

Wealth Protection Workshop

Sponsored by *Private Wealth*,
AIU Private Client Group and
The Advisors Forum

Hyatt Regency — Chicago, IL

Tuesday, August 4, 2009



Agenda

- Defining wealth protection
- The asset protection gap
- Personal protection concerns
- Cultivating affluent clients for wealth protection

The Components of Protecting Wealth

Liability Management/P&C +

Asset Protection Planning +

Personal/Family Security +

Wealth Protection

Characteristics of Wealth Protection

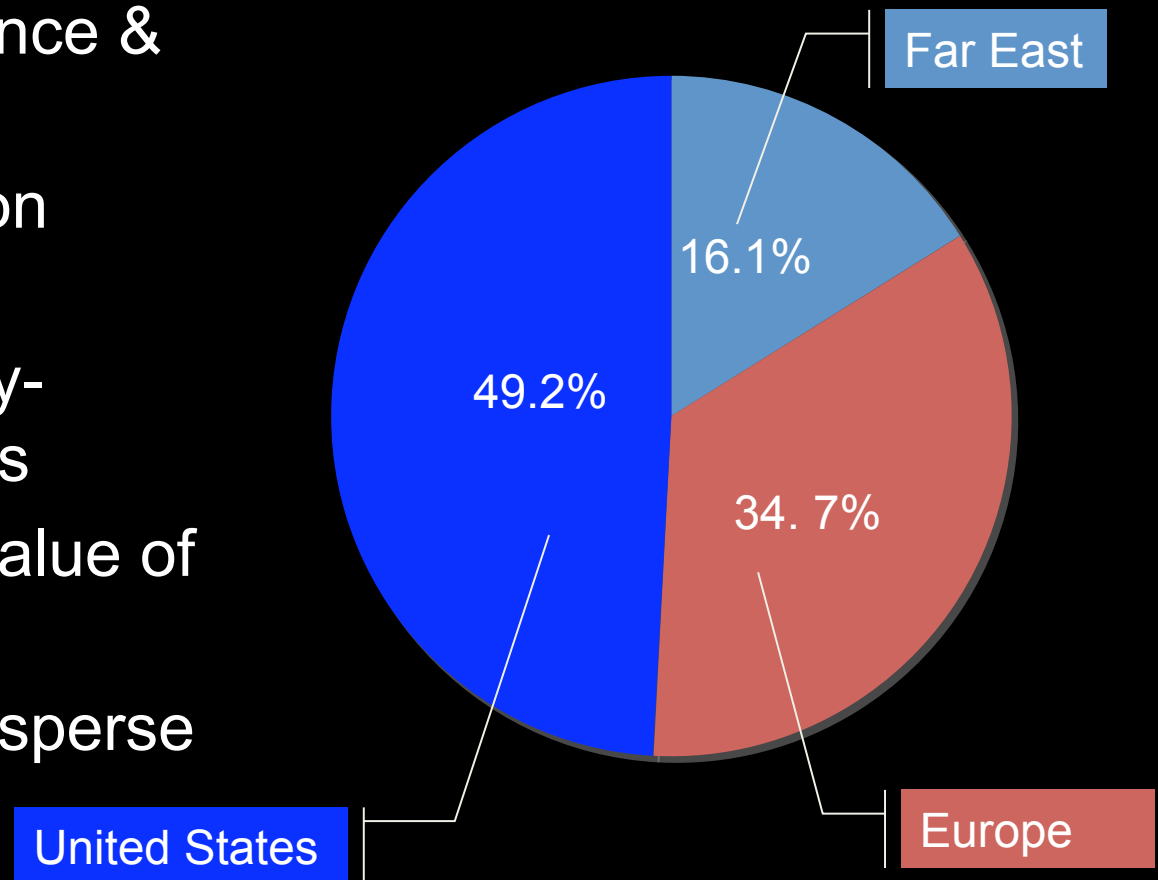
- The service mix is highly attractive to the wealthy
- The three components are interrelated in the mind of the affluent
- Holistic approach to dealing with their overall concerns

The Asset Protection Gap

- Wealthy family business owners
- Affluent physicians
- Middle-class millionaires
- Hedge fund managers
- Celebrities
- Mid-sized business owners

A Research-Based Approach

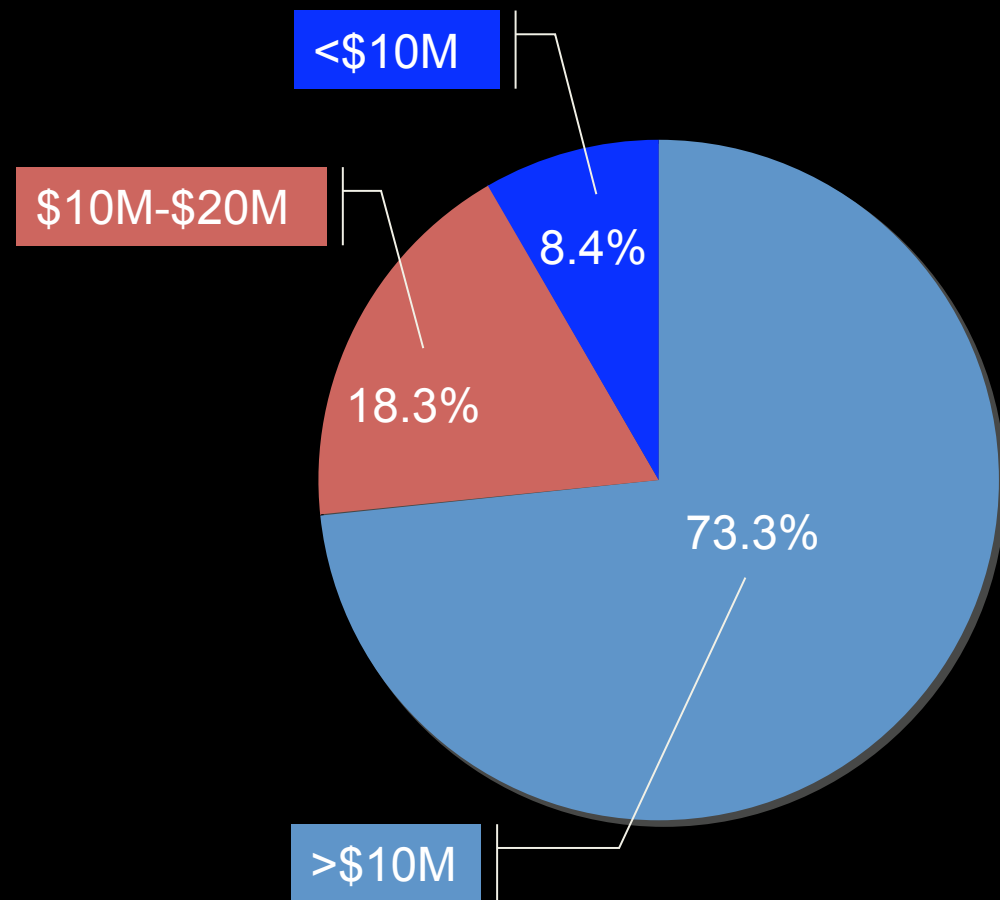
- Conducted by Prince & Associates, Inc.
- Phone or in-person interviews
- 242 affluent family-owned businesses
- \$731.2 M mean value of businesses
- Geographically disperse



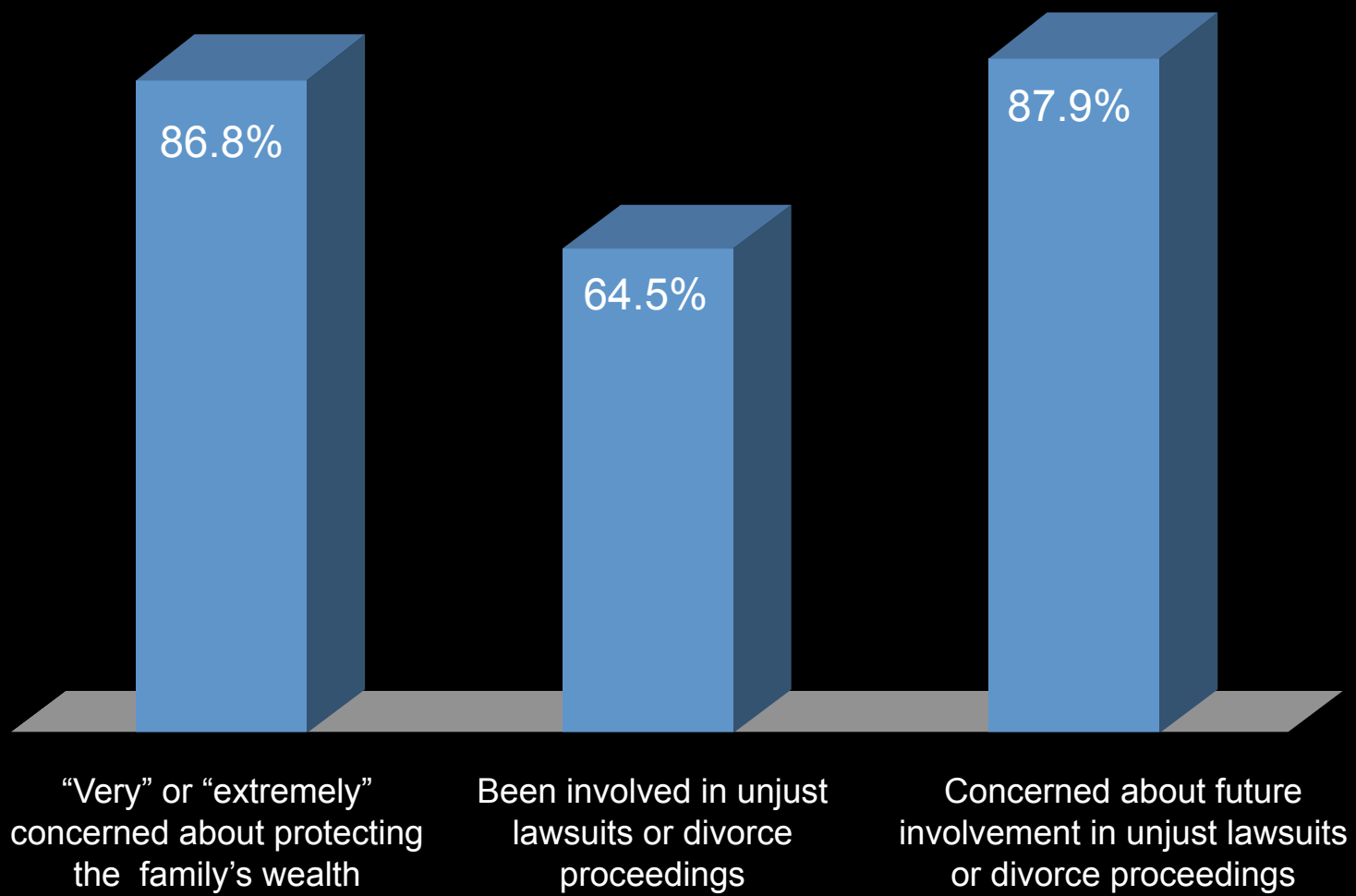
A Research-Based Approach

- Conducted by Prince & Associates, Inc.
- Phone or in-person interviews
- 1,402 mid-sized businesses
- In business 5+ years
- 5-100 employees
- Annual gross sales between \$2M-\$50M

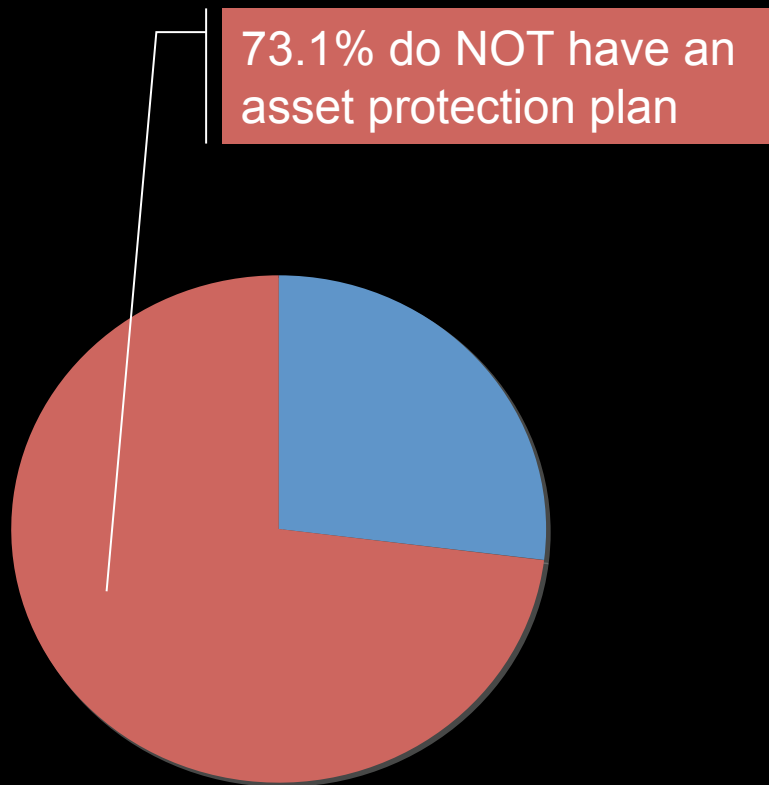
Net Worth of Business Owners



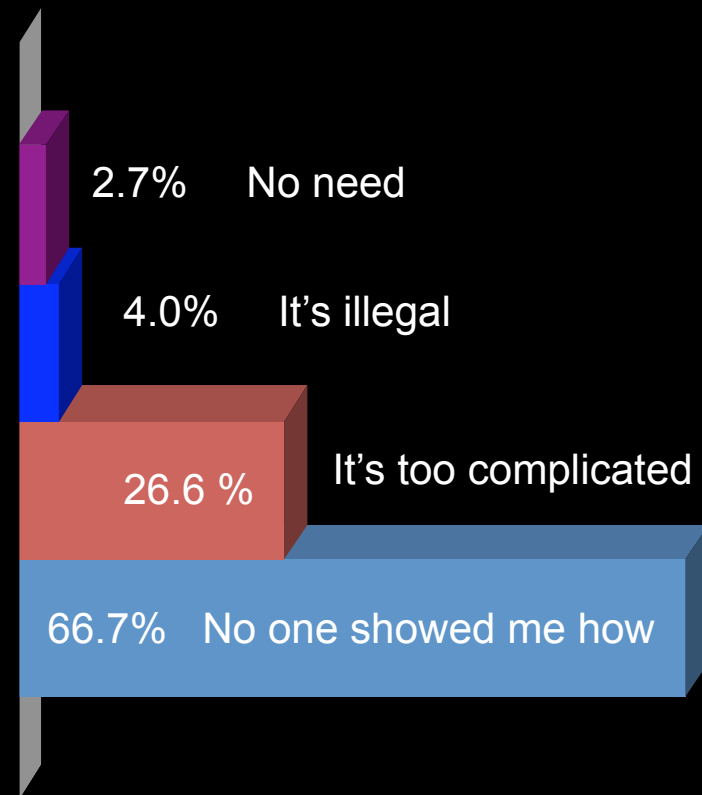
Wealthy Family-Owned Businesses



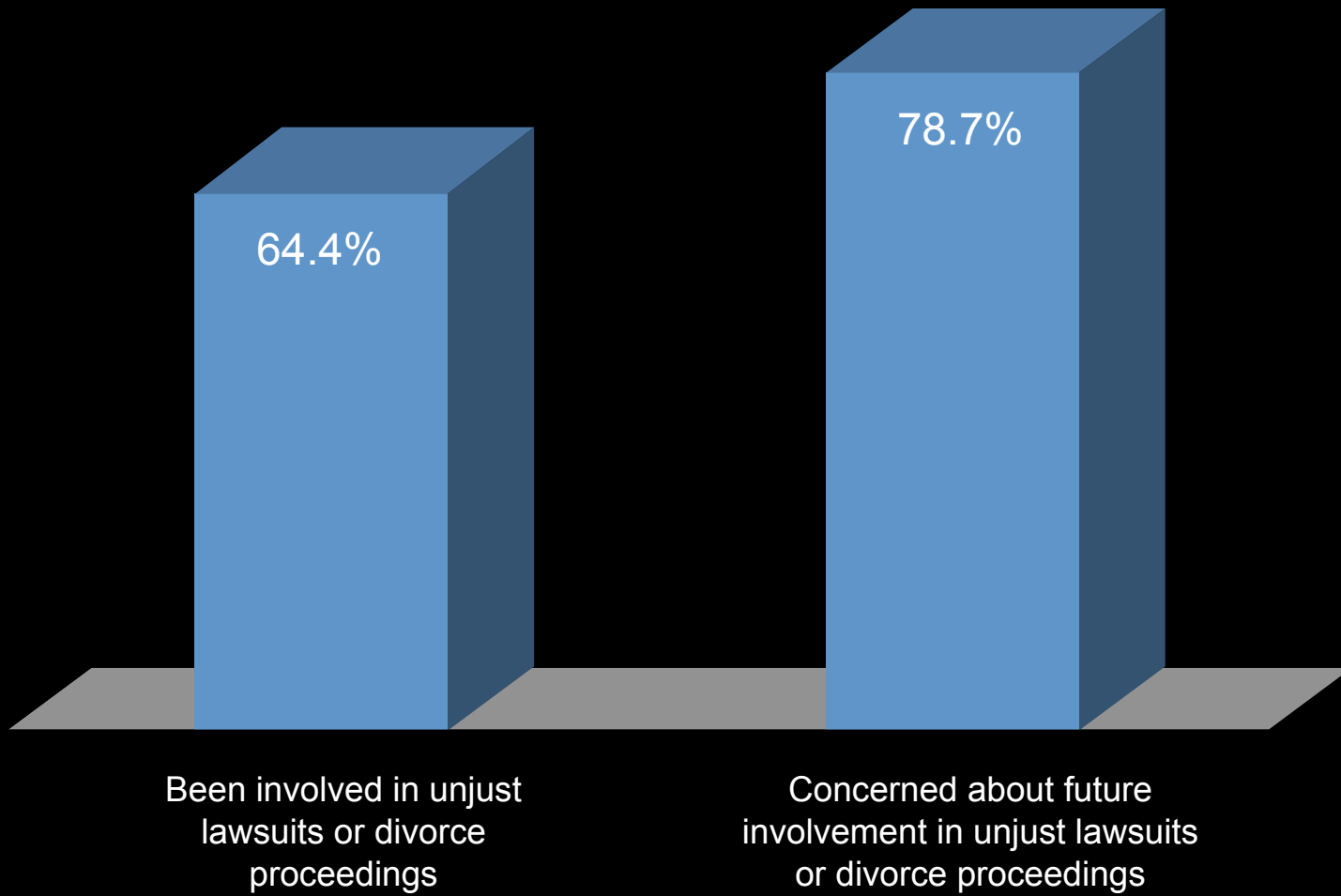
Wealthy Family-Owned Businesses



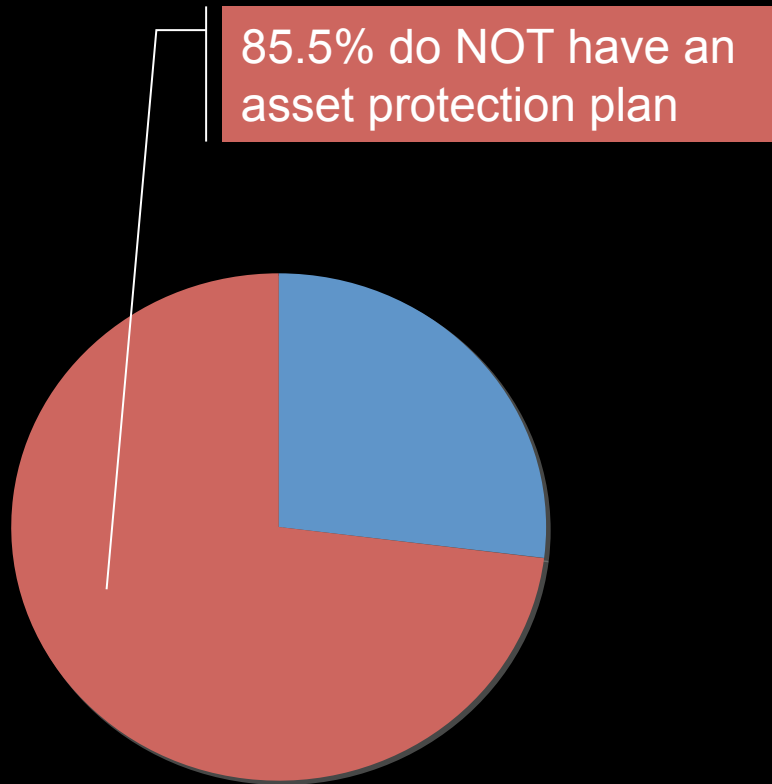
Why Not?



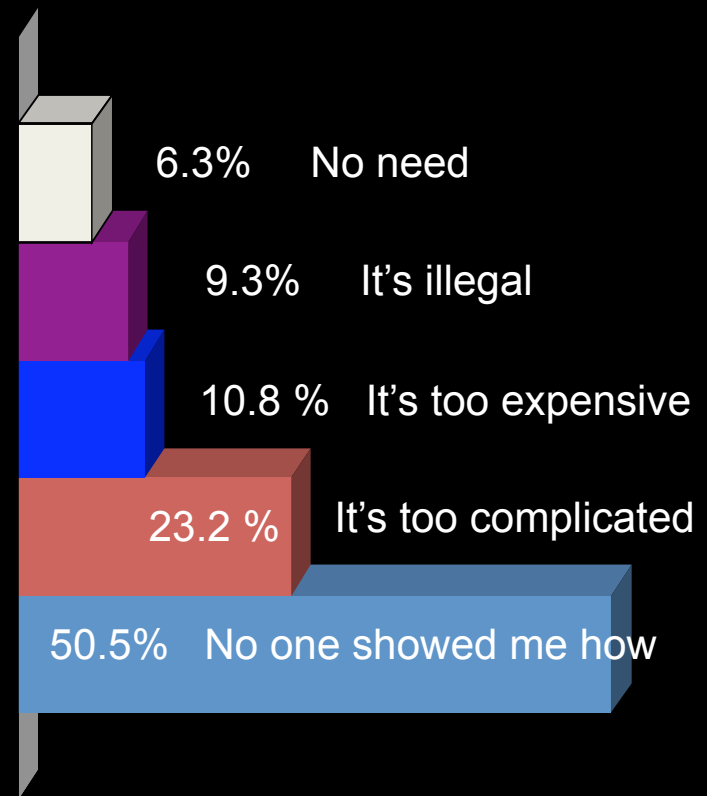
Mid-Sized Businesses



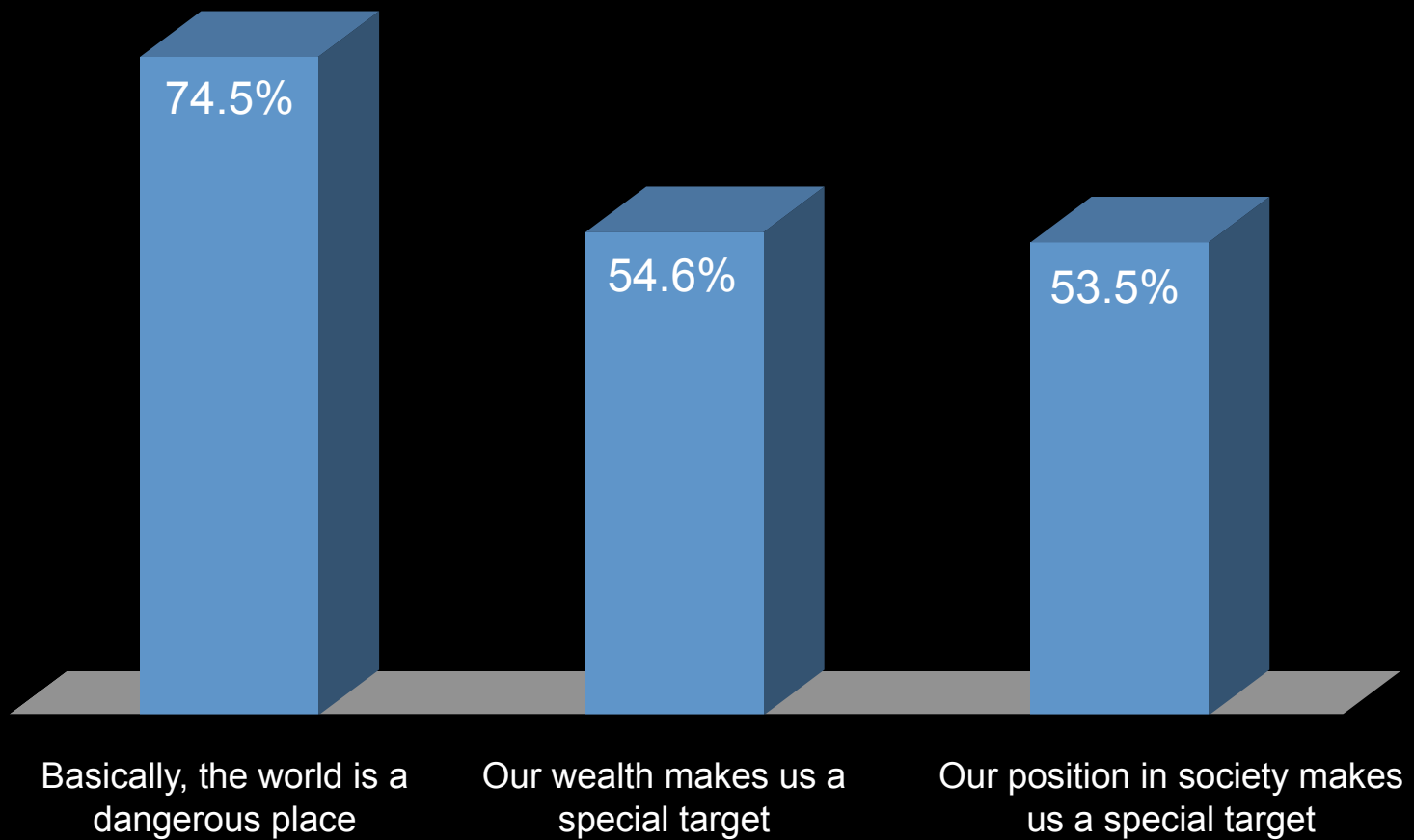
Mid-Sized Businesses



Why Not?

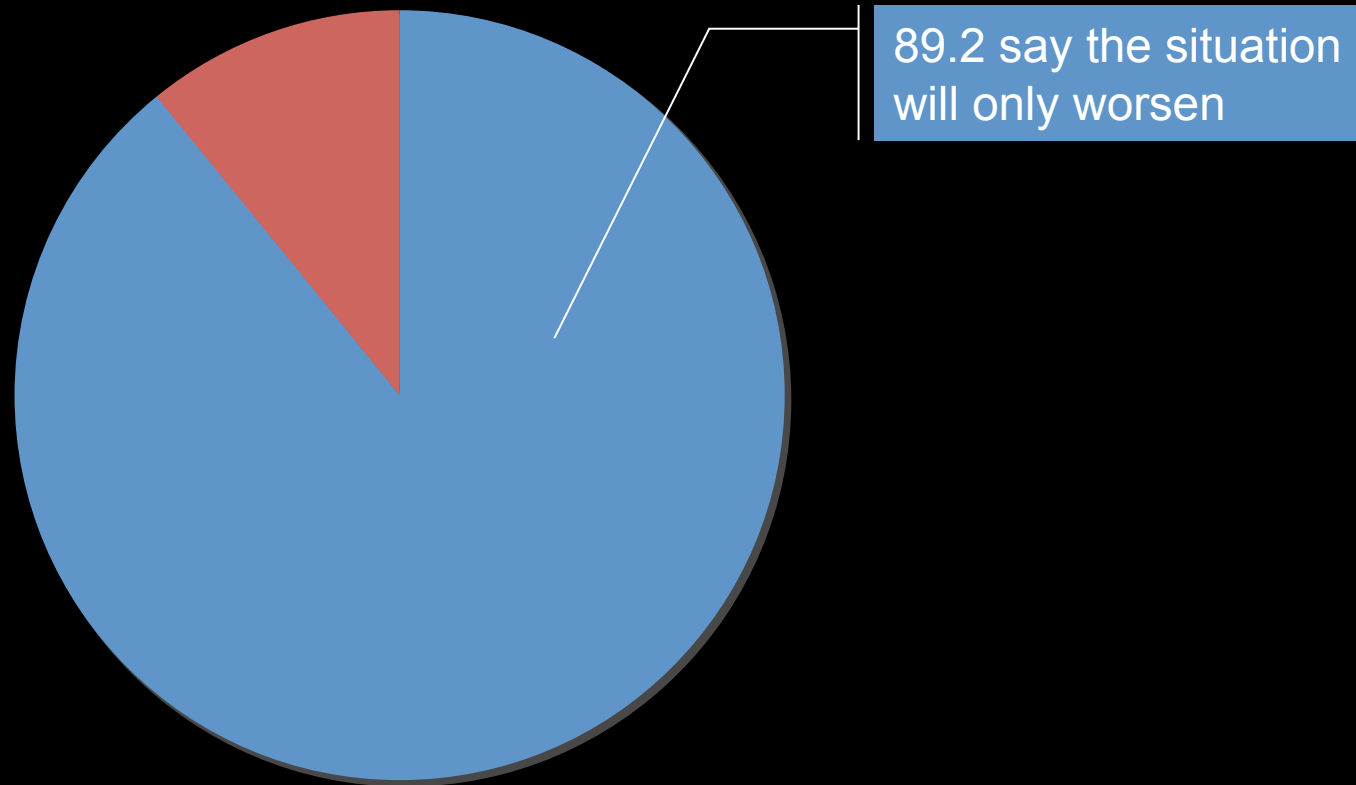


Personal Protection Concerns



N=427 individuals w/\$1M+

A Dismal Outlook



N=427 individuals w/\$1M+

Services

- The wealthy and their loved ones
- Confidential information
- Property

The Wealthy & Their Loved Ones

- Crisis contingency planning
- Close protection services
- Transporter services
- Regular background checks

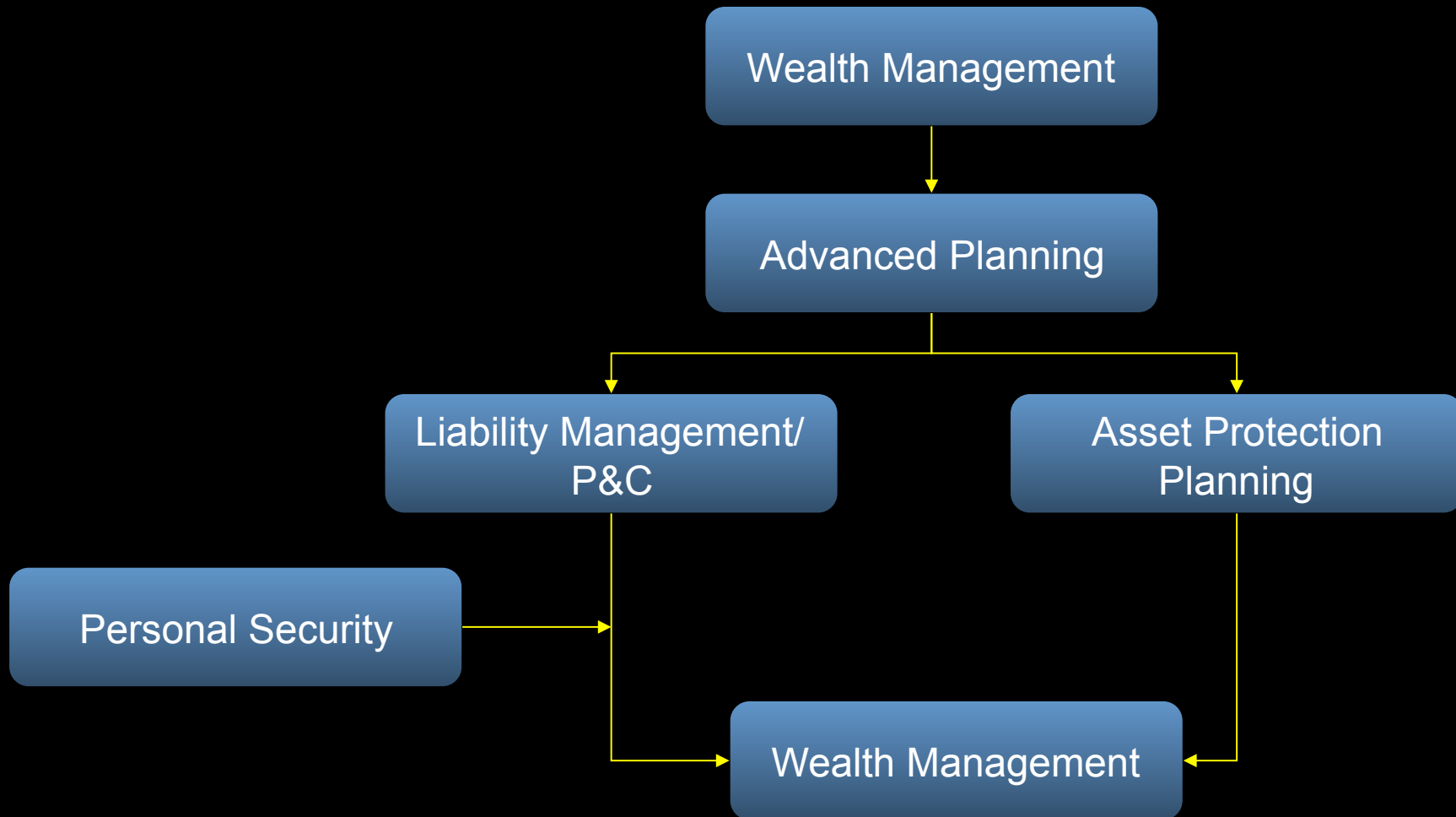
Confidential Information

- Education on keeping secrets, secret
- Identity assessments and checks
- Counter-surveillance services
- Encryption services

Property

- Detailed access protocols
- Safe havens
- Surveillance and alarm systems
- Transporter services

The Relationship between the Management & Protection of Wealth



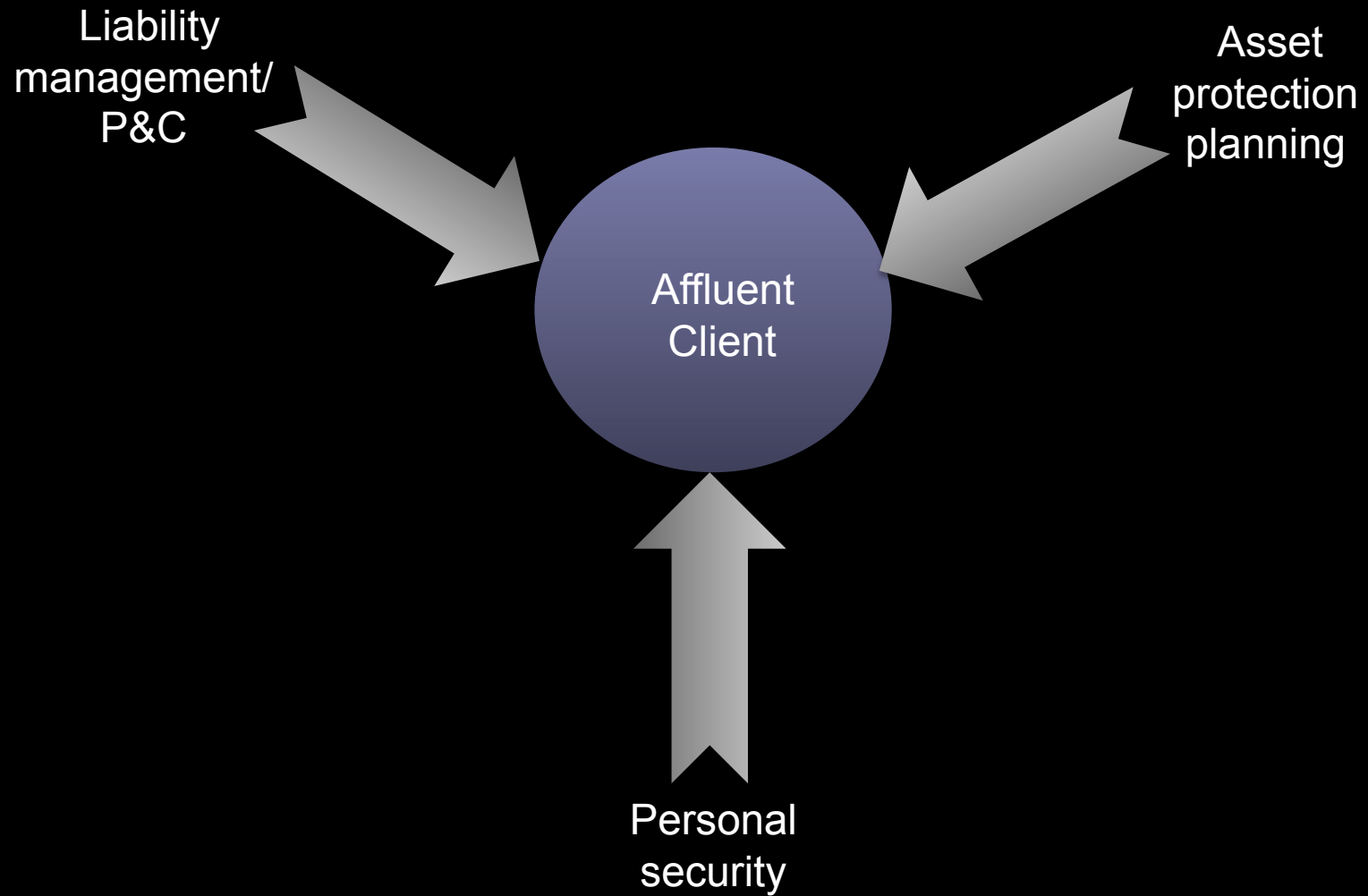
80% Overlap in Critical Wealth Protection Services



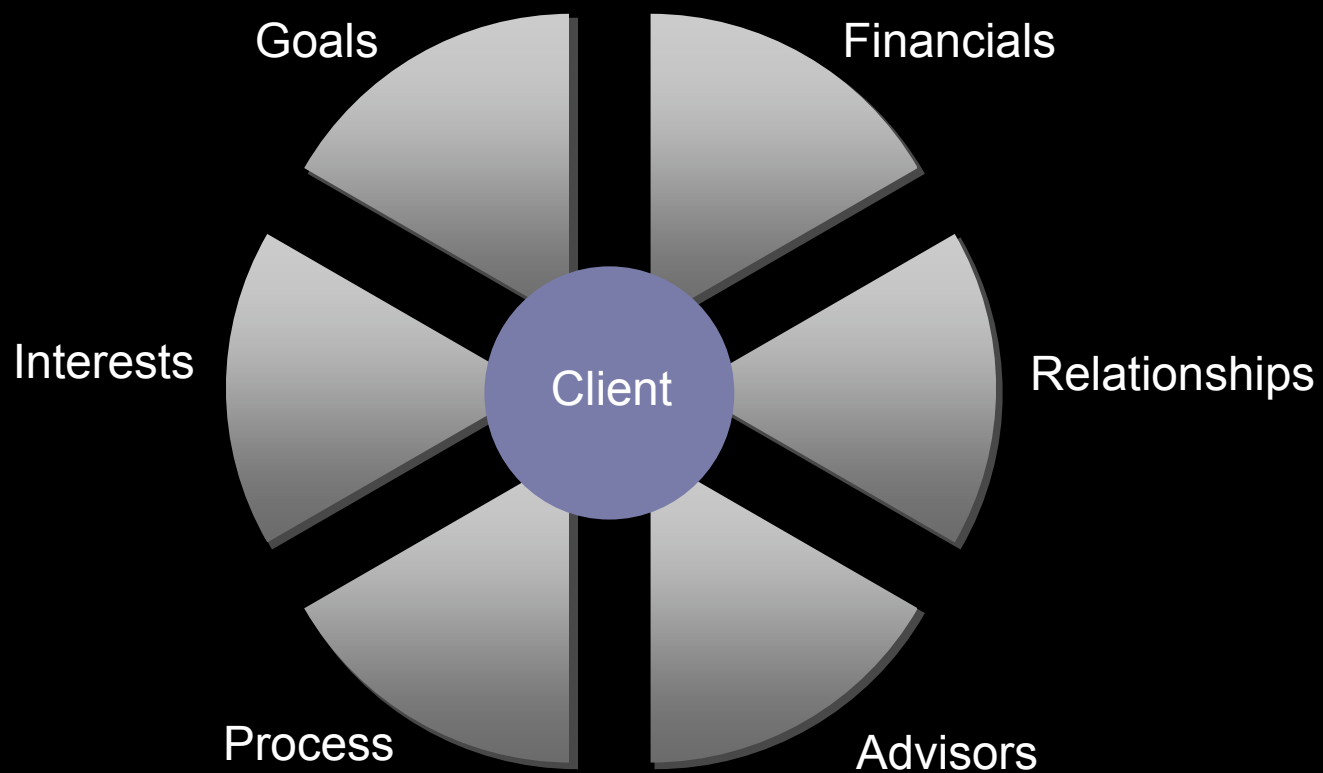
Business Development

- Group approach
 - Breakfast meetings
 - Lunch meetings
 - Dinner meetings
- One-to-one approach - optimal
 - Interview driven
 - Focus on specifics
 - Use the Whole Client Model
- Not effective
 - Newsletters
 - Brochures
 - Websites

Three Points of Entry



The Whole Client Model



Q&A

-
-
-
-
-
-

The process of employing risk management products and legally acceptable strategies to ensure a person's wealth is not unjustly taken from him or her.

•

—

—

•

—

—

—

•

—

—

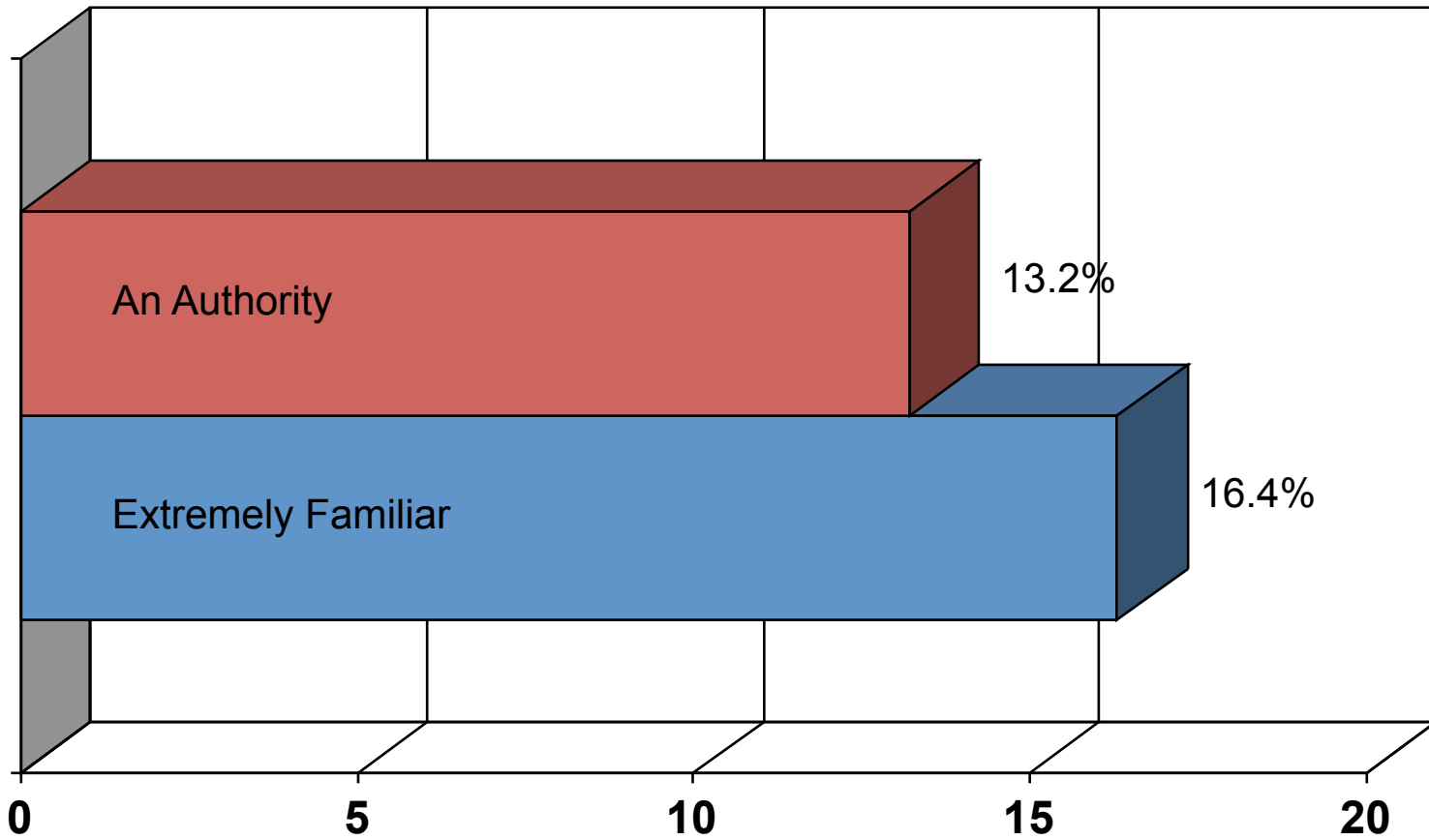
•

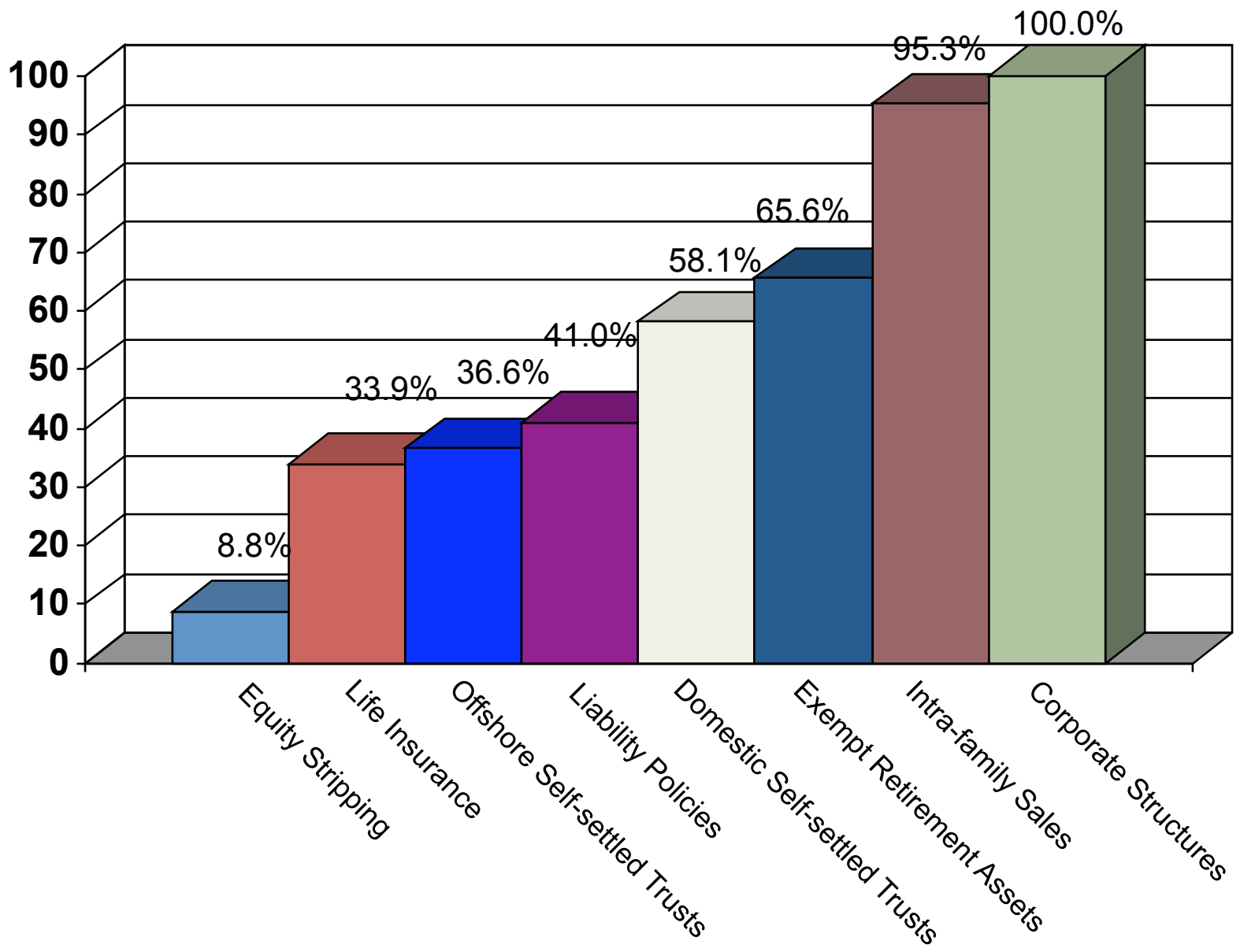
•

-
-
-
-
-

-
-
-
-

-
-
-





-
-
-
-

-
-
-

•

•

—

—

•

•

—

—

•

—

—

•

•

-
-
-
-

-
-
-

Scenario

A popular band was planning an open-ended world tour and was unable to secure a sufficient amount of liability coverage to protect the band members, the management team and their assets.

Actions

1. An offshore captive insurance company was funded with \$8.6 million of the band's money
2. The desired amount of liability coverage was purchased through the captive for \$3 million
3. The remaining \$5.6 million was placed in a principal protected structured note as a reserve for claims and settlements
4. The assets were levered up 4X allowing \$22.4 million to be invested

Results

The tour ended after 30 months with no legal actions and the captive was dissolved. In that time the investment had generated an additional \$2.8 million which was shared by the band members.

Scenario

A number of unaffiliated entertainers - each with a history of lawsuits - were seeking ways to further protect themselves.

Actions

1. Establish a series of self-settled trusts in select jurisdictions around the world
2. Liquidated a specified portion of each participating entertainer's assets
3. Assets were distributed across the trusts, and subsequently moved between them, based on a set of algorithms tied to exchange rates
4. Assets may be accessed through select local fiduciaries

Results

Keeping assets in motion helps in shield the entertainers and their assets from unsubstantiated claims. Assets can be withdrawn without disrupting the collective effort, which can continue as long as needed.

Scenario

A renowned actor wants to diminish the value of his personal holdings to deter frivolous lawsuits.

Actions

1. Establish a series of trusts to hold the actor's personal and commercial real estate, jet, yacht and various collectibles valued at \$61 million
2. The assets are appraised and loans are taken against the property for the full value through a commercial bank
3. Another trust is used to invest the assets in hedge funds and name a different beneficiary for further dissociation
4. The bank sells a promissory note for the loans to a second hedge fund creating another layer of anonymity for the actor

Results

Securing loans against property effectively “strips” the equity but leaves the assets unencumbered and decreases their appeal. Structures remain in place as long as needed.

Q&A