WOMEN IN TRANSITION

Guiding Destiny
Through
Wealth Management

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INVESTMENTS

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Contents

Introduction

It's not if, it's when. When we, as women, face a major life transition – whether from one career to another, one household to another, or one stage of life to another – we confront challenges as well as opportunities.

Retirement, sudden inheritance, widowhood – these are significant events with formidable challenges and personal costs. Yet learning to embrace these life transitions can present opportunities for growth and renewal, allowing us to guide our own destinies.

Harris Financial Advisors took a closer look at life's transitions through the eyes of affluent women to determine how wealth management services could help deliver the lasting foundation for lifelong financial security and personal success.

With over six decades of combined staff experience partnering with women, we identified several unique factors that lead women to be more financially vulnerable than men:

- ♦ We are more likely than men to postpone our careers or experience compromises in our earning capacity and career advancement.
- ♦ We enjoy longer life spans than men, living an average of 83 years, an additional five to seven years longer than men.
- ♦ We are more likely than men to end life as a single person, with age 55 the average age of widowhood in the United States.

In 2008, wealth managers at Harris Financial Advisors interviewed a broad spectrum of affluent women in Southern California representing a range of occupations and lifestyles. We learned about the transitions they were facing, how they were managing each transition, and the roadblocks they were encountering.

Six primary life transitions emerged from our research, each offering its own set of financial challenges. Those transitions included sudden inheritance, divorce, retirement, mid-life course correction or career change, moving from the family home, and death of a loved one. We'll now take a closer look at each transition.

Part I: Six Major Life Transitions

1. Sudden Inheritance

Receiving an inheritance is not always the ticket to the happiness-ever-after one might imagine. While an inheritance opens doors to more life options, it can bring the stress of additional responsibility.

Often the sources of family wealth reach back over generations. A woman might be an heir to assets accumulated during her parents' lifetimes as a result of their hard work and great sacrifice. Now, it is her turn to determine how to best invest, spend, or share this wealth.

The greatest obstacle facing women who receive a sudden inheritance is a lack of preparation. Regardless of investing sophistication, a woman can find herself thrust into a realm where financial decisions affect not only the rest of her life, but also the lives of future generations.

2. Divorce

Divorce can be a distressing, painful life transition. Often women feel disconnected from the life they knew and apprehensive about the unknown world they are stepping into. When facing a divorce, competent counsel is essential to ensure a woman's rights are well protected.

Some common financial themes addressed during a divorce include the division of marital assets and liabilities, spousal support obligations, child support and visitation, the impact of taxes, health and life insurance decisions, and estate planning.

Legal and financial professionals should be chosen wisely to help navigate each decision. A strong, coordinated, team of advisors is essential for a successful result.

- Learn the language of divorce – start at www.nolo.com
- Examine & repair your credit report
- Close joint accounts & credit cards
- Meet with a Certified Divorce Financial Analyst® (CDFA™)
- Keep separate property separate
- Understand retirement options and pension plans
- Review your beneficiaries
- Open individual accounts
- Guard your health coverage
- Dust yourself off and start living!

3. Retirement

The prospect of retirement can be immensely exciting, providing more time for new experiences. Retirement can also provide excess idle time for which women are not always fully prepared.

Regardless of the lifestyle chosen in retirement, the affluent woman should clarify what she expects and wants from retirement and be prepared to identify obstacles, roadblocks, or fears about her retirement transition.

A woman needs to know how long her money will last under various spending assumptions. It is imperative to model and evaluate multiple income and expense scenarios carefully. This information alone can have life-changing consequences. Other issues to address include the amount and timing of Social Security benefits, proper handling of employer plan distributions, healthcare coverage, and risk management options such as life and long-term care insurances.

Case Study # 1: Optimizing Your Pension Plan

After 30 years with a Fortune 500 company, Helen was ready to retire. She had participated in her company's retirement plan and was eager to begin receiving her pension. Yet when she received the 50-page package with her pension option details, she found the choices more than baffling. Any choice she made would be irrevocable. Should she take the lump-sum option or choose a monthly annuity?

At first glance, the lump-sum option of $1,400,000 looked like an easy choice. However, Helen and her husband James lacked investment experience and a pool of sudden cash to manage made them extremely uneasy. Looking at the annuity options, Helen preferred the simple idea of receiving a guaranteed fixed dollar amount each month. Yet there were more than five options to evaluate. The *single-life annuity* of $9,100 was the largest but offered no remaining benefit to James if she were to pass away. The *10-year period certain annuity* was a candidate at $8,860, but if she passed away during the 10 years, James would only receive the remaining payments up to the 10-year mark.

With so much at stake, Helen decided to seek the counsel of a Wealth Manager, who considered their life expectancies of 20 additional years and planned future expenses. After performing a break-even analysis, Helen was advised to select an annuity option she had not considered – the *100% joint & survivor annuity*. Although it reduced her monthly pension to $7,900 per month, it provided a 100% lifetime benefit to James in case of her untimely death. Further, even though the annuity choices lacked an annual cost-of-living adjustment (COLA), the analysis showed it wasn't needed when all of their other retirement income sources were considered. This in-depth study gave both Helen and James great peace of mind and allowed Helen to select the best option for her family with confidence.

4. Death of a Loved One

The loss of a spouse, a child, or other loved one is emotionally devastating. Women who have experienced this loss often wisely seek individual or group counseling. Grieving occurs in stages, each of which must be experienced and processed until reaching acceptance. Then, and only then, can a woman begin her renewal and start to grow again.

A strong support system, including family, friends, and clergy, can be of immense help during this rebuilding process. Beyond these, a trusted financial professional who helps direct the monetary decisions and acts as a supportive team player can greatly relieve stress and preserve net worth during this difficult time.

A common misconception is that decisions must be made immediately. Since mistakes are easily made during times of stress, it is vitally important to avoid making emotional decisions during the first year, such as selling the family home or lending money to others.

A knowledgeable and caring financial professional can inventory financial resources after a major loss and partner with the survivor to resolve each issue at the appropriate time.

Checklist for Widows

- Contact your team of professionals: wealth manager, attorney & accountant
- Review your will and trust
- Obtain multiple death certificates for bank, brokerage & other uses (often available through funeral home or online)
- Gather bank, brokerage, retirement and other financial documents
- Contact former & current employers for benefit information on retirement plans & life insurance policies
- Notify the Social Security Administration (www.ssa.gov or 800-772-1213) of spouse's death and apply for the $255 payment to survivor
- Review all insurance coverage & keep critical policies in force
- Continue to pay all monthly bills in a timely manner
- Examine contents of safe deposit box for instructions, policies or valuables
- Notify the Post Office (www.usps.com) of spouse's death
- Update beneficiary forms for life insurance, annuities & retirement plans
- Update designated agents on your Advanced Healthcare Directive and Durable Power of Attorney for Financial Matters

5. Mid-Life Course Correction or Career Change

Mid-life course corrections and career changes can take many forms. It may mean transitioning from one industry to another or the sale or purchase of a business. It can also mean departing from a career entirely to perform "life-calling" work or significant volunteer opportunities.

While moving from one life path to a new path may certainly have exciting and fulfilling advantages, it is helpful to understand both the benefits and drawbacks of this transition. Some questions to carefully consider are:

- ♦ Will the new opportunity support or enhance the current standard of living?
- ♦ What investment or financing is necessary to launch a new business?
- ♦ What is the worst possible outcome if plans do not work as envisioned?
- ♦ Is there an exit plan or fall-back strategy?

A trusted advisor/coach can be invaluable during this exploratory process.

Case Study # 2: Following Your Dreams

Twenty years as a partner in a high-profile law firm had taken its toll on Elizabeth. During these years she survived a contentious divorce yet still managed to achieve her goal of financing college educations for her two sons.

Now on her own at age 55, Elizabeth's dream was to leave her 12-hour workdays behind and provide pro-bono legal services for underprivileged families.

With the guidance and knowledge of a Wealth Manager, a roadmap for her new destination was developed. Her wealth manager quickly discovered that Elizabeth had diligently and aggressively invested in quality stocks during her high earning years. Indeed, she had accumulated a sizable portfolio.

Once her final paycheck was cashed, Elizabeth would need a major adjustment in her investment strategy with a new focus on income and principal preservation. She sought guidance in downsizing her annual expenses as a result of her retirement. How much could she afford to withdraw from her savings annually without running out of money?

A comprehensive plan was prepared shedding light on the often-overlooked costs of medical insurance, long-term care, inflation, and income taxes. The plan delivered the good news that Elizabeth's assets would last for her lifetime if two major changes were made. First, Elizabeth needed to reduce her spending. Second, the volatility in Elizabeth's portfolio needed to be reduced by increasing her fixed income assets and decreasing her equity assets. Elizabeth now had the financial knowledge and confidence she needed to take the first step into her future.

6. Moving From the Family Home

There comes a time for many when maintaining a home, along with shopping, cooking and cleaning, becomes too great a burden. In addition, living in a neighborhood filled with working families can be lonely, as busy people shuttle to and from work and school with little time to stop for coffee and visit.

When you add health challenges and the need for physical assistance to this scenario, there's now enough reason to seriously consider a transition from the family home to some type of continuing care residence.

Realistically addressing needs now can relieve children and their families of the burden of making these decisions under time pressures and duress.

Keys to a successful transition from home to assisted living include thorough preparation, a positive attitude, and a supportive network of family and friends.

A skilled wealth advisor can serve as the needed decision partner, by shedding light on complex financial issues that require careful consideration before proceeding with any transition from the family home.

Key Issues to Consider: Moving Out of the Family Home

1. **Facility purchase/rent options:** Evaluate available options for entering your chosen facility, including varying levels of deposits and/or rental expenses.

   The best option will depend on available assets and cash flow and the estimated length of time to be spent in the facility.

   A comprehensive financial plan and clear understanding of any and all contracts will be invaluable in determining the best option.

2. **Disposition of home:** Consider whether equity is needed from the home to move to the new facility. Be sure to understand the income tax, gift tax and estate tax impact of the sale of a residence.

3. **Rental of home:** If equity is not needed from the home, consider net cash flow opportunities and potential benefit of future appreciation from retaining the home. Be aware of the specific tax rules for the sale of a primary home that has been converted to rental property, and understand benefits and pitfalls.

4. **Moving options:** A wide range of moving services is available depending on how much assistance you require. Moving companies provide packing, moving, and unpacking services typically at an hourly rate. Specialty movers can provide additional services for a fee, such as help with organization.

5. **Downsizing:** Downsizing is almost always required in moving from a home to a continuing care facility. Be proactive about disposition of excess goods; options include gifts to family and friends, estate sales, charitable contributions and storage in offsite facilities.

Part II: Challenges Facing Women Today

We 21st century women have resources available for personal growth far beyond the limited resources of our mothers and grandmothers before us. Today we enjoy increasing status in all walks of American life, unlimited skill availability through education, and opportunities for change as close as the click of a computer's mouse.

However, these opportunities do not overcome the basic human condition that ***change is difficult***. HFA's experience in serving women leads us to believe that most women struggle with one or more of the challenges below when facing a major life transition:

1. Loss of Focus on Personal Goals

We often neglect to identify and embrace what is truly important to us, as we shoulder more and more responsibility at home, in our careers, and volunteering in the community. Our dreams may have been put on hold years ago. We have not taken the time or energy needed to circle back to ourselves to make our own dreams a reality.

2. Balancing Careers and Parenting

We are more likely than men to postpone our own careers or make compromises in our earning capacity and career advancement while raising children. Today's families focus on balancing earnings and parenting, and often one parent's career takes precedence over the other. If part time work is involved, it is generally used to supplement the primary earner's salary.

3. Gaps in Financial Education

Faced with so many responsibilities, we are often not aware of the magnitude of the financial risks surrounding us. We can also be unaware of the possible outcomes ahead should our families' circumstances change.

Many women sign joint tax returns year after year without knowledge of the family income source or of joint investments made years ago. We often have limited knowledge of existing wills and trusts and are often unclear as to how much life insurance is available in the event our spouse predeceases us.

Case Study # 3: Social Security – Begin Now or Later?

Lisa and James are both age 66, and neither has begun Social Security benefits. Sadly, after a long illness, James passes away. Lisa has the choice of claiming her benefit of $2,000 per month based on her own earnings record, or can claim a survivor's benefit equal to James' $1,800 benefit. At first glance, it looks as if Lisa should claim her own monthly benefit of $2,000 simply because it is greater than her survivor's benefit of $1,800.

However, after meeting with her Personal Wealth Advisor, Lisa learns that she can collect her survivor's benefit of $1,800 for four years until her age 70 while letting her own benefit of $2,000 grow. Each year she delays collecting her own benefit until age 70, it will increase by 8% in delayed retirement credits (DRCs) in addition to the annual cost of living adjustments (COLAs). Once she reaches age 70, she can switch to her own benefit, which will have grown to over $2,800 per month.

Empowered with this newfound information, Lisa applied for her survivor's benefit first and plans to switch to her own benefit at age 70. However, without a detailed analysis of all the factors that could impact her Social Security benefits, it would have been impossible for Lisa to know for certain what the best choice would be in her situation. A Personal Wealth Advisor helped Lisa take the guesswork out of the equation and equipped her with the information she needed in order to make the best choice for her unique situation.

Disclaimer: The above strategy is valid based on current law effective 5/1/2016, but subject to change. The figures used in the example above would be reduced if the deceased spouse and / or surviving spouse began benefits prior to full retirement age. SS benefits are complex – this represents just one strategy.

In the above case study, Lisa was advised to delay the onset of her own Social Security benefit, contrary to what seemed advantageous to her intuitively. She also learned that she could collect a survivor's benefit while letting her own benefit grow.

Regardless of which strategy a person uses, Social Security beneficiaries may be subject to reduced or increased benefits based on one's age on the start date of benefits. In the above example, Lisa's benefit at her age 66 will grow 8% per year until she reaches age 70.

The following table represents the relationship between the starting age and the benefit level for retirement benefits:

Age Benefits Start	% of Benefit Received
62	75%
63	80%
64	87%
65	93%
66	100%
67	108%
68	116%
69	124%
70	132%

4. Expense of Longevity

On average, we live five to seven years longer than men. This additional longevity has a cost. For some it may mean more time to travel, enjoy life and spend quality time with family. For others, it may mean costly stays in healthcare facilities during life's later years.

Most women do not want to burden their children. We prefer to have plans in place for the type of long-term care we desire, often in the familiar surroundings of our own home, if possible. The bottom line – we women need to plan to finance more years in retirement.

5. Uncoordinated Advice With Other Professionals

Women who have multiple professional advisors often receive conflicting advice and experience a lack of coordination among the advisors. This can frustrate a clear plan of action and often leads to just the opposite—inaction.

For example, accountants are often retained only at tax time to record what transpired in the previous year, too late to propose tax-saving strategies for last year.

Attorneys work when they are retained, which means women need to be proactive and know the specific tasks that need to be accomplished. Often, the accountants and attorneys are not aware they are even on the same team, and therefore, coordination is absent.

Insurance or investment product specialists can seem to be focused only on making a sale and may not know if and where their product fits into a woman's overall financial picture. This can result in plans that do not support or may even undermine each other. Advice coordination is imperative for meaningful results.

The good news is that today's well-advised woman in transition has not only overcome many of these challenges but has embraced the opportunities offered by change to guide their own destiny. An important component of their success is the understanding and employment of wealth management techniques.

Let's now turn our discussion to wealth management.

Part III: Guiding Destiny with Wealth Management

1. Types of Advisors

To best understand wealth management, it is important first to understand who wealth managers are and who they are not. Advisors can fall into three categories – investment generalists, product specialists and wealth managers.

- **Investment Generalists**

  These advisors offer a broad range of investment products but do not specialize in a single type of product. They do not make consulting an essential part of their business model, tending instead to be transactional.

- **Product Specialists**

  These advisors focus exclusively on a single type of product as a solution. The product may be a managed account, stocks, annuities or other fixed-income alternatives. Like investment generalists, these advisors do not have a consultative orientation and also tend to be transactional.

- **Wealth Managers**

  Wealth managers go beyond investments and products, taking a comprehensive and highly consultative approach to construct integrated solutions to meet their clients' goals.

At Harris Financial Advisors, Inc., we use the wealth management process, encompassing all facets of a woman's life and allowing women to align their financial goals with their personal values.

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2. What is Wealth Management?

Wealth management involves three interrelated disciplines: investment consulting, advanced planning and relationship management.

- **Investment Consulting**

  Investment consulting is the ongoing management of an investment portfolio over time to achieve stated financial goals. Investment consulting requires an advisor to fully understand the woman's challenges and income needs to create an investment plan that takes her age and tolerance for risk into careful consideration. It also requires frequent monitoring of her portfolio and financial life over time so that adjustments can be made as needed.

- **Advanced Planning**

  Advanced planning goes beyond investments and considers all other aspects that are important in a woman's life. Components of advanced planning include wealth enhancement (income tax strategies), wealth transfer (estate planning), wealth protection (risk mitigation), as well as charitable giving.

- **Relationship Management**

  Wealth managers are focused on building relationships within three groups. The first and most important relationship is with the woman in transition herself. To effectively address needs, a solid, trusted relationship must exist between the client and the advisor. Second, a wealth manager must select the appropriate related professionals from her network – experts with whom to collaborate to address specific needs. Third, wealth managers must be able to work effectively with a woman's existing professional advisors, such as her attorneys and accountants.

The wealth management process facilitates a healthy, long-term partnership with the advisor. It provides a powerful roadmap that aligns a woman's values with her resources, helps her make smart decisions about her money, and allows her to ultimately guide her own destiny.

3. Wealth Management at Harris Financial Advisors

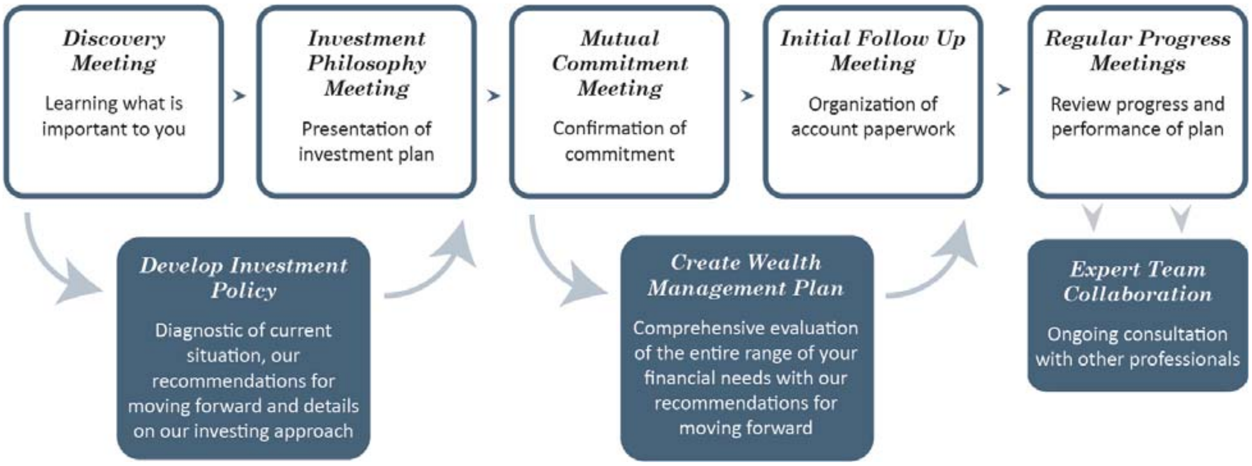
The credentialed team of personal wealth managers at Harris Financial practices a disciplined wealth management process. We serve as a woman's chief financial officer, implementing appropriate investment plans and coordinating a team of accounting and legal professionals to enhance retirement and estate strategies.

We are dedicated to providing and maintaining a customized wealth management plan. This is a comprehensive evaluation of the entire range of financial needs with our recommendations for moving forward. We monitor that plan to ensure it continues to reflect current goals and values, making course corrections when necessary.

We believe financial education is empowerment. We keep women informed through discussions on important financial and life choices. We believe that an understanding of financial matters is an important element in a woman's sense of success and personal satisfaction.

The following page outlines our wealth management consulting process.

Our Wealth Management Consulting Process



1. Discovery Meeting

At our initial meeting, we focus on getting to know you. We conduct a discovery interview to help articulate what you have achieved, what you want to achieve and the challenges you face. We carefully examine your current situation and the goals you want to realize in your lifetime.

2. Investment Philosophy Meeting

During this second meeting, we present our written analysis of your current portfolio and our recommendations for ways we can bridge the gaps to help you reach your financial goals. This written investment plan forms the foundation of all our work together.

3. Mutual Commitment Meeting

At this meeting, we are ready to make a mutual decision about our firm's ability to add value to your financial future and whether or not we should proceed. We will then execute the documents necessary to put your investment plan into action.

4. Advanced Planning

After the investment plan is in place, we provide a comprehensive evaluation of the entire range of your financial needs with our recommendations for moving forward. This often includes strategies to reduce income tax, risk mitigation techniques, estate planning recommendations, family gifting strategies, and charitable strategies, if applicable.

5. Regular Progress Meetings

These meetings, which we schedule at intervals convenient for you, provide us an opportunity to review any major changes in your personal or financial situation and make adjustments to your wealth management plan accordingly.

Why Partner with Harris Financial Advisors?

Since 1992, we have assisted affluent women facing major life transitions. We help women guide and direct their own destinies.

Our ongoing wealth management process is designed to effectively address the unique and specific financial needs of women in transition.

By partnering with a wealth manager who uses a caring, consultative process, affluent women can identify life goals while addressing and moving past life's roadblocks.

Through education and a clear, easy-to-follow financial process, women can maximize the probability that financial and life goals will be achieved, gain the confidence to take action, and most importantly, find financial peace-of-mind.

We are a fee-based wealth management firm specializing in investment consulting, advanced planning and expert relationship management. We serve as personal wealth managers for women and families facing major life transitions such as retirement, inheritance or death of a spouse.

We work as a team of experienced professionals and provide a safe and caring environment to explore personal goals.

Our consultative process brings us together with our clients' other advisors, such as accountants and estate planning attorneys, in order to provide a well-coordinated team of professionals to design solutions and deliver unbiased advice.

We focus on wealth preservation. We help our clients have the income they need now with ample resources for the rest of their lives. The relationships we develop are lifelong and frequently extend into future generations.

In every aspect of our work, we make an uncompromising commitment to provide exceptional service and to meet a client's highly personal needs.

We believe in the words of William Jennings Bryan, "Destiny is no matter of chance. It is a matter of choice." Through the wealth management process, we strive to guide destiny by helping women choose to make informed, intelligent financial decisions.

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