

A BEN FRANKLIN REDUX

**An Attorney's Guide to
Building and Protecting
Personal Net Worth**

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An Attorney's Guide to Building and Protecting Personal Net Worth

By: Matthew Regan, Wealth Advisor Published: September 08, 2020

Remember how you felt the day you said “I passed the bar!”?

That day, you no doubt celebrated your great accomplishment. It marked not only the closing chapter of your law school career, but the opening of an important new chapter in your personal and professional life, one with tremendous economic upside if properly harnessed.

In his essay [Advice to a Young Tradesman](#), Benjamin Franklin famously states, “Time is money.” This phrase, which he wrote in 1748, still rings true today, especially for busy attorneys and law-firm partners like yourself, who earn a living primarily from billable hours.

As the numbers increase on your net worth statement, so does the responsibility of managing them correctly. As you accumulate wealth, have you achieved economic peace of mind? Not having the time, expertise, or patience, to establish and execute on a customized wealth-building and retirement strategy is neither a failing nor a flaw – it is a very common problem.



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Finding an expert, trustworthy partner to help you manage and coordinate much of this “financial heavy lifting” can lead you closer to the economic *peace of mind* you have been working so long and hard for.

Emotional Awareness – Your Strength and Your Weakness?

As a successful attorney, you are committed and laser focused on helping your clients, managing and collaborating with colleagues, and balancing the administrative obligations of running your practice.

You are working to strike the appropriate balance between your career and your family life. It is challenging — and stressful — to properly coordinate all of this. Consider too, that you have a responsibility to develop and execute on a well-thought-out and disciplined plan to grow and protect your personal wealth. It's no wonder this task often gets back-burnered until you “aren't so busy.”



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Unfortunately, for many lawyers, “not so busy” only becomes a reality once retirement does, and by that time, many critical economic decisions, key financial and investment planning opportunities, and basic compounding benefits have come and gone.

Get Help, and Don't Get Burned!

If you haven't yet hired a professional to help, it might be because you've heard about uninspiring, unsettling, or even outright illicit experiences with so-called “financial-advisors.” Certainly, what tends to be the most challenging aspect of hiring an advisor is finding one who cultivates your trust.

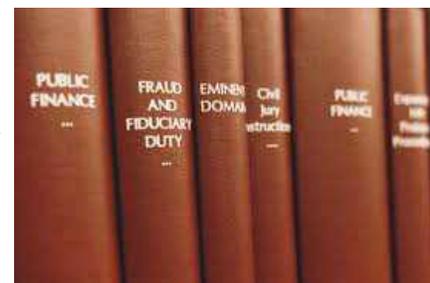
An important part of the wealth building journey is partnering with the right financial advisor. The first step you can take is to ask friends and colleagues to share their successful experiences with advisors. The advisor is providing a service that will have a lasting impact on your financial future, so you need to be sure you are hiring the right person to meet your specific goals.

Your advisor will need to know every single aspect of your financial life, and oftentimes many aspects of your personal life as well, in order to provide the most appropriate advice and customized solutions. Each member of your family, especially your significant other, must have confidence the advisor will always hold your family's best interests above their own. Because most attorneys have uneven cash flow throughout the year, complicated tax issues, and complex retirements, your advisor will be able to best serve you when they have a strong understanding of how you are compensated and the complexities of it. These things that make financial planning difficult for you, are well inside a fiduciary advisor's wheelhouse.

“Suitable” versus “Fiduciary”

A second extremely important step when searching for an advisor is to assure they are bound to a legal **fiduciary standard**. As a legal fiduciary, a financial advisor is typically regulated by the Securities and Exchange Commission (SEC), and is legally held to the highest standard in the industry, [the fiduciary standard](#). They are required to discharge their planning, counsel, and advice solely in the best interests of the client, even if it means placing the client's interests ahead of the advisor's.

Starkly contrasting the fiduciary standard and obligation is **suitability standard**, which simply requires a financial advisor to make recommendations that are “suitable” for a client. Importantly, the suitability standard does not legally require an advisor to act solely in a client's best interests. Another significant distinction between these two very different professional standards is how an advisor is compensated. A fiduciary advisor's compensation generally is via an annual, asset-based fee, computed based on a percentage of the client's assets under management. A financial advisor who is not a fiduciary oftentimes receives hidden compensation



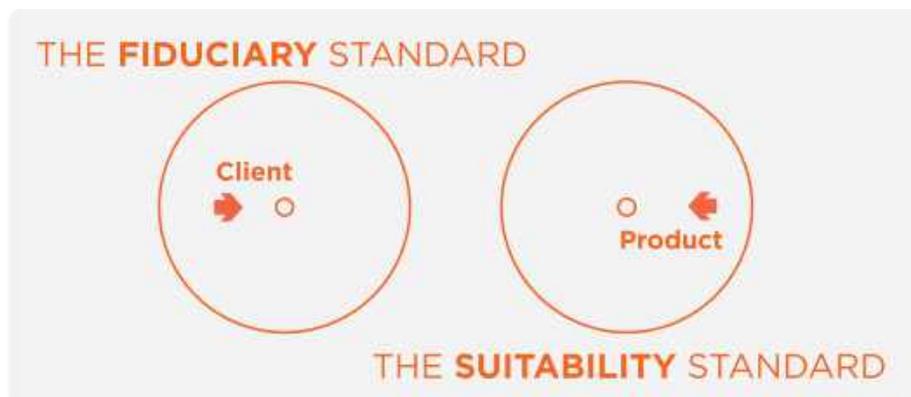
from products with higher fees and lower returns that they've steered you into. Recently, the White House Council on Economic Advisers found that non-fiduciary advice costs investors \$17 billion a year! And, as Franklin said in his aforementioned essay:

“You will discover how...small, trifling expenses mount up to large sums, and will discern what might have been...saved.”

With a commission-based compensation structure, there is the possibility for conflicts of interest. If a prospective advisor is not 100% transparent about how he or she answers the question, **“How do you get paid?”** look elsewhere. A true fiduciary will be quick to point out how, and wherefrom, they derive professional compensation for their time, service, and planning. How do I know if a financial advisor is a legal fiduciary?

The simple answer – ask! You will quickly find out which standard a prospective financial advisor adheres to when you ask:

“As my prospective financial advisor, would you be a legal fiduciary to me, and are you willing to attest to that in writing?”



What Can I Expect From a Good Financial Advisor?

Because every individual has a unique set of personal and financial circumstances, it is a crucial first step for your financial advisor to help you determine and set your financial goals. Sounds easy, right? Maybe — until you seriously consider your responses to the following questions:

- What money concerns keep you up at night, and how would you like me to work with you so you can rest soundly?
- What are you doing now, and what do you want to accomplish in life?

- What decline in your overall investment portfolio, *in hard dollars*, would cause you great personal discomfort such as lack of sleep, anxiety, worry, or even despair?
- Why do you think you need financial help and guidance?
- What changes do you expect to occur in the future?
- How do you picture your ideal life five years from now? Ten? Fifteen?
- How would you describe the emotions you had about money growing up?
- What are three financial milestones you hope to accomplish?

By no means all-encompassing, this list of questions is meant to illustrate the depth and sincere interest in **you** that the right financial advisor will demonstrate during the discovery phase of your relationship. In addition to asking, listening to, and considering your answers to thoughtful questions such as these, any good advisor will dedicate their time and energy to you in order to develop a rapport, and ultimately, trust.

Investing, coordinating, and managing your wealth and assets is a challenge that increases as your net worth does, and just like in law, where having a good lawyer when entering the courtroom should yield the highest probability of success, the same holds true for [wealth management](#) and working with a qualified financial advisor.

Financial Emotional Awareness



Managing emotions and remaining objective when making financial decisions is an essential component of longer-term success in building, *and protecting*, one's wealth. Every day, individuals are bombarded with information that can make them question whether or not they are making the right choices with their finances. A quality, trustworthy financial advisor will help guide you through the noise and protect you from making emotional or irrational decisions to ensure you stay on your path to financial freedom.

My Lawyer Does the Same Thing...

When working with an attorney, a client should expect to receive custom-tailored planning, advice, and counsel only after a myriad of different possibilities and probabilities about the future have been considered. This construct of a financial advisor-client partnership differs little, as this same process holds true in finance as it does in law.

A quality financial advisor will leverage a broad-based array of resources to provide solutions and advice, much of which you may never have heard of, thought about, or had access to.

They will help you identify your level of acceptable risk, and a target rate of return to be able to meet your personal and economic goals. As is true in the courtroom, there is a direct correlation between taking risk and the potential for obtaining the desired results. The financial relationship between risk and return is inextricable, and needs to be consistently monitored due to the ever-evolving landscape of the economy, politics, the financial markets, and most importantly, your own personal circumstances. Having a professional help you manage this balance between risk and reward increases the probability of your achieving financial success.



Reducing Drag and the “Necessary Evils”

Keeping what you have saved and earned is just as important as growing it. Specifically, a good financial advisor will work with you to manage and minimize the two major necessary evils:

1. Income taxes
2. Costs/fees/expenses

Understanding almost all financial transactions incorporate a tax and a cost component, your financial advisor and your tax advisor should consistently interface with each other to develop and implement effective tax mitigation strategies to help you keep as much of your hard-earned dollars in your pocket as possible. For most attorneys, current self-employment and income tax rates are high, and will likely only increase in the future. The efficiency of growth in your net worth can be directly affected by lackluster tax planning, not only by the choices you make in how you receive and allocate your ordinary income as you save and invest, but also in *how* and *where* you derive investment income. This is especially true when it comes to your

retirement planning. As you accumulate wealth, it is imperative for your financial and tax advisors to work together to maximize how and where you are making retirement contributions, and how and where to leverage the multitude of tax benefits that are available.

During retirement, as you begin strategic withdrawals from your nest egg, your advisors should regularly analyze not only the sustainability of how much you are taking, but should also weigh in on how and where to make withdrawals, based largely on your current tax bracket as well as the expected future tax environment. For attorneys fortunate enough to have a retirement pension, an analysis should be done to determine whether it is better to take as a single-life or joint-life annuity or as a lump sum in order to maximize your net dollars.



Lastly, to enhance the longer-term growth of your wealth, your financial advisor should work with your investment managers to methodically select the right investment vehicles that produce the greatest *after-tax* returns for both your managed and unmanaged assets. After all, it is not what you make but what you keep that is important.



Time to Enjoy!

Planning your financial future in addition to all your other professional and personal responsibilities is a daunting task, but you don't want to wake up one day and ask yourself why your colleagues are retired while you are still working. Being a lawyer is rewarding job, but it can be very stressful and requires long hours. Thirty or more years of this lifestyle can take quite a toll on the body and mind, and you deserve a rewarding financial future and economic peace of mind. Time is money. Beginning a succinct and custom-tailored wealth management plan now will help you achieve your goals, and ultimately, help you retire on your schedule. Partnering with an advisor that not only understands you, but also the unique financial challenges that attorneys face, means you may spend less time worrying about this aspect of your life.



You wouldn't hesitate to hire a legal expert to help you win a case or strengthen a lawsuit, and the same can certainly be said about hiring a financial expert advisor to help you properly coordinate all of your financial affairs and ideally, build economic peace of mind.

How Can We Help?

At [Towerpoint Wealth](#), we are a legal fiduciary to you, and embrace the professional obligation we have to work 100% in your best interests. If you would like to learn more about Towerpoint Wealth and how we can help you achieve your financial goals, we encourage you to call (916-405-9164) or email (mregan@towerpointwealth.com) to open an objective dialogue.



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Image Resources:

1. <https://eddinscounseling.com/why-do-i-feel-alone-even-when-im-with-others/>
2. <https://www.todaysgeneralcounsel.com/a-i-threat-to-lawyers-overblown/>
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5. <https://nchinc.com/blog/business-startup/the-importance-of-selecting-the-right-cpa>
6. <https://www.cbsnews.com/news/7-easy-ways-to-cut-costs-on-everyday-needs/>
7. <http://alternativeinvestmentcoach.com/investing-after-retirement/>

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