7 THINGS YOUR FINANCIAL ADVISOR

May Not Be Telling You

Wealth Enhancement Group®

FINDING THE RIGHT ADVISOR IS KEY TO YOUR FINANCIAL FUTURE

Many investors share the same big question: Will I be able to enjoy financial independence over my lifetime and support the people and causes I care most about?

At the same time, they face many challenges linked to that primary question: How to navigate economic uncertainty, market shocks, volatility, low interest rates and inflation—just to name a few. And many have turned to a financial advisor for help.

However, the decision to hire an advisor shouldn't be based solely on investment skill or financial planning capabilities alone – you need to work with someone you not only know, like and trust to keep your best interests at heart, but also someone who can handle all the myriad aspects of managing your family wealth.

It's possible that the financial advisor who got you this far may not be the best choice to take you to the next level. They may not be equipped to advise you on the broader and more complex issues associated with managing your financial affairs, from savings and investing to tax-efficient income/distribution planning, and from funding education and healthcare to estate and legacy planning.

It's practically impossible to entrust a single advisor to have all the answers or to do it all. That's why we've prepared this guide – to help you decide whether your current advisor is equipped to help you manage the next phase of your financial journey.

Interested in exploring what Wealth Enhancement Group has to offer?

After reading this guide, you may find that an approach in which having your advisor backed by our Roundtable™ team of specialists may be better suited to your needs.

Call us today to schedule a free initial consultation, at 1-888-747-9804, or find us online to learn more.

7 THINGS YOUR FINANCIAL ADVISOR MAY NOT BE TELLING YOU

1. "I may not always be obligated to work in your best interests."
2. "You may not be getting the specialized financial advice you deserve."
3. "Hidden or excessive fees could be eroding your returns."
4. "I may be taking too much (or too little) risk in your portfolio."
5. "Financial planning may be more important than investments."
6. "I may be distracted by things other than building a long-term relationship with you."
7. "I may not know you as well as you think."

ONE

"I may not always be obligated to work in your best interests."

Not all financial professionals are legally required to work in your best financial interest. Even the term "advisor" is used indiscriminately across the industry. That's why it's important to determine whether your advisor is a "registered representative" or works for a registered investment adviser (RIA) firm.

Broker-Dealer Registered Representative vs. Registered Investment Adviser

Federal laws govern how financial professionals interact with clients by using three basic classifications that set forth which standard of care they must deliver to their clients. These include a suitability, best interest or fiduciary standard, described below:

- **Suitability standard** – The suitability standard allows recommendations from registered representatives of the broker-dealer to be based on factors other than the investor's best interest, including investment products that may be more costly or generate a higher commission to the broker than a lower-cost option. In other words, the rep can consider their own financial incentives, and may be allowed to have a conflict of interest so long as it is disclosed as such. Formerly applying to customers of broker-dealers, suitability meant that an investment was "appropriate" for the customer's personal, family or household circumstances. While the suitability rule no longer applies to individual investors, it is still applicable to pension funds, small business owners and charitable trusts.
- **Best-interest standard** — Regulation Best Interest (Reg BI), a 2019 rule from the U.S. Securities and Exchange Commission (SEC), requires broker-dealers to only recommend financial products to customers that are in the customers' best interest, to clearly identify any conflicts of interest, and disclose any financial incentives the broker-dealer may have for the sale of those products.
- **Fiduciary standard** — RIAs legally and ethically must act in their clients' best interests when making recommendations or decisions that affect their clients' financial plans. Unlike Reg BI, the fiduciary standard eliminates conflicts of interest and is considered by many as the gold standard of client care.

Ask a Threshold Question

While these professional designations may appear to create a thicket of complexity for investors, you can quickly discover where your current advisor falls in the spectrum by asking them a simple question:

Are you allowed to consider any other factors besides my best interest when making investment recommendations?

If they answer "yes," it could be time to make a change.

THE BOTTOM LINE

If you want to ensure that your advisor is legally required to act in your best interest 100% of the time, work with an independently owned RIA firm. Independent firms that have a significant percentage of employee ownership do not have to answer to public shareholders or face quarterly earnings pressure. They ultimately serve one boss: you, the client.

TWO

"You may not be getting the specialized advice you deserve."

At many firms, you only get the expertise of a single financial advisor. Some specialize in advising employer retirement plans, while others concentrate on stock picking or working with young professionals. While they may have knowledge in one or two specialties, it's exceedingly unlikely that one person can be a true expert in all the specific fields that comprise wealth management, which include the following:

- Financial planning
- Retirement income planning
- Tax strategies
- Investment management
- Estate planning
- Insurance

Confidence in Every Step

The advisor who may have set up a simple retirement plan may not be the best one to help you with financial planning, which can be complex. You need a financial advisor who can help you create a personalized, holistic financial plan, considering the highly personalized aspects of your tax situation, cash flow needs, risk tolerance as well as your legacy wishes. Often, what may seem like an insignificant change in one area could trigger significant, unintended consequences in another. You should go beyond simply understanding your advisor's strengths and weaknesses – making sure that their strengths align with your investment style and broader financial goals but that their weaknesses don't become your liabilities.

Instead, you need to work with an advisor who is backed by a team of specialists who are committed to helping you organize and simplify your financial life – such as our Roundtable™. The Roundtable has credentialed specialists in all areas of financial planning under one roof. It meets regularly to review client cases, discuss complex topics and stay on top of industry trends, opportunities and challenges.

In addition, you need an advisor who can help you set clearer goals, build a comprehensive plan to support them, and get hands-on guidance to take every step with confidence through a process we call UniFi™, a three-step process that's designed to organize, collaborate, and guide your financial future.

THE BOTTOM LINE

Working with a team-based advisor firm helps ensure that your financial life is covered from every angle. You benefit from having a unified, comprehensive vision of your financial life.

THREE

"Hidden or excessive fees could be eroding your returns."

Investors are not always aware of the total fees they are being charged by their financial advisor, which are often buried in highly technical language in the documents you receive when you sign on to an advisor platform, such as "internal management fees" levied by mutual funds, transaction fees, 12-b-1 fees and revenue-sharing arrangements.

Fees are justified **if they create value** in the form of high-quality investment advice, retirement income planning and tax planning. A 2019 Vanguard study found that advisors were able to add an average of 3% per year in value in net portfolio returns (that is, returns after taxes and fees) over time. Importantly, the study emphasized that the value that an advisor contributes is not by picking the next hot stock to buy. According to the study, it comes from having the ability and time to evaluate your portfolio investments, to meet with you to discuss objectives, and help you get through tough markets.[1]

So, when comparing advisory firms, our Roundtable™ team of specialists can provide a multi-disciplinary approach to wealth management that you couldn't get working with any single advisor.

Why You Should Value Fee Transparency

To us, cost efficiency is as much a central tenet of our investment philosophy as providing on-your-side advice. This doesn't necessarily mean that we recommend only the cheapest, lowest-cost passive funds. There's a place for passive as well as highly rated active investment managers in your portfolio; the key is to find the optimal balance between the two. We use our position in the RIA industry to gain access to highly rated managers, and then negotiate lower investment fees. We then pass those savings along to our clients.

We always look for ways to minimize hidden or excessive fees that chip away at your net returns, and charge **one comprehensive, easy-to-understand, asset-based fee** to cover all of our services – one that's fully transparent up-front. No surprises.

Investing in mutual funds involves risk, including possible loss of principal.

THE BOTTOM LINE

Fees aren't inherently bad. Your advisor should be able to explain the total fees you can expect to pay up front – in clear, straightforward language – and justify how those fees create real value.

Examples of Common Hidden Fees to Avoid

EXCHANGE FEES	These are fees imposed for changing from one share class to another within the sale fund group.
ACCOUNT FEES	Charged to pay for account maintenance, these charges are usually applied on a sliding scale or for certain minimum account sizes.
SALES LOADS	Up-front loads, level loads or back-end loads are commissions paid by investment companies to create incentives for the sale of their products and can create serious conflicts of interest for firms that impose them.

[1] "Putting a value on your value," Vanguard research, February 2019.

FOUR

"I may be taking too much (or too little) risk in your portfolio."

Investors often evaluate their advisors based on performance compared to a benchmark: Did my advisor beat the S&P 500® Index every year, or not? We think this is an imprecise way to measure investment success, and it may be causing you to take too much or too little risk in your portfolio.

Your goal shouldn't be to try to beat an arbitrary index of securities. You need a financial advisor who will work with you to set an investment strategy designed to produce a rate of return you need to pursue your long-term financial goals, considering all of the planning pieces discussed in Section 2 above. If your advisor hasn't taken the time to understand your goals, investment preferences and individual financial situation, their approach will solely be tied to the ups and downs of the market, without any consideration of your individual needs, circumstances or financial situation.

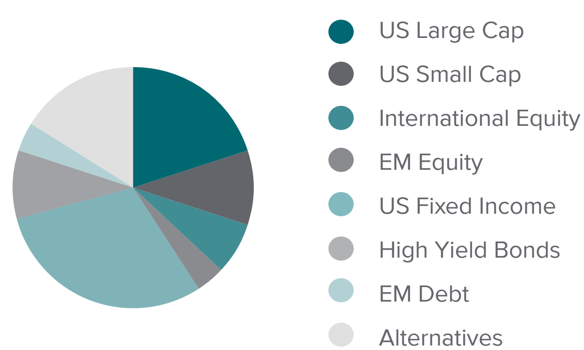
Furthermore, advisors will tout diversification as one of the key principles to successful investing. But here's the problem: The typical definition of diversification, which spreads your assets across traditional asset classes (think of larger companies, smaller companies, bonds, international, emerging markets, etc.), ignores some important risk factors that could destabilize your portfolio.

- Company risk
- Interest rate risk
- Purchasing power risk
- Manager skill risk

Indeed, as many experienced in the 2008-2009 market crash, just because you are diversified by asset class doesn't necessarily mean you're any safer for it. For example, if you look at Figure 1 below, you'll see a portfolio that looks diversified by asset class – e.g., large cap stocks, small cap stocks, bonds, etc. But Figure 2 below reveals the hidden truth about this very same portfolio: the overwhelming majority of the securities are dependent on the well-being of one company.

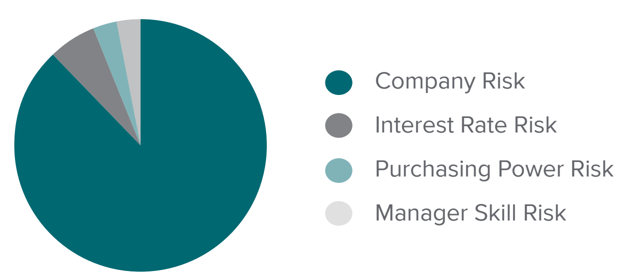
ASSET ALLOCATION

FIGURE 1



RISK CONTRIBUTION

FIGURE 2



This is a hypothetical example based on the September 2008 collapse of Lehman Brothers and a plethora of securities tied to this once-huge firm. Asset class diversification simply isn't enough.

Your Investment Strategy Must Be Linked to Your Financial Plan.

You need a financial advisor who has the experience, judgment and expertise to match your investment strategy to your short- and long-term goals and will adjust your portfolio's risk-return targets as your objectives or needs change. Be wary of advisors who advocate buying ultra-conservative investments or trading appreciated assets if the decision is not aligned with the strategy set forth as part of a comprehensive financial plan.

We call our approach effective diversification—a multidimensional, evidence-based strategy, grounded in Nobel-prize winning economic research, that incorporates diversification by asset class, risk type and investment styles. Clients who use effective diversification lessen company-specific risk and market risk while seeking appropriate returns.

There is no guarantee that a diversified portfolio will enhance overall return or outperform a non-diversified portfolio. Diversification does not protect against market risk.

THE BOTTOM LINE

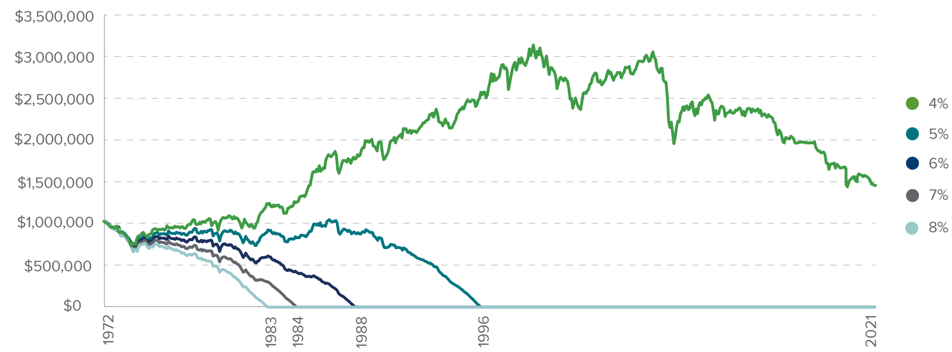
Asset-class diversification may not be able to insulate you from market shocks and could put your assets at higher risk than you think. Effective diversification may help boost your risk-adjusted rate of return.

FIVE

"Financial planning may be more important than investments."

Investing is inherently risky, and you cannot easily predict or control the direction of the markets. However, you can control your own financial situation, which is why planning may be the best way to help preserve and grow your wealth.

As seen in the example below, if you invested $1 million in a portfolio made of 50% equities and 50% bonds in 1972, and withdrew 4% every year, you'd not only not run out of money after 44 years – you would have doubled your investment! But that same portfolio that performs so well at a steady 4% withdrawal rate runs out of money much faster when the withdrawal rate is bumped up even just 1%. If you had withdrawn 5% a year starting in 1972, you would have run out of money in 1996.



Diversified Portfolio stock is comprised of 23% US Large Cap Equity (SPX 500), 12% US Small Cap Equity (Russell 2000 after 1979, before 1979 we calculated performance by lowest quantile market size portfolio from Fama French website), before 1988 15% International Market Equity (MSCI EAFE Index) after 1988 10% MSCI EAFE Index and 5% Emerging Market Equity (MSCI MXEF Index). Diversified portfolio bonds use Barclays US Gov bond index until 1976, then Barclay's Agg Bond Index after 1976.

This is where the value of a financial advisor with expertise in retirement income planning comes in—based on your family history, health, and other factors, we can help determine an appropriate time horizon and sustainable withdrawal rate for you to use when mapping out your retirement plan.

For example, if you retired in 1972 and you wanted to plan for a 25-year retirement and didn't have any heirs to whom to leave assets, the 5% withdrawal rate indicated by the dark gray line may have been perfectly suitable.

When evaluating financial advisors, you need to work with a firm that understands how to tailor a financial plan to your unique needs and circumstances. As part of creating a dynamic and robust plan, your advisor should consider your goals, assets and liabilities, tax situation, current and projected income/expenses, family history, health and other factors.

Moreover, a good financial plan should be updated regularly to reflect your goals and changing desires, but through a realistic and objective lens. For example, if you'd rather spend all of your money during your expected remaining lifetime instead of creating a family legacy, your advisor should be willing to have a frank discussion with you if changing that plan puts your financial freedom in jeopardy.

THE BOTTOM LINE

Smart financial planning can help ensure that your money lasts for decades or even across generations and, when planning is paired with a thoughtful investment strategy, you may have even more money to support the people you love and causes you feel passionate about.

SIX

"I may be distracted by things other than building a long-term relationship with you."

Advisors are motivated and rewarded by different factors. Some are relationship-driven, while others are fascinated by building stock portfolios. Some find that helping clients navigate complex financial decisions is the most rewarding aspect of their careers.

Relationship-driven advisors are often judged internally by how many new clients and assets they bring in, not necessarily on client satisfaction, investment or planning outcomes. If your advisor is constantly looking for new clients, or breaking into new markets, how can you be sure their attention is focused on giving you valuable advice that you need and deserve? Who is looking out for you after you've signed on?

Don't overlook the other activities an advisor must attend to when running their firms, such as regulatory compliance, operations, relationship management, marketing/sales, technology infrastructure and cyber security. These activities can take up a significant amount of their time.

Our leadership team helps to ensure our advisors are equipped with innovative technology, tools and information so they can focus on what they do best: focus on our clients. Our commitment to supporting advisors is reflected in one of the best client retention rates in the industry, at more than 97%.[2]

THE BOTTOM LINE

If you're seeking a long-term advisory relationship, you deserve to work with someone whose sole task is to build effective relationships, pursue superior client outcomes and deliver excellent service.

[2] Average annual retention rate, January 1, 2010, through December 31, 2021, and based on client households with investable assets greater than $100,000 in existing Wealth Enhancement Group offices.

SEVEN

"I may not know you as well as you think."

When it comes to getting financial advice, there are many people you can turn to. In our experience, investors are happiest and most receptive to advice when they find a financial professional who they like and trust, and who they think is smart and capable.

But more than this, we believe that what makes a good advisor great directly ties to the value they create in each client's life.

- You need an advisor who has **the time and dedication** to really get to know you and your family. This principle is so important, it's been a core value of the firm since our founding.
- **Your financial goals may change over time, but your core values won't.** Working with an advisor who understands both is in the best position to help you pursue your goals without forcing you to take more risk than you're comfortable with or to invest against your fundamental beliefs.
- **Empathy is one of an advisor's most valuable skills.** An advisor who combines that empathy with the resources of a diverse, knowledgeable team of experts under one roof, who can address any money issues that come up from a multi-disciplinary perspective, is better able to address your challenges more comprehensively and with greater understanding than a single advisor who wears many hats.

Let's say you've set a retirement goal of having at least $125,000 a year in after-tax income. Your advisor should not only be able to tell you whether it's an achievable goal given your current and expected net worth at retirement, but also what it'll take to get you there (along with any possible tradeoffs, given your investment and lifestyle preferences). For example, meeting your future income goal may mean working for a few more years, improving your tax diversification, adjusting your asset allocation, downsizing to a smaller home with a lower mortgage and less upkeep – or some combination of the above.

We also recognize that successful relationships are a two-way street. Just as our clients rightly expect open and authentic communication, honesty, professionalism and commitment to always act in your best interest from our team, we expect the same respect, transparency, discretion and commitment to us from our clients.

We believe that an advisor who has a full understanding of your complete financial life is in the best position to be able to make recommendations based on your life goals, risk tolerance, and personal passions and preferences.

THE BOTTOM LINE

The wealth management business depends on building trust and personal relationships. The more you are able to share with your advisor regarding what you value — what gives your life the most meaning and satisfaction — the better equipped your advisor will be to guide your financial affairs.

QUESTIONS TO ASK ABOUT YOUR FINANCIAL ADVISOR

QUESTION	Wealth Enhancement Group	Your Advisor
Do you work with an independent, privately held firm whose business isn't beholden to other economic pressures such as outside shareholders?	✓	○
Do you regularly contact clients with important and relevant information?	✓	○
Do you offer multiple channels of client communication (such as portal messaging in addition to direct lines to advisors)?	✓	○
Does your firm refuse commissions on the sale of investment products?	✓	○
Does your firm NOT offer proprietary investment products?	✓	○
Does your firm offer a team of financial specialists in-house, including CPAs (tax strategists), CFPs (financial planners), JDs (estate planning attorneys), insurance specialists, and centralized investment research covering 70+ global markets and thousands of available strategies?	✓	○
Do you offer a clear, transparent and all-inclusive fee schedule?	✓	○
Is your firm large enough to negotiate the lowest or most reasonable fees from your selected asset managers on behalf of clients?	✓	○
Will you help me formulate an effective investment strategy, based on my goals, and skillfully execute on it using evidence-based research and analytical resources?	✓	○
Do you offer effectively diversified portfolios, backed by 50 years of industry and academic research?	✓	○
Is your firm's senior management team recognized as industry thought leaders, invited to contribute to such national media as Forbes, The Wall Street Journal, Fox Business, Kiplinger and CNBC?	✓	○
Does your firm have a nationally distributed weekly radio show that has aired for 20+ years?	✓	○
Does your firm have a client retention rate that exceeds 97%?[3]	✓	○

[3] Average annual retention rate, January 1, 2010, through December 31, 2021, and based on client households with investable assets greater than $100,000 in existing Wealth Enhancement Group offices.

BROADEN YOUR FINANCIAL GOALS AND CREATE A PLAN TO GET THERE

You may be satisfied with how your current advisor has advised you on your financial journey so far, including helping you save for retirement. But if this guide raises questions about how well you are pursuing your broader financial goals, or you have yet to create a comprehensive financial plan, maybe it's time to talk with Wealth Enhancement Group.

Our mission is to help you simplify your financial life and take on the management of your day-to-day financial affairs that you'd prefer not to think about or handle yourself. We back this mission through our three-step UniFi™ financial planning process, that's designed to reduce your financial stress and help you make more confident decisions. And while we are happy to work with your tax and legal advisors to create a cohesive financial plan, we also offer these specialized services in house.

When you meet with one of our advisors, we will happily answer any questions related to your financial plan or objectives, including why we think our team-based approach to wealth management may better fit your needs over the long term.

PLAN YOUR FINANCIAL FUTURE TODAY.

Financial planning isn't a one-time event, but rather an ongoing process that is continually refined and modified to meet changing situations and conditions. A retirement plan that successfully navigates the retirement realities outlined in this guide doesn't just happen. It takes careful preparation and insight.

Fortunately, you don't have to figure it out on your own. At Wealth Enhancement Group, we take a team approach to financial planning to make sure you're covered from every angle and to help make your retirement goals a reality.

Call us today at **1-888-747-9804** to schedule your free, no-obligation consultation.

IN THIS NO-OBLIGATION INTRODUCTORY CONSULTATION, WE WILL:

- Discuss where you are now and what you want to accomplish
- Identify opportunities for your portfolio and plan
- Suggest next steps
- Help you decide whether our services may be a good fit your needs

ALL THE SPECIALISTS YOU NEED, ALL IN ONE PLACE.

Life doesn't get easier as you accumulate wealth. More decisions. Higher stakes. Greater uncertainty. Why burden yourself with managing multiple financial relationships and tracking disparate accounts—or manage the stress of doing it all on your own? You need a plan that brings it all together and simplifies your financial life.

You need Wealth Enhancement Group. Our 3-step UniFi™ process helps ensure your financial life is organized, comprehensive and straightforward, enabling you to make more confident decisions and be relieved of the stress that comes with managing your wealth.

UniFi™

A 3-step process designed to simplify your financial life

Organize.

We collect your financial information and consolidate it into your UniFi Inventory™.

Collaborate.

Our Roundtable™ team approach helps ensure your financial plan is covered from every angle.

- Financial planning
- Retirement income planning
- Tax strategies
- Investment management
- Estate planning
- Insurance

Guide.

We clarify your options and put your plan into action, supporting you every step of the way.

Call us today at **1-888-747-9804** to learn more.

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Wealth Enhancement Group®