

# 6 Strategies to help protect and grow your wealth



# Table of contents



<b>1</b>	How much company stock is too much?	<b>04</b>
<b>2</b>	Launching the kids	<b>05</b>
<b>3</b>	Personalized withdrawal strategies	<b>06</b>
<b>4</b>	Our tax-managed investing approach is patented	<b>07</b>
<b>5</b>	Tax-efficient giving	<b>08</b>
<b>6</b>	Minimizing the capital gain impact	<b>09</b>
<b>7</b>	Our story	<b>10</b>
<b>8</b>	How we work	<b>11</b>
<b>9</b>	Let's talk	<b>12</b>

More than ever, managing your wealth demands a comprehensive approach to planning. And greater coordination between all parts of your financial life – from growing to protecting to maximizing your wealth. That is why you deserve advice and services that go beyond personalized investment management. Our comprehensive planning process helps you find multiple ways to avoid life-altering mistakes. Here are a few examples:

**Taxes**

- ▶ Charitable donation strategies, gifting and stock transfer
- ▶ Tax-loss harvesting to offset capital gains in the future
- ▶ Identifying unused pretax/posttax retirement contributions
- ▶ Tax-optimized advice across your portfolio

**Medicare, Social Security and Affordable Care Act**

- ▶ Affordable Care Act subsidy eligibility and retention
- ▶ Social Security optimization

**Insurance and benefits**

- ▶ Insurance review with need vs. cost analysis
- ▶ Comprehensive advice: life, disability, long-term care and liability insurance coverage with advice for the most cost-effective approach

**Second homes, relocation to lower-tax states and mortgages**

- ▶ Interstate strategies for relocating or owning a second home
- ▶ Ongoing mortgage discussions: loan type, interest rate, payment and refinance recommendations

When you partner with us, you can count on exceptional one-on-one guidance for all the financial decisions you face. You'll build a deep relationship with a fiduciary financial planner who's legally required to serve your best interests. And your financial planner is supported by experts in investment management, estate and legacy planning, insurance and more. Together, we'll develop integrated strategies for the future you seek.



---

**WHAT FOLLOWS ARE SIX STRATEGIES AMONG MANY OTHERS THAT CAN HELP CLIENTS TO PROTECT AND GROW WEALTH.**



# 01 How much company stock is too much?



**You've built wealth through your company stock, but are you able to withstand a major decline in that stock and still retire comfortably?**

A common way you may have built a large position in a single stock is through equity compensation, such as stock options or restricted shares from your employer. Or, you might have inherited a large holding of a single stock or sold a business, where payment for your business was in stock.

If you've developed an emotional attachment to a large stock position, you're not alone. Yet, maintaining this exposes you to a much higher risk of loss when compared to a diversified portfolio. We can work with you to implement a personalized investment strategy to reduce the risk of a concentrated stock position.

Here are questions we can consider together and explore how they relate to your individual circumstances and financial goals:

- ▶ **Risk:** How can you measure and manage the inherent risk in a concentrated portfolio?
- ▶ **Taxes:** Can you minimize or defer tax consequences?
- ▶ **Liquidity:** How can you most efficiently monetize your stock?

**Here are four strategies that could reduce the risk of concentrated stock positions.** Your Edelman Financial Engines planner can advise which might be appropriate for you.

1. Sell the position
2. Sell portions over time
3. Transfer to charity
4. Gift to family

Before implementing an exit strategy from your stock position, carefully consider your circumstances and financial goals. We can help you determine which if any are right for you.

## → DID YOU KNOW?

### **Most individual stocks do not beat the index.**

A study found that only 4% of stocks accounted for all the wealth created by the stock market, above and beyond the return of Treasury bills over that period. You'd have to be extremely lucky to pick only those stocks, so investing a majority of your portfolio in a broad index is the best way to ensure that you are invested in the eventual winners.

\* Source: Hendrik Bessembinder, "Do Stocks Outperform Treasury Bills?" (*Journal of Financial Economics*, Vol. 129, No. 3, 2018) 440-457.

02

# Launching the kids



**As your kids move through life, situations arise when you may feel the need to help them financially – times of unemployment, moving to a new city, buying a home and more. When this happens, do you have a plan to provide assistance free of federal gift taxes so you can give more?**

Every child is different – and every family’s financial situation is unique. Your Edelman Financial Engines planner can help you create a strategy to support each of your children individually, helping protect your own financial situation.

First, your planner can provide you with a financial analysis to confirm that you can afford to help your children and how much would be appropriate to help ensure you and your spouse have enough assets to meet your own present and future financial goals.

Then, we can explore gifting options and strategies, including giving money up to the exclusion limits or helping your children to buy a home with support through a down payment or you as a percentage owner. As you consider options to gift funds to your children, we’ll discuss staying within the IRS annual gift limits or under the lifetime gift exclusion rules.

Some parents feel the need to treat each child equally, yet there isn’t a one-size-fits-all solution in these individual scenarios. Your planner can advise you on what type of financial support could be appropriate given their life stages, which can include supporting advanced education for children who are still finding their footing in life and providing a down payment for a house or condo for another who is moving to a new city.



---

**INDIVIDUALS CAN GIVE UP TO \$16,000 ANNUALLY FREE OF FEDERAL GIFT TAX<sup>1</sup>**



03

# Personalized withdrawal strategies



**After you've spent a lifetime accumulating assets, withdrawing funds in retirement creates a new set of challenges – especially as life expectancies lengthen. Creating a personalized investment withdrawal strategy can help reduce taxes and help maintain the standard of living you worked so hard to earn – throughout your entire retirement.**

Whether you're decades away from retiring, approaching retirement or even in retirement, there are strategies you can implement to help minimize your taxes and maximize the money you keep.

You may have heard about the 4% rule, dynamic withdrawals and the bucket strategy. Or you might be weighing the pros and cons of withdrawing from one account versus proportional withdrawals across all your accounts.

Choosing the right accounts to withdraw from at the right times can be a complicated process and can impact issues like tax brackets and even the amount you pay for Medicare.

In 2022, the cost for Medicare Part B ranges from \$170.10 to \$578.30 per month depending on your income level two years prior.<sup>2</sup>

**One common approach is to withdraw from taxable accounts first, which allows your assets in tax-deferred accounts the ability to grow longer and make more money. However, if you have multiple retirement accounts like a 401(k), 403(b), traditional and Roth IRAs, and brokerage accounts, this might not be the best approach for you. We can advise you on the optimal strategy designed for you that can help you increase your after-tax income.**





04

# Our tax-managed investing approach has been patented



**Not all investment strategies produce the same results when you include taxes. A patented tax-managed approach may help you keep more of your assets.**

We can help you cut through the complexity of the tax code and devise strategies to help you defer or reduce your taxes. We can tailor a personalized investment strategy to help maximize after-tax return at the overall portfolio level, rather than minimizing taxes paid in the taxable account.

**This patented methodology works to achieve this goal by:**

- ▶ Taking the tax efficiency and existing gains and losses of your positions in individual funds into account.
- ▶ Using your specific tax information to tailor the portfolio to best suit your needs.
- ▶ Choosing which assets to locate in which accounts.
- ▶ Harvesting tax losses.
- ▶ Rebalancing your portfolio periodically using a tax-optimized algorithm.

**We can build personalized portfolios for our clients based on our institutional-quality approach. In fact, our firm has been awarded 12 patents on the financial technology that powers your portfolio. We can help you make sense of today's complex tax code and to adjust to the changes that are sure to come tomorrow.**



---

**WE HAVE BEEN AWARDED  
12 PATENTS IN INVESTMENT  
MANAGEMENT**



05

# Tax-efficient giving



**You give because you want to have an impact. Have you considered giving strategies that can allow you to donate more funds to your favorite charity through tax-saving methods?**

There are many advantages to creating a donor-advised fund account for your charitable giving. If you're unfamiliar with a donor-advised fund account, it's a donation to charity that you can grow over time.

You choose how your contributions are invested from a pool of funds offered by the donor-advised fund and the money grows tax-free. You can make grants on your own timetable and support your place of worship, your alma mater, the arts and social services or any 501(c)(3) public charity in the country.

There are a number of tax benefits associated with donor-advised funds. A big advantage is the ability to make donations to your donor-advised fund and become eligible to receive a current-year tax deduction for doing so.

You can contribute cash, stock, restricted stock, and even other assets like real estate to your donor-advised fund. You can donate appreciated securities with long-term capital gains at fair market value – not your original cost basis. That allows you to maximize the amount of your donation to your favorite charity and avoid paying a capital gains tax.

You could also combine several years of your charitable giving and contribute to a donor-advised fund in a lump sum – in order to qualify for an itemized deduction on your tax return. Your money continues to grow tax-free inside the account until you are ready to make a charitable donation.

**It's important to realize that your contributions to a donor-advised fund are an irrevocable gift to charity. If you're interested in a donor-advised fund, your Edelman Financial Engines planner, through Greater Horizons, can help you set up a donor-advised fund account for your charitable giving.<sup>3</sup>**

## DID YOU KNOW?

You can donate appreciated securities with long-term capital gains at **fair market value** – not your original cost basis.



06

# Minimizing the capital gain impact



**You may have a large unrealized gain in your taxable brokerage account. We have a strategy to handle capital gains events for new clients.**

A capital gain is an increase in the price of a financial asset between when it is purchased and when it is sold. You may have questions about a taxable event on capital gains when you become an Edelman Financial Engines client. Be assured, we have robust strategies to help minimize capital gains through personalized portfolios.

When we onboard you as a new client, we can create a transition plan that factors in how much you choose to realize in capital gains at first. We don't have to liquidate your entire account all at once – and trigger a potentially large taxable event. We can advise you on which holdings are most desirable to sell and, importantly, develop a plan together to not realize more taxes than you are comfortable with in any calendar year.



# Our story

## A history of empowering people like you

Edelman Financial Engines began decades ago on opposite coasts of the country, born from two firms with a similar goal – the democratization of financial planning and investment management.

On the West Coast, Stanford University professor – and Nobel Prize-winning economist – William F. Sharpe believed investors deserved objective advice. He co-founded Financial Engines to give average investors access to sophisticated investment modeling and portfolio construction tools, which were only available to institutional investors at the time.

Today, we have over 340 planners and 147 offices nationwide<sup>4</sup> and have \$241 billion in assets under management<sup>5</sup>.



AWARDED EACH SEPTEMBER BASED ON DATA WITHIN A 12-MONTH PERIOD. COMPENSATION PAID FOR USE AND DISTRIBUTION OF RATING.

### 1986

→ Acclaimed financial planner Ric Edelman and his wife, Jean, founded **Edelman Financial Services** in the belief that everyone should have a trusted financial advocate. Ric shares his wisdom through his bestselling books and is widely quoted across financial media.



### 1996

Nobel laureate and Stanford University professor William F. Sharpe co-founded **Financial Engines** in 1996. The firm introduced one of the first retirement digital fintech platforms to give working people access to advanced portfolio management strategies.



### 2018

→ The two firms combined into **Edelman Financial Engines**, merging dedicated human relationships with patented financial technology to give individual investors access to advanced portfolio management and personalized financial strategies.



**\$241 BILLION  
IN ASSETS  
UNDER  
MANAGEMENT  
AS OF JUNE 26,  
2022.**

Every financial planner at Edelman Financial Engines is a fiduciary. We are your financial advocate and we always put your interests above all others. Not simply because it's a legal requirement, but because it's the right thing to do.

Our financial planners don't earn commissions. Our business is built around making decisions based on what's right for you.

# How we work

## Objective advice, transparent fees

Our planners don't make commissions. You pay a fee based on the assets we manage for you.

## A team of experts

Your planner coordinates with in-house experts in investment management, estate and legacy planning, and insurance. You get advanced financial planning support specific to your unique and wide-ranging needs.

## Financial planning principles

Our firm-based approach is one of our greatest strengths, and we believe you'll benefit from it too. All our financial planning principles are based on our years of practice and academic rigor. And as new issues arise (such as changes in tax law), we update our guidance.

We conduct extensive and ongoing planner training on these financial planning principles. This helps ensure that every Edelman Financial Engines planner provides you with advice and recommendations that start from our collective point of view – one that has been deeply researched and approved by our team.





# Let's talk

Do you have any questions about this guide, or would you like a second opinion on your financial plan? We can review your financial picture to identify strategies to help you protect and grow your wealth.

**Call (888) 806-1770 for a free consultation, with no obligation.**

The 2021 Top 100 Independent Advisory Firm Ranking issued by Barron's is qualitative and quantitative, including assets managed, revenue generated, regulatory record, staffing levels and diversity, technology spending and succession planning. Firms elect to participate but do not pay to be included in the ranking. Compensation is paid for use and distribution of rating. Investor experience and returns are not considered. The 2018 ranking refers to Edelman Financial Services, LLC, which combined its advisory business in its entirety with Financial Engines Advisors L.L.C. (FEA) in November 2018. For the same survey, FEA received a precombination ranking of 12th.

Neither Edelman Financial Engines, nor its affiliates offer tax or legal advice. Interested parties are strongly encouraged to seek advice from qualified tax and/or legal experts regarding the best options for your particular circumstances.

Neither Financial Engines Advisors L.L.C. nor any of its advisors sell insurance products. Edelman Financial Engines affiliates may receive insurance-related compensation for the referral of insurance opportunities to third parties if individuals elect to purchase insurance through those third parties. You are encouraged to review this information with your insurance agent or broker to determine the best options for your particular circumstances.

<sup>1</sup> Source: IRS.gov. 2022 *Frequently Asked Questions on Gift Taxes*. <https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>

<sup>2</sup> Source: Medicare.gov. 2022 *Medicare Costs*. <https://www.medicare.gov/Pubs/pdf/11579-medicare-costs.pdf>

<sup>3</sup> Edelman Financial Engines, LLC (EFE) makes no representation regarding the suitability of Greater Horizons, a 501(c)(3) public charity, and resources referenced in this material and is not responsible for the actions or services provided by Greater Horizons. In addition, Greater Horizons is not affiliated with EFE or any of its affiliates. The information herein is general and educational in nature and should not be considered as investment, legal or tax advice.

<sup>4</sup> As of 12/21/2021

<sup>5</sup> As of 6/30/2022

© 2022 Edelman Financial Engines, LLC. Edelman Financial Engines® is a registered trademark of Edelman Financial Engines, LLC. All advisory services provided by Financial Engines Advisors L.L.C., a federally registered investment advisor. Results are not guaranteed. See [EdelmanFinancialEngines.com/patent-information](https://EdelmanFinancialEngines.com/patent-information) for patent information. AM2269488.