Winter 2010 Webinar

BUILDING YOUR WEALTH MANAGEMENT PRACTICE: DO YOU HAVE WHAT IT TAKES?

Outfitters to Enterprising Financial Advisors
Agenda

- Review of current competitive landscape
- Let’s look at your options
- Tools available to help you grow
- Where do we go from here?
- Q&A
The information provided is for educational purposes only and is not intended to be, and should not be construed as, investment, legal, or tax advice. Past performance is not a guarantee or indicator of future performance.

Fortigent makes no warranties with regard to the information or results obtained by its use and disclaims any liability arising out of your use of, or reliance on, the information.

The information is subject to change and, although based upon information that Fortigent considers reliable, is not guaranteed as to accuracy or completeness.

Please see the important disclosures at the end of this presentation.
The events of 2008 changed the perception of due diligence:

- Increased scrutiny
- Increased oversight
- Increased requirements
- Increased fiduciary responsibility
- Increased liability
- Increased accountability
- Increased resource requirements

INCREASED COST
What Investors are Really Thinking...

- “Prove to me you are not Bernie”
- “I lost money AND I underperformed my benchmarks... thanks”
- “I’m tired of hearing you say invest for the long term – the short term is killing me”

HNW Wealth Advisors Need Support in Delivering the Appropriate Solution

- To rebuild client trust
- To price their services so that there is an alignment of interests
- To collaborate effectively with clients
IBM interviewed 1,300 investors with at least $500,000 or more in investable assets – in JANUARY 2008

➢ “Would you recommend your advisor to your friends and family?”
➢ “Would you go to your advisor for a new product or service?”
➢ “Would you switch advisors if a competitor offered an attractive product or service?”

Responses about *wealth managers*:

- Antagonistic: 19%
- Apathetic: 38%
- Advocates: 43%

Responses about *bankers*:

- Antagonistic: 37%
- Apathetic: 39%
- Advocates: 24%

This was BEFORE the market collapse in 2008!
You must offer a *differentiated* investment solution

- Thoughtful and forward-looking asset allocation
- Customized portfolio construction
- True open architecture manager selection
- Integrated wealth planning
- Tax-effective portfolios
- Appropriate use of alternative investments
What is a TAMP?

“A TAMP…provides an advisor with a platform offering a suite of functionality, including manager research and monitoring, fund analytics, asset allocation modeling, and back office support for trade execution, rebalancing, and administration.”

Assets placed with TAMPs by independent advisors have exceeded $255 billion, up 100% since 1997.


Advantages of a TAMP
- Allow for rapid start-up
- Low upfront costs
- Efficient implementation
- Ease of Administration

However, these advantages do not come without a cost...
- Lack of control over the investment strategy
- Lack of true customization and lack of transparency on held away assets
- Limit on the range of investment vehicles
- Significant overlap in managers and products between providers
SOME OF THE ALTERNATIVES...

- **Open Architecture - Benefits**
  - ✔ Greater Choice of Investment Implementation
  - ✔ Less use of Proprietary products
  - ✔ Greater Emphasis on manager Quality – Not Scale
  - ✔ Allows for increased differentiation
  - ✔ Successful in attracting larger HNW accounts

- **It also has some drawbacks...**
  - ✔ Lack of Turnkey operation
  - ✔ Additional administrative work

**BUT THINGS HAVE CHANGED**
THINGS HAVE CHANGED... ITS TIME TO UPDATE MY CLIENT OFFERING

New Category of Customized Wealth Management Solutions
Asset Allocation
- Investment Policy
- Diversification
- Optimization
- Portfolio Construction
- Open Architecture Manager Search & Selection
- Traditional & Alternative Investment Strategies
- Incorporation of your Manager preferences, including proprietary investment strategies

Goals-Based Investment Plans
- Goals-Based Investment Planning
  - Lifestyle / Cash Flow Requirements
  - Inheritance / Dynasty Goals
  - Philanthropic Goals
  - Risk Tolerance
  - Emotional / Behavioral Factors

Asset Location
- Choice of Investment Entity
- Estate Planning
- Qualified Accounts
- Transfer and Income Tax Planning
- Your Choice of Custodian

For Financial Professional Use Only
1980s
- Portfolio of Individual Stocks
  - Poor Diversification
  - Selection Driven by Broker Research
  - Customizable, but Difficult to Implement

1990s
- Mutual Funds
  - Easy to Use
  - Diversified
  - Top-Tier Asset Mgmt
  - Not Customizable
  - Tax Inefficient

2000s
- Separate Accounts
  - Diversified
  - Top-Tier Asset Mgmt
  - Promised, but Undelivered, Tax Mgmt & Disciplined Rebalancing
  - Customizable, but Difficult to Implement & Rarely Executed

Now!
- Tax Overlay & UMA
  - Easy to Use
  - Net Cost Neutral – or Better – than SMAs
  - Diversified
  - Access to Boutique and Institution-Only Managers
  - Promised and Delivered Tax Mgmt & Disciplined Rebalancing
  - Customizable (And Really Done!)
  - After Tax Performance Reporting
  - Reporting on all Client Assets
Investment Philosophy
- Long-Term Horizon
- Diversification
- Portfolio Construction
- Strategic Rebalancing
- Core-Satellite Portfolios

Asset Strategies
- Tax-Deferred Investment Entities
- Estate Planning
- Transfer & Income Tax Planning
- Philanthropy
- Concentrated Wealth Strategies

Tax-Efficient Investing
- Tax-Enhanced Indexing
- Tax Loss Harvesting / ETFs for Rebalancing
- Concentrated Holdings & Low Turnover
- **Unified Managed Accounts**
Overlay Manager

- Manages account and rebalances in a tax aware manner
- Incorporates client restrictions, socially responsible etc.
- Manages income needs on behalf of Advisor
- Executes trade orders on behalf of Money Managers
$1.2 M Core

Fees to Execute*

<table>
<thead>
<tr>
<th>Mutual Funds / ETFs</th>
<th>1.27%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Overlay™ w/ sleeve managers</td>
<td>0.81%</td>
</tr>
</tbody>
</table>

Savings using UMA

| Percent | (0.46%) |
| Dollars | ($5,470) |

*Can vary according to provider
Where do we go from here?
Build your wealth management practice intelligently

- Deliver a *differentiated* and *tax-effective* investment platform
- Provide *wisdom* and *knowledge*, not information and data
- *Optimize* service offering and profitability by focusing on core competencies and *outsource* everything else

The “Wealth Management Firm of the Future” will be built on 3 core foundations:

- Trust (*Must be proactive with your clients*)
- Alignment of interests
- Collaboration

**DELIVER THE EXPERIENCE**
Things to consider when selecting a partner:

- Complete transparency
- Alignment of interests
- Agnostic approach
- Strengthened due diligence
- Control / Flexibility
Who We Are:

- Integrated outsourced wealth management solution to ~90 RIAs, Banks, MFOs, & Trust Companies
- Focus on advisors targeting HNW investors and families
- ~$45 Billion in Platform Assets
- Median “end investor” size of ~$5 million

What We Do:

- Comprehensive Investment Platform
  - Traditional
  - Alternative
  - SMA, MFs, ETFs
  - Access Overlay™ (UMA)
  - LP/LLC Vehicles
  - Alternative Access Funds
- Information Management
  - “Custodial Agnostic” Data Aggregation
  - Consolidated Performance Reporting
  - Practice Management Metrics
FOR ADDITIONAL INFORMATION ON FORTIGENT, LLC

PLEASE CONTACT:

JOHN CONNER

JOHN.CONNER@FORTIGENT.COM
301-816-1273
This presentation is for illustrative purposes only. Past performance is not indicative of future results. The information contained in this presentation has been gathered from sources we believe to be reliable, but we do not guarantee the accuracy or completeness of such information, and we assume no liability for damages resulting from or arising out of the use of such information.

The performance numbers displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. The index is unmanaged and does not incur management fees, transaction costs or other expenses associated with investable products. It is not possible to directly invest in an index. All returns reflect the reinvestment of dividends and other income. Manager composites are gross of all fees, except trading costs. Mutual fund returns are net of all fees. Performance results do not reflect the separate advisory fee that may be charged by your investment advisor (for example, an advisory fee of 1% compounded over a 10-year period would reduce a 10% annual return to an 8.9% return).

The information presented is for the exclusive use of financial professionals. It has not been approved by Fortigent’s compliance department for distribution to clients or prospective clients. Please consult your legal or compliance counsel prior to the distribution of this information.

THIS PRESENTATION HAS NOT BEEN APPROVED FOR CLIENT USE.
CIMA CE Credit

To receive 1 CE hour toward CIMA®/CIMC®/CPWA® designations

- Log on to: www.imca.org/main/do/reportCIMACE
- Click on “Non-IMCA Continuing Education Hours Submittal Form”
- Complete form and follow submittal directions
- Program Name: Building Your Wealth Management Practice: Do You Have What it Takes? - Webinar 12/14/10

- A recording and the slides of this presentation will be available at

FOR ADDITIONAL INFORMATION ON FORTIGENT, LLC
PLEASE CONTACT:
JOHN CONNER
JOHN.CONNER@FORTIGENT.COM
301-816-1273