PROFESSIONAL FINANCIAL
Purposeful Wealth Management

Wealth Planning Report

Big Wealth Mistakes the Ultra Affluent Avoid

No one is perfect—certainly not even the smartest or famous investors or managers. But some are better than others at perfecting their critical outcomes from strategically planned decisions.

Consider studies of the self-made ultra-affluent—a group we define as those with a net worth of $500 million and above earned primarily due to their business activities. Most extremely wealthy individuals have made costly wealth mistakes in their past. But studies show they learned to avoid big errors most related to realizing their vision, their bottom line, and their financial future. Families making wealth planning decisions without the ultra-affluent experience who are less aware of what matters for positive outcomes can still avoid common mistakes that can negatively impact their wealth.

The key point is: Consistently sidestepping common errors can be just as important for wealth planning as making clever and informed moves. Your bottom line could improve greatly by doing what the self-made ultra-affluent *don't* do when planning and making big wealth decisions.

KEY MISTAKES TO AVOID

Here are three financial blunders to consciously watch out for.

1. Losing sight of your goals.

The self-made ultra-affluent generally are very adept at developing and clarifying their goals. Some base their goals on deeply held philosophies and beliefs related to values and wealth. They might, for example, craft a vision statement about an optimal outcome for their family and the reasons (both practical and behavioral) for the goals they determined. Then they create a clear mission statement and then set out a plan with a series of steps to realize that mission.

From there, any decisions impacting their wealth planning are made after first reviewing the vision, values, and goals of the mission statement. Any moves or changes in goals should align with and promote their family vision and values. Systems are in place to not lose sight of their goals and mission. The self-made ultra-affluent are better at avoiding hot investments or "opportunities" that may impress rich friends, but all too often don't amount to very much.

The ultra-affluent are not inflexible in their wealth planning and goals. When circumstances change significantly enough, they adjust their planning and associated steps accordingly.

The big lesson: Be very clear about what you want to accomplish for yourself and your family. While flexibility is important, opportunities and situations that would require decisions to adjust or shift strategy or wealth allocations should be deliberately considered. Your decision-making process should have specific guidelines. The novelty of many "new and shiny" investment products unrelated to financial goals, values, and philosophy too often are simply a costly distraction.

2. Working with under-qualified professionals—or worse!

The ultra-affluent are aware that far too many "professionals" they meet are really pretenders (who may have good intentions but lack enough expertise), predators (who want to steal from them) or exploiters (who promote unnecessarily aggressive solutions).

They take specific steps to assure they will be working with consummate professionals:

- **Look for leading authorities.** Success is more likely working with recognized experts—such as industry thought leaders or those with extensive experience.
- **Rely on referrals.** The most effective method of finding the right professionals is to garner referrals from professionals they are currently engaging and respect.
- **Pay for quality.** While the ultra-affluent make efforts to keep costs low, as we all do, they don't forgo a disciplined process to find the right people simply because it might require them to spend more up front. They avoid the high cost of hiring too cheap.

The big lesson: By turning to leading authorities—thought leaders—and soliciting referrals from respected professionals you already know and trust, you can increase your chances of working with outstanding professionals with the education and expertise you need to succeed.

3. Not getting second opinions and stress tests.

Remember "Trust, but verify"—the phrase made famous by the great Ronald Reagan in his years as President? The ultra-affluent take that message to heart. They know that even the top professionals they hire can make mistakes. They also know that recurring changes in their lives and the world at large can significantly impact how solutions they have, can cease to still work well.

Therefore, the ultra-affluent will get second opinions and stress test the planning they have on a regular basis.

Ideally, while they may be obtained any time, a second opinion should be obtained before an action is taken. Example: Say due to tax law changes, you're considering tax mitigation strategies. You might get a second opinion from a noted tax authority to be certain about the validity and viability of the proposed strategy, as well as other options. Second opinions are sought whenever there is any question or sense of uncertainty when substantial risks may be incurred.

Stress testing is typically done when you want to evaluate a strategy that's already in place. It reviews what you previously implemented, to determine whether your strategy continues to be both viable and valid for your circumstances—and to confirm that things are working as planned. Stress testing can be like an annual medical checkup. There may not be anything wrong, but it is a very good way to catch a new problem before those issues becomes severe.

The big lesson: No matter your level of wealth, getting a second opinion when you are unsure or uncomfortable about a strategy, solution or product is usually worthwhile. Similarly, periodically stress testing part of or even your overall wealth planning can enable you to avoid serious problems further on down the road when fixing those issues may be very costly.

Adopt best practices

The self-made ultra-affluent who have accumulated their own wealth can show you what to do—and what not to do—to create, grow and preserve wealth and a family legacy.

By adhering to a clearly defined mission, and a disciplined process, you can avoid many common and costly mistakes in your own wealth planning even if you are worth only a few million dollars, and look forward to more peace of mind and financial security in the years ahead.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please contact us.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is a nationally recognized Wealth Management Certified Professional™ and Certified Financial Planner™ professional, written about in *Fortune, Forbes, Bloomberg Businessweek,* and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*. Reuters AdvisePoint recognized Mr. Hill as one of 500 "Top Advisers" in the U.S. and has featured him on their website.

Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary planning firms in 1993 that now specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer who acts in the best interest of clients. He brings together a distinctive management process and a network of specialists for making informed decisions for structured investing, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, the Humanitarian Award, and featured him with others in *The Wall Street Journal* and other publications.

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