



VWG WEALTH MANAGEMENT
A Hightower Company

August Ponderings and Musings - Prepare Better

“Give me six hours to chop down a tree and
I will spend the first four sharpening the axe.”
–Abraham Lincoln

“It’s not the will to win that matters – everyone has that.
It’s the will to prepare to win that matters.”
–Bear Bryant

“We try too hard to know the exact future
and do too little to be ready for its many possibilities.”
–Bina Venkataraman

Envisioning Your and Your Family’s Future

August is a great time to go through your financial affairs to stay current and organized. Today’s volatile economic environment reminds us why it is important to stay prepared. Summer months are filled with travel, kids home from school, and lots of fun in the sun. This accompanies a slowdown in business because professionals take their much-needed time off. This all leads to one very important thing – family time!

While you are on the beach enjoying time with your family, we encourage you to consider what you'd like your wealth to accomplish near and long term. Then, it is important to make sure your estate plan and your investment plan align with these intentions. Do your wills, named beneficiaries, or Power of Attorney's need to be updated? Have you carefully planned for large purchases in the future such as a vacation home? Are the terms of your Trusts up to date with state laws, current family dynamics, and your long-term intentions? Make sure to communicate these thoughts with your family and your wealth advisor so all parties are in sync.

Getting Organized and Prepared through Goals Based Planning

Part of preparing better is thinking through your long-term goals. Federal economists estimate that over 2.6 million Americans above normalized expectations retired during the pandemic (*per Bloomberg L.P.*). Family health issues and many other reasons contributed to this, but deeper analysis suggest that the Wealth Effect was a large factor. The Wealth Effect is a well-documented force that says when people are wealthier, they prefer to work less. Asset prices were at historically high levels during 2020 and 2021, which lead to historically high increases in the average net worth of U.S households. Unfortunately, the Wealth Effect works both ways. After one of the worst starts to both the stock and bond markets to begin a year, anxiety levels of those recent retirees could be rising. We are here to help.

At VWG Wealth Management we understand the transition into retirement is often a challenging time for new retirees. For decades the individual has received a steady paycheck and has been an accumulator of assets, building the proverbial nest egg. The sudden loss of a regular paycheck, with simultaneous withdrawals from that nest-egg, is often a stressful time for the newly retired. The stress can be exasperated by periods of market volatility, as we are currently experiencing, and by the uncertainty of future events. To help mitigate this potential stress, VWG Wealth Management uses a Goals-Based Wealth Management approach to help facilitate the transition from the asset accumulation phase to the asset distribution while more closely aligning to the priorities in your life.

The Goals Based Wealth Management approach begins with a detailed financial plan based on our clients' personal goals. We then quantify those goals, and group them into several categories including lifestyle, discretionary, family, and philanthropic. Once we fully understand our client's goals, we are better able to

create multiple custom portfolios matching specific assets, investment strategies, time horizons and risk preferences to meet those future needs and aspirations.

For example, we might set up a Short-term Lifestyle portfolio to be used for any expenses needed over the next five years. The investments in that portfolio will be stable and highly liquid, dampened to market volatility. As those assets are used for living needs, we would periodically replenish, ensuring there are always four to five years' worth of living expenses readily available.

The first step to a Goals Based Wealth Management approach is to prioritize individual life goals. Some questions to consider include:

- What are your current and future core lifestyle needs?
- Do you have any large purchases planned?
- Would you like to pass assets along to your family?
- Do you have a philanthropic interest?
- Are there any other important financial issues you face?

Goals Based Wealth Management also provides a more relevant way to measure performance than traditional industry benchmarks. We measure performance based on how well you are progressing towards the goals that are most meaningful to you. The transparency of this process allows investors to feel more confident in answering other meaningful questions:

- What is needed to achieve my lifetime goals?
- Can I expand and elaborate upon these goals?
 - As an example, upon reviewing their goals based financial plan, a client recently realized they have plenty of assets to leave to their children and grandchildren. Based on this knowledge, the client decided to start using some of those assets now. They accelerated their gifts to their grandchildren's college savings accounts and planned some special family vacations that would create lasting memories.
- What is the expected future size of my estate after meeting lifestyle goals?
- Should I consider planning and wealth transfer strategies to reduce estate taxes?

The global pandemic has reinforced that our lives, and therefore our goals, can quickly change. By preparing with a Goals Based Wealth Management approach, we can create a custom-tailored investment strategy designed to help you achieve what is most important. It should be better able to adapt to life's changes, providing a greater perspective regardless of the ebbs and flows of financial markets.

Looking for Silver Linings Amidst the Damage

Better preparation often entails looking back at the past. Valuable lessons and perspective can be gleaned to assist in making better plans and decisions in the future. This applies to financial and estate planning, and to investing.

The large asset valuation declines we've witnessed this year – including many cloud computing and artificial intelligence stocks, biotechnology stocks, bitcoin and blockchain assets, SPACs, meme stocks and others – makes it hard not to question whether we were in the midst of an asset bubble a year ago. Such a view might be too simplistic, too negative, and too short-sighted.

Prominent venture capital firm Andreessen Horowitz finds it useful to look back on past creation/destruction cycles when attempting to understand today's very confusing landscape. They use a framework that says that any given time in a particular technology, there are two primary modes:

- Search mode – unfamiliar territory, searching for new hills to climb (this could be construed as planning and preparation)
- Hill-climbing mode – exploiting the new opportunity or market.

Applying this framework to the fallout of the 2000 dot-com bubble, and the aftermath of the 2007–09 financial crisis, it turns out that both were when a bunch of “new hills” had just been discovered. In this far-reaching [interview](#) with McKinsey, Marc Andreessen makes a compelling case that similar opportunities abound today. He also gives some great advice to entrepreneurs and operators in navigating through challenging times.

Did You Know?

- To help you “Prepare Better” VWG has several helpful checklists on our website – including a Financial Affairs Checklist & Estate & Trust Planning Guide. Take a look [here](#)...
- Cybersecurity threats are continuously evolving, and cyber criminals continue to employ more sophisticated techniques to obtain personal data and financial data. To best protect your data, VWG will be updating our email protocols to identify and help protect emails with sensitive data. Starting August 12, any personal data transmitted via email will be automatically converted to an encrypted message. You will only be able to access the content using your HighTower Secure Email login. If you do not currently have an account, you can follow these instructions in the below button. VWG team members will resend these instructions whenever we are alerted that an email has been sent to this secure portal.

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- Please remember to verbally confirm any recipient's 3rd party wire instructions to help protect yourself and your financial information. VWG will always call to confirm on your behalf, but some clients take comfort in calling ahead to make sure account and routing information is accurate.
- Each week VWG posts timely articles to our blog, VWG Makes Cents. This summer we have posted the following:
 - [The Economic Impact of Climate Change and How to Protect Against It](#)
 - [Understanding Required Minimum Distributions \(RMDs\) and How to Plan for Them](#)
 - [The Benefits of Valuing Your Business](#)

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If you'd like to hear market news and financial planning tips more frequently, VWG Wealth Management posts articles daily on Facebook, Twitter and LinkedIn. Select topics include financial literacy, financial planning, women in business and tips for retirement. For those interested in more frequent market updates, every Monday we post a Market Note that highlights market trends and indicators for the week. In addition to these platforms, check out our blog, VWG Makes Cents, for more detailed tips from our advisors. To access this information, go to our website, or follow us on Facebook @VWGWealthManagement, Twitter @VWGWealthMgmt and on LinkedIn.



Best summer wishes to all of our clients, friends and their families. We hope you get out and fully enjoy August, and that you finalize plans and activities for the fall.

Take care, stay safe!

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Suzanne, Ashley, Lynette, Michelle, Rashmi, Kay, Ona, Brandi, Justin, Ryan V., Ryan T., Ryan B., Patricia, Elana, Susan, Marnie, John, Rick, and Jeff

[Who we are](#)

Please reach out to us if you have any questions or comments.

VWG Wealth Management
(571) 406-4700
vwg@hightoweradvisors.com

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1919 Gallows Road, Suite 330, Vienna, VA 22182
(571) 406-4700

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