



## PRIVATE WEALTH MANAGEMENT

One of the most compelling trends in **financial services** is **Private Money Management**. This creates a mental image of really wealthy people—like Tiger Woods or Bill Gates—being ministered to by a team of the smart, competent financial professionals. When Tiger or Bill invests their money, do you think they walk into a retail brokerage firm and buy mutual funds or annuities? Of course not!

The ultra wealthy hire the smartest team of people they can find. This team has extensive knowledge in a wide variety of financial areas. They have the ability to perform in depth analysis and make recommendations on all the major asset classes, not just stocks and bonds. The **investments** typically include many “**alternative investments**” such as real estate, currencies, commodities, and natural resources. They also know how each of these investments will be taxed and how they should be used within an **investment portfolio** in order to achieve their client's short and long term goals.

**Private Wealth Managers** provide a number of services which are not typically available through retail brokerage firms. Here are just a few examples:

1. Coordinating the financial Team - They make sure all **investments** are consistent with the planning being provided by the client's accountants and lawyers. This is important because a coordinated approach is the best way to achieve financial goals.
2. Responding to major world events. **Private Wealth Managers** can quickly take advantage of opportunities or reposition **investments** in a more defensive posture.
3. Accommodating **social investing** objectives, like “no tobacco or alcohol stocks” or no investments in certain countries.
4. Implementing **Concentrated Position Strategies** - If a client has too much of their net worth in any one stock that cannot be immediately liquidated;

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the money manager can insure that position to protect against a potential decline and/or sell options against the position to generate income.

5. Tax Loss Harvesting – Some investments will not work out as planned no matter how good your money manager is. **Private Wealth Managers** can work with your accountant to sell losing positions at the end of the year in order use the tax loss to offset gains in other areas of your portfolio. This gives you much more control of the taxes on your investment portfolio versus the typical investor.

How do you think a **Private Wealth Manager** would be compensated? Naturally they do not receive commissions for buying or selling products. These money managers almost always work on a **fee-based** or **fee-only** basis. This means that they earn a management fee which is typically 1-2% of the assets that they manage. This eliminates conflicts of interest since they do not earn any more or less based on which **investments** they use. Fee based compensation also aligns the interest of the manager and their client since the manager charges his fee on a larger asset base if they grow the account. The corollary naturally is if the account value declines, so do the fees charged.

It is not surprising that Tiger Woods or Bill Gates can get this level of sophistication and service, but what about you?

In the past, this type of service was available exclusively to people with \$5 - \$10 million dollars or more. However, with advances in technology and the evolution of the financial services industry, account minimums have come down. **Kisner & Associates** provides these services to accounts of \$250,000 or more.

Do you have questions about **Private Wealth Management** services and whether they are right for your portfolio? We'd be happy to answer them. Please call Jeremy Kisner, **Certified Financial Planner**, at 702-256-7400.

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