit. This is also the year that investors will permanently adopt a much stronger awareness of where they are putting their money due to the continuing deterioration of the banking system. In touching on the basics of wealth management, it is easy to see this is a process that begins with education and patience. It is abundantly clear that further and continuing education in financial management is necessary to begin the wealth management process as early as possible. Simply put, when visiting a doctor we all want the best; why would we think otherwise when it comes to our wealth?