

Valenta Boosts U.S. Northwest Wealth Management Firm's AUM by over \$4M with Expert Planning



INDUSTRY:
Wealth
Management



LOCATION:
U.S. Northwest



SERVICES:
Financial Advisory and
Paraplanning

The Challenges



The client's customer did not know how much to spend on the house.



The customer did not know how the current portfolio was structured.

Customer Goals



Buying a
large house



Optimize return
on the portfolio



Address inheritance
while mitigating taxes



Fund grandson's
education

The Financial Goals Created by Valenta:

1. Reallocate assets into a risk-adjusted diversified portfolio.
2. Ascertain cash management needs to determine emergency fund requirements.
3. Analyze the appropriateness of any credit facilities.
4. Determine the correct application of risk transfer using insurance (life, home, auto).
5. Assess estate planning requirements to determine how well they align with goals and objectives.
6. Create an investment plan to maximize education funding and mitigate taxes.
7. Examine retirement plans to ensure that tax buckets are maximized.
8. Conduct long-term cash flow planning for retirement funding.

About the Client

The client, a wealth management firm in the U.S. Northwest, needed help with financial planning and advice for a prospective customer who recently inherited \$3 million in assets. These assets included real estate, retirement funds, and brokerage accounts. The customer was additionally dissatisfied with the current financial advisor's communication style and a higher AUM fee.

The financial advisor sought Valenta's paraplanning team's expertise to prepare a financial plan showcasing multiple financial scenarios that highlighted the advisor's approach to managing the customer's assets, while simultaneously providing the client with enough information to help make a well-informed decision regarding real estate assets. Valenta's paraplanning Financial Planning Admin) team started the process by having a brainstorming session with the advisor to learn more about the client and customer's financial goals.

Customer Solution



Data Collection

Meticulous data gathering and baseline analysis of financial information was conducted for – assets, liabilities, protection, income, and expenses.



Scenario Planning

Scenario planning included comparing strategies for home purchases and rental property income utilization, with research on market conditions and tax implications.



Financial Planning

Strategic financial planning encompassed education funding, retirement savings optimization, and portfolio analysis, with recommendations including investment strategies for maximizing returns and estate planning assistance through essential document drafting and trust account setup.

The Approach and Solution

- Work started with a client risk assessment, to understand what degree of risk they are open to take on their investment portfolio (-13%). (NOTE: What is -13%?)
- Analysis of the client's existing investment portfolio to understand the various asset classes invested in and to assess fees and expenses associated with each investment instrument.



Cash equivalents
(Checking, Savings, Cash in hand)



Equity
(MFs, Stocks and ETFs)



Bonds
(MFs, Direct Bonds, and ETFs)



Real Estate
(REITs or DSTs)



Gold
(MFs or ETFs)



Precious Metals/Commodities
(Copper, Aluminum, Zinc, Platinum)



Alternative Investments
(Digital currency or any collection)

Note: The analysis step allowed us to obtain a clearer picture of what the client was paying as a percent of AUM which was 1.2% as well as, to identify the expenses the client was incurring on MF investments.



The AUM fee was above industry standard and the advisor decided to offer a new, flat rate AUM fee of .90% – Leading to a savings of \$5,000/year.



The MF investment fee was reduced further by replacing and recommending ETFs and individual bonds which aligned better with the client's risk appetite.



Entered base line date in the financial planning software (eMoney) to complete a holistic review of the client's current financial situation – Cashflow, insurance, retirement, portfolio, and liabilities.

Following this, a strategy call with the advisor was conducted to review all the financial analysis results and chart a future course of action.



Scenario Modeling

Developed multiple scenarios in the financial planning software to generate enough information for the client to make a well-informed decision about their real estate and investment goals.

Home Purchase using Savings (\$700K)	☒	Purchasing a home using savings of \$630,000
Home Purchase by mortgage (\$700K)	☒	Purchasing a home of \$700K with a 20% down payment and 80% mortgage 30-year term loan with an IR of 3.65% (repayments escrowed)
	☒	Having \$90K as an emergency fund
	☒	Saving \$400K into a brokerage account from a savings account with an investment return of 5.00% Income generated – \$20,000/year
Home Purchase by mortgage (\$1MM)	☒	Purchasing a home of \$1MM with a 20% down payment and 80% mortgage (\$800K) 30-year term loan with an IR of 3.65% (repayments escrowed)
	☒	Having \$80K as an emergency fund
	☒	Saving \$350K into a brokerage account from a savings account with an investment return of 5.00% Income generated – \$17,500/year
Rental Property Sale and Purchase (\$1 MM and \$700K)	☒	Sale of rental properties – Net of taxes \$1MM Buying a rental property of \$1MM and receiving rental income of \$36K (indexed at 2%)
	☒	Purchasing a home of \$700K with a 20% down payment and 80% mortgage 30-year term loan with an IR of 3.65% (repayments escrowed)
	☒	Having \$90K as an emergency fund
	☒	Saving \$400K into a brokerage account from a savings account with an investment return of 5.00% – Income generated – \$20,000/year
Sell Rental Property to invest the proceeds and buy a \$700K home	☒	Purchasing a home of \$700K with a 20% down payment and 80% mortgage. 30-year term loan with an IR of 3.65% (repayments escrowed)
	☒	Having \$90K as an emergency fund.
	☒	Saving \$1.4MM into a brokerage account from a savings account with an investment return of 5.00% Income generated – \$70,000/year.

Note: All the above scenarios include extensive research and analysis on the following areas as client cashflow will be impacted by each decision.

- Mortgage broker to get the quote on interest rate based on the client's credit rating.
- Research on rental and residential real estate based on client's preferred neighborhoods.
- Insurance broker to get quotes on HOI.

The client, based on our analysis, went with the plan of selling her rental real estate investing the proceeds with the advisor, and buying a \$700K house on a mortgage.

The advisor put the client in touch with his COI's connections for the best service experience.



Real estate agent

To get the best possible market value for the properties the client plans to sell and buy.



Mortgage Broker

To get the best possible interest rate quote for the mortgage.



Insurance Agent

Get the best quote on HOI.

CPA: Worked towards creating a strategy to mitigate taxes on the sale of real estate. Looked at investment portfolio to understand taxes that will be generated by portfolio rebalancing.

Estate Attorney: Create an estate plan (Trust) that works in the best interest of the client's heirs. This addressed the client's asset transfer goal while simultaneously lowering the tax impact.

- Revocable Trust
- Donor-Advised Fund

Education Savings – 529: Established an education savings plan to be funded with \$10,000/year to support fund growth over the next 15 years to the time the client's grandson will be ready to attend college. In a 529 plan, all redemptions for education purposes are tax-free.



Key Business Outcomes & Results

1. A \$4 million increase in AUM through comprehensive financial planning and research, increasing our client's income year on year.
2. A swift turnaround in delivery of the financial plan within 2 weeks via a streamlined process, surpassing the usual 4 to 6-week timeline.
3. The advisor prioritized investment consulting and client communication over financial planning and research, allowing the client time to focus on higher-value tasks.
4. The financial advisor introduced the client to his COI, resulting in two positive outcomes: the client experienced high satisfaction, and the COIs were pleased to take on the business, creating the potential for reciprocal favors for our client in the future.
5. Success with this client gave our client the confidence to target high-net-worth individuals, knowing that the skilled team behind him could effectively support planning for such clients. Previously managing alone, the client struggled to expand the book of business.



info@valenta.io



valenta.io