

DO YOU KNOW THE DIFFERENCE BETWEEN WEALTH MANAGEMENT AND WEALTH ADVICE?

What Is Wealth Management?

The financial services industry sometimes refers to the products and services it provides as “wealth management.” We are “wealth management advisors” or “financial advisors” or whatever the description might be.

Too often, the industry only considers wealth to be how much investable money a client has “under management.”

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When wealth is equated only to investable assets, or how much money a client has sitting in retirement accounts, or trust, or joint brokerage accounts, all other types of wealth—as well as other important issues related to protecting wealth—can be ignored. Some advisors even turn away people who don't meet a minimum balance.

What is Wealth Advice?

Wealth advice is different than wealth management. With wealth advice, the emphasis is placed on the importance of comprehensive financial and retirement planning, and advice that goes beyond just managing portfolios or stock market equities. In fact, with wealth advice, the emphasis is much wider. Yes, it includes investments, but also includes 1) your budget, 2) your emergency fund, 3) your tax obligations and how to mitigate current and potential future tax liabilities, 4) risk management—or shifting liability for potential financial setbacks that could be caused by unexpected life events over to insurance companies, 5) addressing your short- and long-term financial goals by planning for them and 6) protecting your legacy.

Most of all, wealth advice helps you understand how to make the daily, monthly and yearly decisions that can help you grow your total net worth, and leave tax-advantaged wealth to the next generation.

Why Are People Afraid to Contact a Financial Professional?

Many people avoid contacting or reaching out to financial professionals due to perceived high asset thresholds as well as a lack of

understanding about what questions to ask. The traditional focus on asset or wealth management can create barriers for those with less liquid wealth or people with unique financial situations. Even people with high net worth often don't feel like they have enough money to engage a financial professional. And frankly, the industry itself has been partially to blame for setting this tone over the last 20, 30, 40 years. Junior advisors with big brokerage houses are sometimes encouraged to decline to work with those who haven't yet accumulated a certain amount of money.

How the Clear Picture Wealth Program Can Help.

Our Clear Picture Wealth approach was developed because we are aware of this predicament and we have a team approach to help address the varying needs of different types of clients. It's a value-add that we feel we can provide.

We believe in challenging the industry, making the client-advisor conversation not about how much money you have to manage, but what kind of advice you are going to receive and how proactive the advisor will be in helping you make decisions.

We think you should feel comfortable asking the question: "How do you intend to become my personal financial CFO?" and that you deserve service no matter where you are at in your financial journey. We believe advisors need to focus on helping clients make more informed financial decisions, and that "wealth management" is just a byproduct of what we do.

Examples To Consider.

Everyone is different and each person has a unique situation requiring customized advice. Here are some examples based on some of the clients we have served.

- **Assets Held In Real Estate**

You shouldn't be ignored if you own other types of wealth; for instance, perhaps you have a lot of money tied up in real estate. Maybe you don't have a big IRA or brokerage account—maybe all your free cashflow and investments go into your real estate properties. That doesn't mean you don't need wealth advice.

You could have significant holes in your overall situation that could lead to a negative liquidity event, because land and real estate is not liquid. For instance, in the event of death or a passing, do you have debt out there that your heirs or estate won't be able to handle? Maybe you understand debt and how to leverage it, but what happens if you are no longer there to repay it? Banks may call in their notes. And if your estate doesn't have adequate liquidity, or the housing market is down, or we have a crisis like we did in 2008-09, then you are left with the possibility of your wealth being disrupted. You need awareness of your risks, you need wealth advice, and you need a plan to address risks. Even if you have a will and trust in place, you need to make sure you are adequately protected so that your estate will continue to operate after you are gone.

- **Assets Tied Up In Business Ownership**

Similar to people whose assets are tied up in real estate, some individuals have their assets tied up in their business. When it comes to business ownership, client-centered wealth advice can help individuals plan for tax efficiency, estate planning, exit planning, liquidity needs, asset protection and more.

The right wealth advisor can help you transition your business, whether you plan to 1) sell it and retire, or 2) transfer it to family members, or 3) work "forever" and therefore need to hedge against an unplanned future health or adverse life event by putting the proper insurance protections in place. Seek out advice from someone who has experience and expertise. After all, you may only create a business transition plan once, but they may have been through it with other clients dozens of times.



Don't be fearful of going into an advisory office and asking tough questions, or engaging in a relationship. The key question is, can you find the person that's willing to provide solutions to you with an advice-centric approach without asking the question, "How much money do you have to manage?"

As an example, we have a team member who has the Certified Exit Planning Advisor (CEPA®) designation. So, even when we work with business owners who may not have a whole lot of investable assets, but instead have a lot of their net worth tied up inside the four walls of their business, we can still help them. Developing a custom exit and/or succession plan based on your unique goals is something one of our team members focuses on, and we often team up with a business owner's family members, accountants, and attorneys to assess various strategies.

Jason Noble often gets involved as a Certified Financial Planner (CFP®), and can contribute to the conversation around how much money will go to Uncle Sam in the event of a business sale or transfer to heirs, as well as some of the pros and cons of different solutions.

And our team can get involved to the level that you want them to. Perhaps you just need some coaching. Or maybe you are so busy—perhaps you are in the medical profession—that you don't have the time to attend a lot of one-off meetings, but you want a wealth advisor to do the research and summarize the final recommendations. We can scale our services up or down.

- **Retiring with a Large Traditional 401(k) Balance**

If you would like to retire someday and have saved up a large amount in a traditional, tax-deferred retirement account like a 401(k), you will owe regular income taxes on that money—or your non-spousal heirs will. And furthermore, you will have to start withdrawing a percentage of that money each year by December 31 beginning at age 73, and pay income taxes on the entire amounts withdrawn.

These IRS-mandated withdrawals are called required minimum distributions or RMDs. Do you have a game plan for this? Have you explored your options in mitigating taxes in retirement? Each and every person heading into retirement has a different scenario to address, and wealth advice that is tailored to the individual situation can really make the difference.

- **Carrying a Lot of Student Loan Debt**

If you have a lot of student loan debt, you need someone who is experienced in that, and who can focus on helping you. This is where a team approach may come in, like the one we have at Prime Capital Financial. We have team members with a whole range of designations and experience, including those who specialize in student loan debt, who can help you look at the data and drive the conversation and decisions around it.

Wealth Advice as Lifestyle Planning

The fact is that each person has probably dozens of questions for a wealth advisor, many of which have nothing to do with stock market investments. For instance, at Prime Capital Financial, we often get the question, “Should I pay off my mortgage?” Depending on your mortgage rate, appreciated home value, and housing situation, you may have better ways to use your cashflow if you have, say, a 3-1/2% rate on your outstanding mortgage balance. Or maybe not. It depends.

Or maybe you have an older insurance policy, and you’re wondering whether you should cash it out, or if a new policy might have better terms. Or maybe you are wondering what is the best way to pay for your kids’ college. Or perhaps your concern is high estate taxes in your state, and you want to readdress your estate plan to make sure you don’t leave your heirs with an unexpected tax liability.

Our wealth advice and financial plans are customized to you.

A Proactive Approach to Net Worth

If you are looking for wealth advice instead of just wealth management, we believe you should seek out a team which brings expertise, partnerships, experience, and passion to the table. We developed the Clear Picture Wealth Program to help our clients make better, more informed decisions for themselves, and to help simplify the complexity that people have surrounding their wealth.

Our approach is to take a look at your entire net worth to see where there are areas of strength, as well as where there are weaknesses or gaps.

If you need help with wealth advice, contact us today! Give Jason Noble a call at (843) 743-2926 or call Andy Merchant at (316) 669-9413 to take the first step.