Comprehensive Wealth Management

It's More Than Stocks and Bonds

COMPREHENSIVE WEALTH MANAGEMENT is not the same as investment management. It's a great deal broader and goes a lot deeper than your portfolio. In fact, your portfolio should be the result — and just one of the results — of a comprehensive wealth management strategy, and by association, your relationship with the people and firm that manage the investments in your portfolio.

For insights into comprehensive wealth management, we talked with Matthew Costigan. Matt is a senior financial advisor with HBKS® Wealth Advisors and holds both CERTIFIED FINANCIAL PLANNER™ (CFP®) and Certified Public Accountant (CPA) designations, a combination both relevant and important to the clients he serves.

Q. Matt, what's the difference between investment management and comprehensive wealth management?

Matt: Let me give you an example. I have a client, a retired professional, who remarried then bought a small business to run, a breakfast and lunch restaurant. He and his bride want to sell the condo they're living in and buy a home. They also are considering buying the building their restaurant is in. There are a lot of financial issues to consider there. Does the business generate enough cash to justify purchasing the building and what would happen if the restaurant failed? Is it wise to buy a commercial building and a house at the same time, and if so, what are your financing options? What are the tax ramifications? What kinds of insurance do you need? How will these moves affect your retirement plan? Our last meeting lasted several hours and we never talked once about their investment portfolio.

Q. But don't you also buy and sell stock and bonds and manage your clients' investment portfolios?

Matt: Of course we do. We have an investment arm of our practice, a group of highly skilled professionals using the industry's most sophisticated investment management software supporting those of us who work face-to-face with our clients. That's a level of sophistication that few firms can claim, only the nation's largest investment management firms. We currently have more than $6 billion in client assets under management, which ranks us among the nation's top investment management firms. The difference between us and firms that only handle a client's investments is the work we do before, during, and after building a portfolio for a client.

At HBKS, we get to know our clients well before we start investing their money for them.

Q. So what does that look like? How do you explain comprehensive wealth management to a prospective client who might think of it as the same as investment management?

Matt: People generally come to us with assets to manage. It's understandable that through advertising and perhaps past relationships with brokers and investment managers, that wealth management is all about returns. We are fiduciaries, meaning we must keep our clients' interests ahead of our own, and our investment proposals reflect that obligation. Our fees, similar to other fiduciaries, are based on the size of their portfolios. The difference, however, is that our fee includes a wider, broader realm of services, such things as retirement cash flow planning, social security planning, protection planning, estate planning. We want to know why you're investing. What do you want your money to do for you? A rate of return means nothing unless you have a purpose for the funds. How are you using your assets? Are you using the financial tools at your disposal to live the life you want or create the life you want for yourself and your family?

Q. Sounds like you must get to know a client pretty well before you start investing their money for them.

Matt: Absolutely. We use a dynamic tool called MoneyGuide Pro that helps us with that conversation. We talk not only about a client's assets but learn about their challenges. Investing for someone who is 30 years old and married with two young children will include a discussion about things like the best way to save for their children's educations, about what kind and how much insurance is appropriate, and how they are saving for their retirement. That's a different conversation than with someone who's getting ready to retire and needs to know how they will replace their current income in retirement. When should they start taking Social Security? Should they buy long-term care insurance? What about their estate planning, what they want their legacy to be? Those two portfolios, and the financial plans that determine them, are going to look quite different.

Q. A lot of the investment firm television advertising talks about how "We do better when our clients do better." That's a compelling argument, isn't it?

Matt: We do better when our clients stick around. A financial plan must be dynamic. People's lives change, their goals change, which means their investing will change and what they're investing in must change. For example, a client came to us ready to retire and with most of her retirement savings in a defined benefit cash balance plan. Should she take the annuity stream that provides a monthly income for the rest of her life, or a lump sum and roll it over into an IRA? What other options did she have? We learned that she had some health issues and was concerned about her lifespan. So we moved the money into a different kind of annuity that will provide for her for the rest of her life but also leave a legacy — that is, money for her beneficiaries.

By learning about a client and then staying close, I know the person, I know their family, I know the nuances and can help them make decisions on the financial issues they face. We also learn of things they might not have thought about but need to address, including longer-term issues like selling their business or planning for a successor. Of course, taxes are an ever-present concern, and as part of an advisory that includes one of the largest accounting firms in the nation, we collaborate with our CPAs to address issues revealed in our client's tax returns and to capitalize on opportunities to save on taxes, including tax-wise investing.

Q. I'm beginning to understand what you and your fellow HBKS financial advisors mean by comprehensive wealth management.

Matt: Our clients are getting all this oversight, all this proactive thinking at no extra cost. You don't get that from a stockbroker or an "investment advisor." If the firm — its operations and infrastructure, professional development process, cultural values, resources, etc. — is not centered around comprehensive wealth management, it is difficult, if not impossible, to provide a high-quality wealth management client service experience.

It takes years of experience to compile the skills to do this. To gain and maintain the know-how, you have to be immersed in this every day. And you have to be committed to staying on top of all these issues for your client for the long-term, which is why I say we do better when our client sticks around.

Q. Would you say that's what it means to be a CERTIFIED FINANCIAL PLANNER™

Matt: You have to know a lot more than about stocks. There are always problems that need to be solved — often problems the client isn't aware of. My job is to consider everything, to know how to ask the right questions and address the answers I get. I have to get to know my clients in-depth so I can be proactive in solving their problems. That's the core of financial planning, addressing the individual's finances comprehensively and uniquely, getting all the right mechanisms in place to ensure they're going to get where they want to go.

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Matthew Costigan is a principal and senior financial advisor in the HBKS® Pittsburgh office. His clients benefit from his extensive knowledge and practical experience with tax laws and best practices as they affect individuals, including planning for the tax impact of qualified and non-qualified investments.