

Financial Health Checklist



At William Blair, we build portfolios by building relationships with our clients. Through a continuing dialogue between you and your William Blair wealth advisor, we provide comprehensive, customized wealth management built on investment expertise and an unwavering focus on your evolving needs.

Financial Checkup

Being physically healthy requires more than just a well-balanced diet and regular exercise. Similarly, true financial health entails more than simply earning solid investment returns and staying in control of debt. A financial checkup for high-net-worth individuals should include a careful evaluation of each piece of the wealth mosaic:

Financial Self-Discovery

Strategic Asset Allocation

Charting a Path to Retirement

Achieving Tax Efficiency

Managing Risk Exposure

Philanthropy – Making Every Dollar Count

Creating an Estate Plan

Preparing for Education Expenses

Family Business Ownership and Management

Special Considerations for Corporate Executives

Building a Family Legacy

Role of a Family Office

Individuals and families should revisit these issues regularly because milestones, such as a career change, a liquidity event, or the birth of a child or grandchild, create new challenges and opportunities. A holistic, integrated approach to dealing with these interrelated issues is the best way to achieve a clean bill of financial health.

Check List

The following list comprises the diverse aspects of financial well-being. Please use this list as a guide in reviewing your personal financial situation.

Financial Self-Discovery

Just as “First, do no harm” is a central tenet of practicing medicine, “Know yourself” should be viewed as a fundamental principle of wealth management. Before thinking about asset allocation, estate planning, or any other financial issue, you need to first identify what is important to you and how wealth relates to those aspects of your life.

The financial self-discovery process should delve into the following issues:

- Setting financial goals that are aligned with personal or family values
- Prioritizing financial concerns
- Defining the role of wealth
- Assessing progress toward objectives
- Identifying how recent life events could affect financial strategies



Strategic Asset Allocation

Asset allocation—the process of diversifying investments across different asset classes—may be the single greatest determinant of a portfolio’s risk and return. The goal is to develop an asset allocation strategy that achieves an appropriate mix of equities, fixed-income securities, alternative investments, and cash to meet growth and cash-flow needs, all within an acceptable level of risk.

When evaluating your asset allocation, ask if your strategy properly addresses the following issues:

- Current and future cash-flow needs
- Appropriate risk-return trade-off
- Allocation across asset classes and diversification within asset classes
- Performance of individual investment components
- Adequate growth potential for financial goals

Creating an asset allocation strategy may also include the following aspects:

- Consideration of Modern Portfolio Theory
- Stress testing asset allocation plans with stochastic methods
- Inclusion of alternative assets and strategies
- Correlation of individual investments within the portfolio

Check List (continued)

Charting a Path to Retirement

Retirement planning involves numerous factors that are impossible to accurately predict, such as economic cycles, life expectancy and health issues, tax rates during retirement, and inflation. But one thing is certain—the sooner you start planning and saving, the better your chance of reaching your goals.

Topics to be addressed when creating or evaluating a retirement strategy include:

- Understanding of your personal objectives for this transition
- Appropriateness of portfolio's risk-return profile for the given timeline
- Cash-flow needs and income sources during retirement plans

Retirement planning also requires knowledge of these specific considerations:

- Relative benefits of tax-advantaged retirement accounts
- Distribution requirements of various tax-deferred retirement plans
- Social Security and insurance benefits schedule

Achieving Tax Efficiency

Earning large returns is nice for any portfolio, but maximizing what you get to keep is what really counts. Income tax implications should be considered with every investment decision.

An efficient tax strategy requires:

- Communication between investment advisors, accountants, attorneys, and other trusted advisors regarding unique tax circumstances
 - Knowledge of changes to the tax laws
 - Strategic use of capital gains and losses (tax-loss harvesting)
 - Minimizing short-term gains
- Issues that are more complex but significant to assessing tax liability include:
- Understanding income tax effects on estate planning
 - Carry-forward losses from previous tax years and Wash Sale rules
 - Alternative Minimum Tax liability
 - Executive compensation programs and concentrated equity positions

Managing Risk Exposure

Prudent investors realize that portfolio volatility is not the only type of risk that merits attention. Nearly every aspect of an individual's personal and professional lives contains some element of risk, and effective financial planning requires identifying these risks and determining how to best manage them.

Risk management issues to address include:

- Business structuring and personal and professional liability
- Determining which risks to transfer, mitigate, or assume
- Identity theft prevention
- Current health status and family medical histories

Steps individuals can take to manage risk include:

- Identify opportunities to reduce investment risk through hedging, further diversification, or alternative assets
- Evaluate existing insurance policies and determine the appropriate level of coverage
- Monitor credit reports regularly to check for signs of identity theft

Check List (continued)

Philanthropy: Making Every Dollar Count

Philanthropy provides meaningful opportunities for individuals to enrich their communities and promote the values they hold dear. Effective philanthropy, however, is not determined by the size of the checks written. And it does not happen by accident.

An effective philanthropic strategy works in concert with an individual's investment, tax, and estate plans and addresses numerous issues, including:

- Evaluating charities' efficiency and effectiveness
- Maximizing the income tax and estate tax benefits of donations
- Aligning gifts and values
- Communicating the importance of philanthropy to children

Deeper analysis of a philanthropic strategy may also include the following elements:

- Donor-advised funds
- Charitable trusts
- Public, private, and family foundations



Creating an Estate Plan

The foundation of any effective estate or multigenerational plan is a clear vision of what the individual or family hopes to pass along to subsequent generations. This vision encompasses not just the transfer of wealth, but also the endowment of values and principles.

High-net-worth individuals and families need to consider the following issues during estate planning:

- Characteristics of different wealth-transfer mechanisms
- Minimizing and deferring estate tax liability
- Lifestyle implications of wealth for subsequent generations
- Opportunities to use the gift tax exemption
- Changes in personal and family situations since the estate plan was last reviewed
- End-of-life decisions
- Health care power of attorney/living will

For more-complex situations, estate planning may include the following elements:

- Charitable trusts or private foundations
- Family limited partnerships
- Various trust structures designed to achieve specific objectives

Preparing for Education Expenses

Individuals planning to help pay for a child's education expenses face numerous options. In addition to deciding how much to save, they must also determine the best vehicle for those funds.

Education funding decisions should include the following factors:

- Anticipated rising costs of education
- Alternative sources of education funding
- Tax implications and characteristics of available funding vehicles, including trusts, custodial accounts, and 529 plans
- Prioritization of education funding relative to other financial goals, such as saving for retirement

Other issues to consider include:

- Income tax and gift tax implications of education funding
- Limitations of structured education savings plans

Check List (continued)

Family Business Ownership and Management

Family-held businesses create specific risks and opportunities for their owners. Besides being a source of wealth, a family business is a significant part of the family's identity.

Managing the wealth generated by the company and succession planning require tremendous consideration and forethought.

Issues to be addressed by individuals involved with family-owned businesses include:

- Drafting and implementing a succession plan
- Company-sponsored retirement plans for employees
- Communicating a succession plan to key employees and family members
- Integrating company-generated wealth into the family's overall investment strategy
- Managing concentrated equity positions and single-stock risk

Corporate Executives: Special Considerations

Executives of private and public companies face unique financial issues. Equity-based compensation provides tremendous potential for building wealth. These incentive programs, however, are complex and often involve a maze of regulatory issues.

Maximizing the value of equity-based compensation for corporate executives requires:

- Analyzing the value, leverage, and risk created in a portfolio by concentrated equity positions
- Creating a tax-efficient exercise/monetization strategy that meets cash-flow needs
- Structuring and executing strategies within the complex regulatory environment
- Pre-transaction planning before a liquidity event

Managing single-stock risk also involves consideration and execution of the following elements:

- Restricted stock sales (Rule 144/145)
- Legal contractual agreements (officers/directors)
- Employee stock option plan exercises
- Systematic selling programs (10b5-1 plans)
- Hedging and monetization strategies

Building a Family Legacy

Wealth can do more than just provide a lifestyle for subsequent generations. With proper planning, communication, and commitment, high-net-worth families can use their wealth to create a legacy that perpetuates their values and ideals.

Developing and maintaining a family legacy requires numerous considerations, including:

- Educating children or grandchildren about the family's wealth and how it will be transferred to succeeding generations
- Communicating the role of wealth to children and grandchildren
- Teaching children to be responsible stewards and savvy consumers
- Involving children in financial decision-making
- Emphasizing the importance of philanthropy and community involvement

In addition, families may want to consider the following issues when thinking about their legacy:

- Creating a family mission statement
- Scheduling and facilitating regular family meetings
- Managing the family reputation

Role of a Family Office

Families of substantial wealth may benefit from creating a family office to coordinate the complexities of family wealth. Relative to hiring outside advisors in each area of expertise, a family office may provide cost savings, convenience, and other advantages.

Evaluating the appropriateness of a family office involves considering issues such as:

- Advantages of a family office vs. coordinating a team of trusted outside advisors
- Costs of running a family office
- Asset levels necessary for economies of scale
- Identifying what role the family office will play for you

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