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Investment Challenges of the Affluent Investor

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High net worth investors face investment challenges that some would consider unique to their financial status. The fundamental tenets of investing apply just as equally to them as any other investor, but these investors need to be mindful of issues that typically arise only from substantial wealth.

Let's examine a few of these.

Being Too Conservative. When an individual has more assets than they think they may ever spend, there can be a tendency toward overly conservative investment. This may result in lower long-term returns, which may shortchange the impact of bequests to charities or the wealth that will transfer to the next generation.

The Value of Collectibles. The affluent have a tendency to invest in their passions, and many collectibles have performed well over the years. One common mistake, however, is not keeping up-to-date appraisals, which may have adverse consequences with regard to estate liquidity and taxes. An investor should also remember that the value of collectibles can be significantly affected by a variety of factors, including economic downturns or markets that have little or no liquidity. Therefore, there is no guarantee that collectibles will maintain their value (or effective purchasing power) in the future.

Concentrating Equity. Some senior executives accumulate large stock positions in the company that employs them. A general rule of thumb is that any position making up more than 10% of a portfolio should be reviewed for appropriateness. Not every concentrated position needs to be sold, however. Indeed, it may be possible for a client to continue to hold a sizable amount of one stock if their portfolio also has a solid foundation of well-diversified investments to help pursue their goals. Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change and that shares could be worth more or less than their original cost when sold.¹

DIY Mentality. Some wealthy investors have achieved great career or business success due to their intelligence, initiative, and self-confidence. This very success often promotes the belief that building or managing successful enterprises is not dissimilar to managing great wealth. In fact, it can be quite different, requiring a whole different body of knowledge and experience. An investor might be surprised how the company they have invested in actually makes money.

Too Many Advisors. Affluent investors often place their invested assets with multiple investment professionals, presuming this may lead to better performance. Many of the key needs of larger portfolios, such as risk and tax management, could suffer as a consequence. This may occur because an investment professional supervising only some of the assets would lack an overarching view into the larger picture of an individual's entire portfolio. The independent actions by separate investment managers, all with the best of intentions, may actually encourage suboptimal outcomes.

With increasing wealth comes even more unique challenges, beyond those covered by this discussion. Consequently, affluent investors are encouraged to seek professional guidance that may be best suited for their particular needs and circumstances.



Tips to Protect Your Financial Information When Shopping Online

Cybercriminals are looking for any opportunity to steal your tax and financial data. Theft of your Social Security number could result in a false tax filing. Take these extra steps to protect your financial information, Social Security numbers, and credit card data:

Avoid unprotected Wi-Fi. Unprotected, public Wi-Fi, available in coffee shops or other public places, could give thieves the ability to view your browsing activity.

Check your URLs for the “s.” If there is an “s” in “https” at the start of the URL, then the site is secure. There may also be a “lock” icon in the browser’s URL bar. Also, be careful making purchases at unfamiliar sites or clicking on links from pop-up ads.

Secure your computer. Lock down your computers, phones, and tablets using security software. This will help to protect your devices from malware that could steal data or infect the device with a virus.

Password length matters. Use a minimum of 10 characters or longer, with a combination of letters, numbers, and special characters. Avoid words, if possible.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax professional.

Tip adapted from IRS.gov²



Roll Your Way to a Better Score

When you play a short shot, try going for maximum roll. It's always easier to control your ball on the ground than the air, and by avoiding airtime, you don't have to think about where the ball will fall or how far it will bounce.

Many golfers try to crush the ball, so it lands close to the target. But unless you're able to consistently land it exactly where you want, it's always a better idea to go for the bounce. Sometimes, if you have an obstacle in the way, flying the ball is your only option. Just in case, practice low, rolling chips that use as much of the green as possible whenever you can.

Tip adapted from Golf Tips Magazine³



Practicing Mindfulness

Mindfulness. It's about being present; not in the future, not in the past, but being fully aware in the moment. Sounds nice, but how do you do it? Here's a few tips to focus on – right now:

- **Breathe.** Notice your breathing. Fast? Slow? Notice the rise and fall of a breath.
- **Senses.** Notice sights, sounds, tastes, smells, colors, temperature, textures.
- **Walk.** Notice how walking feels. What do the bottoms of your feet feel like? What surrounds you? Notice what you've been missing.
- **Be.** Try not to overschedule, and just notice what it's like to be, not do.
- **Thoughts.** They come and go. Often, and intensely, for some, but they are just thoughts. Notice them as they flow. Notice how your mind likes to judge. Notice that it's just a thought.

- **Listen.** Listen more closely. Maybe, talk less. Notice what is or is not being said.
- **Pay attention.** Put your attention on what you are doing. Notice the actions, your attention, or lack thereof. Mindfulness is about being fully engaged in the now.

Tip adapted from HeretoHelp⁴



Pros and Cons of Leasing Solar Panels

Residential rooftop solar panels are a great way to ensure you're using clean energy. Going solar can be costly, though, but there are leasing agreements that usually involve no money down for installation and offer affordable payments. A solar lease agreement involves a payment schedule for 15 to 25 years, in exchange for the electricity produced. Here are some pros and cons to leasing, if you're considering this type of arrangement:

PROS

- An easy entrance into the solar marketplace
- Elimination of upfront costs
- No responsibility for repairs or maintenance
- Possibility to buy your solar energy system

CONS

- Solar leasing companies claim the rebates
- No net metering credits on utility bills
- No guarantee of predictable electricity prices
- Smaller savings

A solar energy system can cost \$15,000 to \$18,000, so the leasing option could be good for those who'd like the benefits of solar energy, but perhaps, cannot finance a solar loan from a lending institution.

Tip adapted from Greentumble⁵

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¹ <https://www.ellevest.com/magazine/investing/concentrated-stock-position>

² <https://www.irs.gov/newsroom/follow-these-tips-to-protect-data-when-shopping-online>

³ <https://www.golftipsmag.com/instruction/short-game/short-game-strokesavers/>

⁴ <http://www.heretohelp.bc.ca/visions/wellness-vol7/whats-the-buzz-about-mindfulness>

⁵ <https://greentumble.com/leasing-solar-panels-pros-and-cons/>