

# Q&A on Goals-Based Planning

## The Foundation of Wealth Management

*Goals-Based Planning is the foundation of successful wealth management at 1919 Investment Counsel.*

*Goals-Based Planning integrates two critical activities, Financial Planning and Investment Management, so you can better align your financial and life goals, increase the probability of meeting these goals and achieve greater peace of mind.*

*Following is a brief Q&A on how Goals-Based Planning works and how you can get started.*

### **What is the definition of Goals-Based Planning?**

Goals-Based Planning (GBP) is an integrated process that matches your financial and life goals with an investment strategy to achieve these goals. GBP aligns your portfolio with your most important priorities, so that your wealth can support your family, lifestyle, interests and passions. When your goals change or life events intervene, the GBP process will adjust your investment strategy based on how much money you will need and when you will need it to meet your goals.

### **How is Goals-Based Planning different than other approaches?**

Goals-Based Planning combines two important activities — financial planning and investment management — that are often performed by different professionals and sometimes by different firms. At 1919, these activities are fully integrated and managed together.

Financial planning focuses on creating a long-term financial plan, including important activities such as budgeting, managing cash flow, developing tax strategies and planning for retirement. Investment management focuses on the vital tasks of building and managing a portfolio, including choices about asset allocation, expected return, risk tolerance and diversification.

We believe financial planning and investment management work best when fully integrated. Most plans in life are subject to change, and all investments in the markets are variable, so integrating your financial plans and investment strategies is more likely to increase the probability of success in reaching your goals, on a realistic timetable that you can manage.

### **How does Goals-Based Planning benefit me the most?**

When there is a separate process for financial planning and investment management, it is harder to ensure that sufficient money will be there when you want it for specific needs over the course of your life.

The work of a financial planner often ends once a long-term plan is in place, and the task of managing your wealth moves to an investment advisor. Even in firms that provide both services, the planning and investing processes are often quite separate. If the investment advisor was not involved in creating your financial plan, or does not fully understand your goals and motivations, there can be a gap in expectations between advisor and client, and communication can be strained.

A focus on maximizing wealth is not enough. The critical dimension is time. You want to know that sufficient wealth will be available when you need it.

Our Goals-Based Planning process understands that your wealth is a means to an end. We work with you to define your most important goals — to support a lifestyle, transfer wealth to the next generation, enable a legacy, or follow a passion — and then we build your portfolio specifically to achieve these goals, and to provide sufficient wealth on a timetable that meets your needs.

When your goals change, or market volatility causes you to reconsider the scope and timing of your needs, Goals-Based Planning is flexible enough to anticipate change, but rigorous enough to prevent you from acting emotionally instead of rationally. Our advisors are trained to be proactive towards protecting and growing your wealth, not only to help you achieve your goals but also to achieve something invaluable: peace of mind.

### How does the Goals-Based Planning process work?

Goals-Based Planning is a five-step process where advisor and client collaborate at each step, to ensure the best outcomes and to manage change.

We understand that it is often difficult to plan ahead, especially for decades to come. Your 1919 advisor is skilled at helping you think through the possibilities of how you want to put your wealth to work at key milestones in your life. Your advisor will help you to develop an integrated financial and investment plan that can ensure your assets are sufficient to meet your goals, can anticipate when you might need to make changes to your plans, or can identify pathways to new and unexpected opportunities.

The five-step GBP process works as follows:

**Step One:** We begin by creating a **Personal Balance Sheet** with you, so you have a complete picture of

your assets and liabilities. The Balance Sheet includes all types of assets, including investment accounts, bank accounts, compensation, real estate, and property such as art or collections. The Balance Sheet also accounts for liabilities such as mortgages, taxes and deferred compensation. Your information is safely protected in a database that is updated whenever amounts change, eliminating the need for you to manage paper statements. The Balance Sheet is also available for other partners you work with, such as accountants and attorneys. An integrated view of your finances can truly be eye-opening, but most importantly, it provides the foundation for building a Goals-Based Plan.

**Step Two:** Next, we help you to set **Financial and Life Goals**, and to chart these goals on a timeline indicating when and how you might need to tap into your wealth. Setting Financial Goals helps you understand key choices based on how much you expect to earn, how long you expect to work, how much you need to live on, or how much you require for family or charitable causes. Setting Life Goals helps you to define your priorities on how want your wealth to support your family, lifestyle, interests, and passions, and how to plan your legacy. We like to frame this as getting to the answer to “what’s the purpose of your money?”

Because you might have many different goals, some seemingly easier to achieve than others, your advisor can help you to separate these goals into “Must Achieve” goals, such as adequate retirement income, and “Good to Achieve” goals, such as pursuing a personal passion or making a large purchase. Distinguishing between mandatory versus discretionary goals can help you to manage through change, avoid surprises and accelerate or delay the timing of your goals, as needed.

### The Five Steps of Goals-Based Planning



**Step Three: The Investment Policy Statement (IPS)** is a blueprint for managing your wealth, to help you protect and grow your asset base and open up more possibilities. The IPS describes the specific investment and liquidity amounts that are needed to achieve your goals over different time horizons, emphasizing long-term capital appreciation while ensuring that necessary distributions are available when needed. The IPS identifies your risk tolerance, the kind of asset allocation across stocks, bonds and other investments that will provide desired returns and the tax-advantaged strategies that can protect your wealth. A well-crafted IPS makes the process of managing your wealth clear to all and provides a lens through which to consider the impact of changes to your portfolio, so changing positions or rebalancing is undertaken purposefully.

**Step Four:** When you have a balance sheet, you have set your financial and life goals, and your goals are articulated as an investment policy, you have all the components in place to build a comprehensive **Goals-Based Wealth Plan**. The Plan ensures that your investments are fully aligned with your goals and a timeline of when you expect to achieve these goals. The Plan allows you to see the progress you are making towards reaching your goals, so you know where you stand at any point in time. With the Plan in place, not only will you and your advisor be clearly aligned, but you can also share the Plan with family, accountants, or attorneys, so that all vital stakeholders are on the same page.

Your advisor will review the Plan with you in depth at least once a year, as part of a formal Account Review, and will be there anytime you want to discuss the Plan, to answer questions, discuss progress or consider any changes to your goals or timetable.

**Step Five:** One of the most valuable parts of having a Plan is the ability to manage uncertainty. Your advisor will develop several different **Plan Options** to help you reach your goals. The Plan Options consider a range of potential market conditions and estimate how these conditions might affect your portfolio. You will see these Options expressed on

a scale of “likeliness to achieve,” e.g., “With Plan A, there is a 78% likelihood that you will have sufficient assets to achieve your goal by the desired date.”

After reviewing different Plan Options, you and your advisor can re-evaluate your current Plan and decide how to maximize your chances of success. You may well decide to stick with Plan A, but you could also change your portfolio composition, move up or defer the timing of your goals, or perhaps change your goals to reflect new opportunities. At any point in time, you will know how far along you are towards achieving your goals and you will have contingency plans in place, so you are prepared for an uncertain future.

Our commitment is to do everything we can to give you more ways to succeed. We want you to feel confident that you will achieve your goals and, most of all, we want you to have peace of mind. We never lose sight of the trust our clients place in us to realize their most cherished hopes and dreams.

### How do you get started?

Thinking about life choices, setting goals and taking inventory of your assets are not everyday activities. We know that. The team at 1919 Investment Counsel can help you ask the right questions, make informed choices and feel confident that you will protect and grow your wealth and achieve your most cherished goals.

1919 was founded a century ago as the first US firm dedicated to serving high net worth clients with professional advice on financial planning and investment management. 1919 was a true pioneer in Goals-Based Planning and managing multi-generational wealth. Our experience listening to and understanding our clients has resulted in some of the longest and most loyal client relationships in our industry.

We are ready to help you get started. Please call us at 1-844-200-1919 or visit us at [www.1919ic.com](http://www.1919ic.com) to learn more.

#### About 1919 Investment Counsel

1919 Investment Counsel, LLC is a registered investment advisor. Its mission for 100 years has been to provide counsel and insight that helps families, individuals, and institutions achieve their financial goals. The firm is headquartered in Baltimore and has regional offices across the country in Birmingham, Cincinnati, Dallas, Houston, New York, Philadelphia and San Francisco. 1919 Investment Counsel seeks to consistently deliver an extraordinary client experience through its independent thinking, expertise and personalized service. To learn more, please visit our website at [www.1919ic.com](http://www.1919ic.com).