INSIDE: Why acting as a fiduciary and taking a lifecycle approach to wealth management can help build trust and deepen relationships

POSITION YOUR PRACTICE TO UPHOLD CLIENTS’ BEST INTERESTS AT EVERY STAGE OF LIFE

Clients want more than an advisor who can generate investment returns; they want someone who can expertly orchestrate and protect the various financial components of their lives through each major event and change. By positioning yourself as a wealth planner and fiduciary, you can set yourself up to be your client’s trusted confidant for life.

Acting as a fiduciary carries a greater level of responsibility than the typical broker/client relationship. Fiduciaries are bound to act in their clients’ best interests. The regulatory framework around fiduciary status has been the subject of much attention and uncertainty in recent years, in particular for brokerage relationships. Fiduciary status has applied historically in advisory relationships. Adhering to a fiduciary standard gives your investment recommendations a greater weight and level of accountability. This standard requires you to take into account your clients’ entire financial circumstances, making holistic wealth management services even more important.

As you look toward the future of financial advice, it becomes clear that developing a client service model that addresses major life milestones and scenarios is a critical component of that fiduciary responsibility. Taking steps to map the financial lifecycle and having set standards in place for your response can ensure your clients know their best interests are being represented at every stage.

In this white paper, we’ll cover why creating a lifetime advice practice is important, how to position your practice, and what items to consider at each life stage.

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WHY FOCUSING ON THE CLIENT LIFECYCLE MATTERS

Employing this strategy in your practice can be mutually beneficial. Upholding your clients’ best interests throughout their lives can help inspire confidence and build a deeper sense of trust. Clients who have a lifecycle-focused advisor benefit from continuity, resulting in a comprehensive, holistic life plan that ensures nothing falls through the cracks.

Advisors who take this approach often have a “whole life, whole family” philosophy, meaning the next generation is involved and set up to be future clients. Safeguarding the whole family’s financial interests demonstrates your capacity to handle their unique needs at any point, which can ultimately help increase the depth and longevity of your relationships.

At the end of the day, fiduciary responsibility means doing what’s best for your clients for the assets you manage. Taking a lifecycle approach means you plan to effectively do so from their earning years to their golden years.

POSITIONING YOUR PRACTICE

Being a fiduciary and wealth planner requires planning ahead and taking proactive steps to guide your clients for the future. To incorporate a lifetime focus, it’s critical to familiarize yourself with the issues and milestones clients will see throughout their lifetimes, along with the strategies to guide them. That way, you’re able to thoroughly prepare for what’s ahead, armed with the products and solutions clients need, and knowledge of when and how to recommend them.

Setting up your practice with this structure also means creating a system for when life events occur and what steps you need to take at each juncture. For example, if you have a client who is getting divorced, what does your response look like? You may choose to set a meeting, perform an investment review for any separation of assets, and assist with creating new separate investment accounts. Decide on a series of actions you’ll be able to deploy when a major milestone hits so you can be fully prepared to walk your clients through the potential financial impact. Your approach for each life event will be unique to your practice, but it will be an easily repeatable process, allowing you to provide all clients—at any stage—with consistent, knowledgeable service.

New Clients
Introduce a “life stages” conversation during your initial new client meetings. Explain how, in your capacity as a fiduciary, you’ll help them throughout their lives for the assets you manage in an advisory relationship. Create a life map to walk them through each stage, with important life events, related financial activities, and services you can provide. Such a piece is a great takeaway for new clients, as it not only reminds them what you can help with and the value you offer, but it also helps them think about their upcoming life changes in relation to their finances.

Positioning yourself as a wealth planner and fiduciary for advisory services can be a key differentiator for your practice. It emphasizes your strong client focus and sets expectations your clients can rely on throughout your relationship. It also provides an
increased level of transparency into your decisions and recommendations, compensation, and potential conflicts of interest. Upholding this standard and articulating it can also be a valuable prospecting tool for you, as it gives prospects a clear picture of your beliefs and what an advisory relationship with you will entail.

**Existing Clients**
At your next in-person meeting, or in a personalized letter, explain to clients the adjustments to your service model to provide holistic wealth planning. Outline what they can expect from your relationship going forward, and how you can confidently guide them throughout their lives.

In practice, address each major life event or stage before it happens to determine how the client may need to adjust his or her finances. Be aware of what’s coming next for each client, and be proactive—don’t wait for them to come to you. Have milestones in place, and set appointments to discuss them before they happen. Putting milestones and reminders in your customer relationship management (CRM) system is a great way to keep track of where each client is and what they need to do next. Spend time at these appointments talking about clients’ current and future goals, as well as whether their current strategy is a good fit for what’s to come. After a significant life event has occurred and you’ve started your response process, reconnect with the client to either make any suggested adjustments, or check to ensure the changes were appropriate or if they need additional modification.

**LIFE STAGES**
You can break up the full client lifecycle in stages, and depending on the client, certain life events may take place in different stages. Once you examine the issues involved, you may find your own way to delineate the stages and explain them to your clients. However you choose to segment, the plan for response and recommendation is most important. For simplicity’s sake, the four main stages are:

- **Young Accumulators:** Ages 18 to 40
- **Experienced Accumulators:** Ages 40 to 55
- **Pre-Retirees:** Ages 55 to 65
- **Retirees:** 65 and over

**Young Accumulators: 18 to 40**
These clients are in the earlier stages of their careers and working to increase their earnings. With your guidance, they can implement strategies to handle their finances and create the potential to grow their assets substantially over time.

**Working with Young Accumulators**
Delve into the short-term goals these younger clients may have, such as saving for cars, houses, or vacations, but also get them to start thinking about retirement saving. Generally, individuals in this stage have a high risk tolerance for retirement saving, so it’s a good time to get them investing more aggressively, if appropriate for their life, situation, and risk preferences.

Ask them about their overall hopes and dreams, such as career objectives, desires for marriage and family, and the lifestyle they’d like to have. Help with budgeting, and focus on comprehensive financial planning and future needs projection. Some individuals may be hoping to establish a small business in the future, and you can be a valuable consultant as they move through the many thorny issues involved with business ownership.

Product types to bring up include life insurance, for if and when they get married or have kids, and investment portfolios designed to help them save for short- or long-term goals. While clients of this age often overlook life insurance, it can be advantageous because of their age to take advantage of potentially lower rates.
While these investors are beginning their careers, it’s critical for them to understand their employer-sponsored retirement savings vehicles, as well as any personal retirement savings accounts they’d like to open. Encourage clients to take advantage of their employer matching, if it’s available. Because these clients tend to be earlier in their career paths and haven’t yet reached their full earning potential, oftentimes they can qualify for a Roth IRA.

Big life events like marriage and children are also good linchpins for initial estate planning conversations, as many younger clients may not have thought about the necessity of a will or other estate documents.

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<thead>
<tr>
<th>Events:</th>
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<tr>
<td>Marriage</td>
<td>House</td>
<td>Paying off college loans</td>
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<td>Children</td>
<td>Car</td>
<td>Cash-flow challenges</td>
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<td>Career changes</td>
<td>Vacation</td>
<td>Budgeting</td>
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<td>Business ownership</td>
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**Questions to Ask:**

**Goal Setting:**
- What would you like your life to look like today, in 10 years, and in 30 years?
- What are some short-term goals you’d like to meet?
- What goals do you have around your family and career?
- Are there any big purchases you hope to make or trips you’d like to take?

**Marriage:**
- How will you be paying for the wedding?
- Do you have a sufficient buffer in place for unexpected costs?
- Have you discussed creating joint accounts? Will you be keeping your finances separate?

**Children:**
- Do you have sufficient life insurance for your spouse, kids, etc.?
- Do you have a will and other estate documents in place that spell out where your assets would go if you passed away? Does the will lay out who will be your children’s caregiver(s)?

**Experienced Accumulators: 40 to 55**

At this point, clients have likely become established in their careers and family and know what they want life to look like. They’re sure to have specific goals, especially when it comes to retirement—and you’ve laid the groundwork to help safeguard that journey.

**Working with Experienced Accumulators**

In your discussions with these clients, shift the focus from initial life planning and desires to retirement planning and desires. Clients will need help minimizing the gap between what they envision retirement to be and what their assets can give them. Saving for their children’s college education is also a priority for many individuals in this phase of life, even ahead of retirement.
You may have many clients in this age range who will go through divorce and need your expert advice untangling their finances from their spouse’s. If you’re able to be impartial, you may also be able to help with the fair division of assets and what to do with some of the bigger possessions, such as their house. You can assist each individual with setting up their investments as single individuals going forward. In some instances, one partner may have had complete control of the finances, leaving the other with little to no knowledge of their financial affairs and requiring a lot of information and guidance from you.

Additionally, you may have clients who lose their jobs or experience a later-in-life career change. Be sure to discuss any existing retirement plans and the potential options for them, as necessary. In the case your client has a longer period of unemployment, assist them with calculating monthly expenses or other budgeting techniques that will help them maintain their lifestyle without having to tap into retirement savings.

When it comes to product types for experienced accumulators, 529 plans could be key to address the need for college saving. This is a good time to perform a full insurance review for clients, as adjustments may be needed to fit with their current lifestyle. Although it’s a potentially difficult conversation, now is also the time to bring up long-term care options and how clients might envision their later years. Begin looking at insurance options that include long-term care riders and benefits.

Often times, these clients have stock options or restricted stock. Ensure you know how their plans work, track option grants, and help your clients make educated decisions on when and if it make sense to exercise options toward the later years of this stage.

### Events:
- Kids in college
- Divorce
- Job loss

### Saving for:
- College
- Vacations
- Retirement

### Issues:
- Balancing today’s needs with tomorrow’s retirement wants

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**Questions to Ask:**

**Goal Setting:**
- What are some short-term goals you’d like to meet?
- Are there any big purchases you hope to make or trips you’d like to take?

**Education:**
- Are you planning on helping your children pay for college?
- Do you need assistance with filling out financial aid or scholarship applications?

**Retirement:**
- What do you want retirement to look like? Would you be willing to sacrifice some liquidity now for a better retirement later?
- If you weren’t able to take care of yourself in the future, when you’re much older, have you thought about how you’d like to live? Have you considered long-term care insurance?

**Divorce:**
- How do you plan to divide your assets?
- What can I help you learn more about for your financial situation?
**Pre-Retirees: 55 to 65**

The pre-retirement stage is when clients are at their highest earning potential and likely looking forward to retiring, as well as crossing some items off their bucket list.

**Helping Pre-Retirees**

Make retirement planning a priority and help clients shift their assets toward retirement saving. Ask serious questions about retirement needs and desires, and make sure clients understand the reality of their financial situation. It’s even more critical to understand how much of your client’s net worth is tied up in the company they work for. Many people don’t understand how much risk they’re actually taking: Their paycheck is tied to their company and they often have stock options or restricted stock, they may have been participating in ESOPs, or they may even have company stock in their 401(k).

If your clients are business owners, ask them about succession planning earlier rather than later. Help them think through their situation and determine the best way to close out what has likely been a lifetime labor of love. If they choose to sell their business, you can be there to help them appropriately invest the funds for their future retirement.

Engage clients on Social Security to help them select the most optimal timeframe for distributions. This is also a good time to start having conversations about healthcare costs in retirement. Some clients may additionally have an aging parent requiring full-time assistance, which can be costly. You can help these clients determine the best way to pay for such care if they’re in a position to help.

When it comes to product types, revisit clients’ insurance to make sure they’re in a good spot for retirement. You can also start having initial estate planning conversations and bring up the topic of trusts for heirs.

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**Questions to Ask:**

**Retirement:**

- Do you foresee any major expenditures in the next few years, besides retirement (i.e., child’s wedding, parents needing help)?
- Do you feel on track to have the type of retirement you envision?
- Do you know when you want to start receiving Social Security?
- Do you feel good about your current and future health insurance? Do you have any concerns about paying for healthcare costs?

**Asset Transfer:**

- Do you have a business succession plan?
- Have you started thinking about how you’d like to transfer some of your wealth to your children?
Retirees: 65 and Over

When clients reach retirement, many may feel they’ve reached the finish line, but it’s your job to show them there’s still work to be done. Many clients may need help adjusting to retirement after spending the majority of their life working, and you can provide a great deal of value by acting as their retirement coach. Although much of the financial world is focused on saving for retirement, the post-retirement years are some of the most critical and a time when clients need your help more than ever.

Helping Retirees

Help retired clients create their ideal lifestyle with the funds they grew with you. In some cases, clients may be reluctant to draw down the accounts they’ve worked so hard to build and might need some encouragement to start living out their retirement dreams. Reiterate that the plan you’ve created together was designed to allow them to maintain their lifestyle and start exploring the hobbies or destinations they dreamed of.

You’ll also need to help retired clients get serious about estate planning and charitable giving. Ask questions about how they’d like their money to work for them when they’re no longer here to direct it themselves. Have serious discussions about their beneficiaries’ inheritance, and consider offering to set up family meetings with their heirs. Make sure clients have all of their estate documents organized and their heirs know how the distribution process will work.

This is also a time where you may need to have some difficult conversations. Topics like elder care and the death of a spouse are sensitive areas, but ones with which clients need the most help. It’s likely no one else is willing to ask them the hard questions about how they wish to live should they be unable to take care of themselves at some point in the future. Although difficult to do, set up time to discuss scenarios like dementia, illness, and death, with the goal of formulating a plan to manage their finances and affairs in case the unexpected should happen.

At this stage, most clients won’t need new financial products, unless they’re related to estate planning or charitable giving. What they need is your advice, empathy, and listening ear.

Events:
- Retirement
- Death of spouse

Saving for:
- Long-term care

Issues:
- Estate planning
- Charitable giving
- Elder care

Questions to Ask:

Retirement
- Has your retirement turned out the way you envisioned it? What can we do to make sure you’re enjoying the lifestyle you saved for?
- Do you have a caregiving plan if there comes a time when you need some assistance? Do you feel confident in your current healthcare? Do you know how your affairs will be handled if you’re unable to?

Estate Planning and Asset Transfer
- How would you like your money to work for you when you’re no longer here?
- Do you feel comfortable with how your beneficiaries will be receiving their inheritance? Do they understand how the distribution of your estate will work? Would you like me to set up a family meeting to go through all of your estate documents and wishes?
- Are there any charitable giving desires we haven’t addressed?
BUILDING TRUST FOR LIFE

By taking on a greater level of responsibility and commitment, and creating a holistic practice that focuses on the entire lifecycle, you can become your clients’ trusted advisor for life. By keeping ahead of the major life events and stages; employing a systematized, best interest process for client engagement and strategies; and proactively bringing up issues, you can maximize the value you provide and create relationships with which no other advisor could compete.

YOUR PARTNER FOR LIFE’S JOURNEY

To build a practice that puts clients’ best interests first, throughout every stage of life, you need the right partner. At LPL Financial, we have the skills and capabilities to help you create the practice you’ve envisioned. Our innovative resources are available to provide guidance and support in areas including advisory, insurance and long-term care planning, financial planning, estate planning, retirement plans, and more. We’re committed to helping you and your clients’ continued success—at every stage.
YOUR PRACTICE, YOUR WAY

However you envision the future of your practice or program, LPL’s comprehensive support and broad range of innovative business models can help you build and grow your business, your way. LPL understands that independence doesn’t have one single meaning. Whatever lens you view your independence through, LPL is here to support and provide clarity to that vision. Here are just a few ways how:

- Be an independent financial advisor at LPL with access to custodian services and a fully integrated platform to address the varied needs of your clients.
- Leverage the LPL Hybrid RIA model, which allows you to join LPL’s broker/dealer platform while maintaining your RIA firm.
- Join an existing practice, bank, or credit union for established infrastructure, structured support, and access to new referral sources.
- Specialize in retirement plans and leverage tools and resources built by retirement plan advisors, for retirement plan advisors.
- Bring your entire practice or build one—LPL offers customized clearing, advisory platforms, and technology solutions to help create efficiencies and scalability within your practice.

*LPL is committed to your success. Give LPL a call today at (888) 250-2420 or visit JoinLPL.com, and put its capabilities to the test.*

Prior to investing in a 529 plan, investors should consider whether the investor’s or designated beneficiary’s home state offers any state tax or other benefits that are only available for investments in such state’s qualified tuition program.

The cost and availability of life insurance depend on many factors such as age, health, and amount of insurance purchased. In addition to premiums, there are contract limitations, fees, exclusions, reductions of benefits, and charges associated with policy.

Riders are additional guarantee options that are available to an annuity or life insurance contract holder. While some riders are part of an existing contract, many others may carry additional fees, charges, and restrictions, and the policy holder should review their contract carefully before purchasing.

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