WEALTHCARE CAPITAL MANAGEMENT®

The Complete Guide to Wealthcare

David B. Loeper, CIMA®, CIMC®

600 East Main Street, Suite 1240, Richmond VA 23219 p.804.644.4711 f. 804.644.4759 www.wealthcarecapital.com

Table of Contents

The Complete Guide to Wealthcare

Wealthcare is the proprietary wealth management system of Wealthcare Capital Management, Inc. and is designed to ensure your clients experience the dreams of their one life. The Wealthcare System is based on the three premises:

- Confidence in exceeding goals your clients deeply value
- Avoiding unnecessary lifestyle sacrifice
- Avoiding needless investment risk

This five-part guide introduces the basics of Wealthcare and will walk you through the Wealthcare System, step by step, to help you incorporate it into your practice. The subjects of the chapters are:

1. Presenting Wealthcare to Clients & Prospects
2. Discovery Session and Setting Priorities the Wealthcare Way™
3. Presenting Your Advice and Recommendations
4. Implementing Your Advice
5. Ongoing Service - Mutual Commitments & Monitoring - Client & Advisor Obligations

Chapter 1

Wealthcare 101 – Presenting Wealthcare

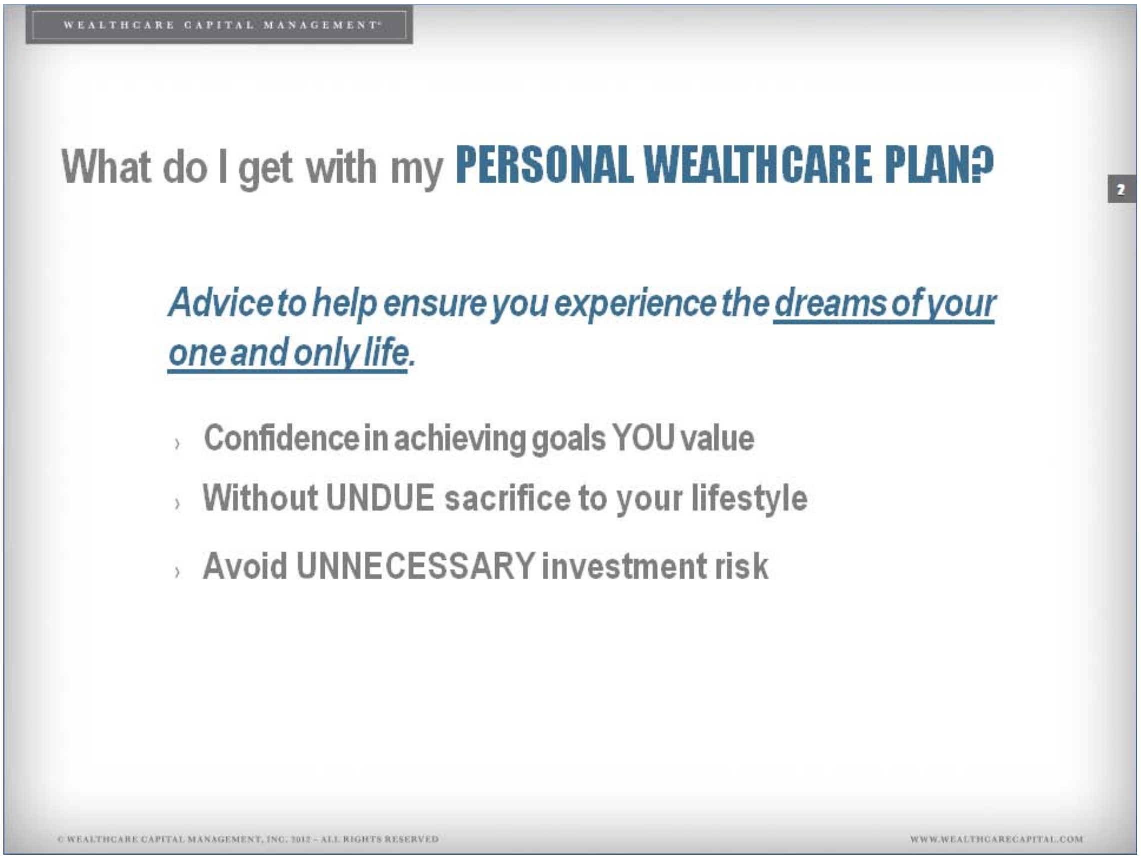
Presenting Wealthcare to clients is the first topic of the series. To help you with this, we have created a presentation you can customize for your practice. The presentation (click here to download) contains all the slides shown below. The quoted material in italics represents our suggested script for each slide...many slides have builds, so be careful to advance through the animations at the appropriate change in script.

Title Slide/Cover*:* You can customize the title slide to include your name, the client's name and/or your logo.

Slide 2: This slide begins the presentation by laying the foundation of the primary premises of Wealthcare.

"We have adopted a completely new advising process focused on one thing…ensuring that our clients experience the dreams of their one life. The premises of an advising discipline that would deliver this value proposition therefore require: confidence in exceeding the goals that each client uniquely and deeply values, without asking them to make any undue sacrifices to their lifestyle, while avoiding any investment risk that isn't necessary. While I'm sure you feel this is what advisors should be doing for their clients, unfortunately, many traditional advisory services contradict these basic premises."

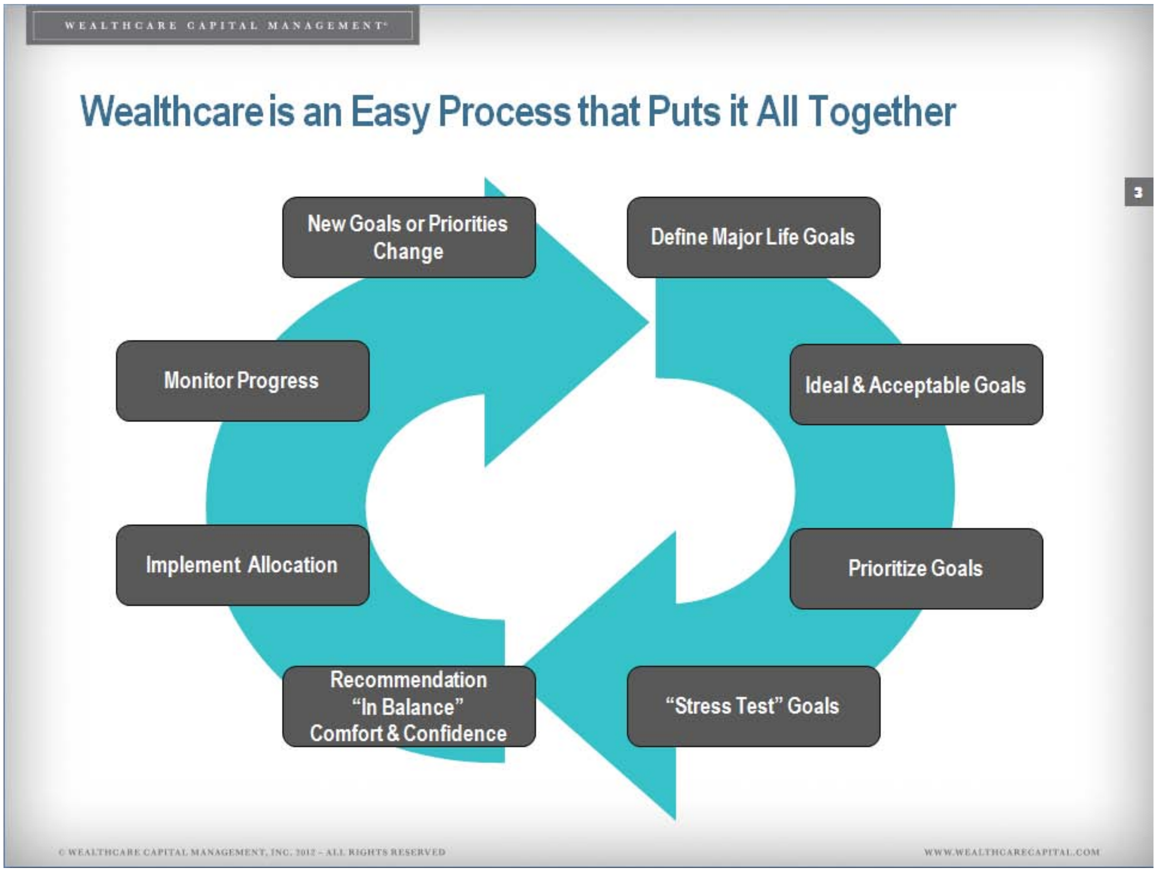
Slide 2: Wealthcare Premises



Slide 3: Here we describe the steps to the system.

"While the system is sophisticated and analytically very accurate, it also is elegantly simple, making it easier for you. We start by defining the main goals you have for your life—the purpose of your investments—in both ideal and acceptable terms. By identifying aspirations (a.k.a. Ideal goals), we are often able to help clients achieve goals other advisors would ignore in their attempt to be realistic. We then understand your relative priorities amongst your ideal and acceptable goals so we can focus on solutions that meet the goals you value more than others. This is necessary to make the most of your life. We then apply a sophisticated and patented stress testing analysis that simulates 1,000 market environments, both good and bad. By combining your ideal and acceptable goals, the dreams you prioritize, and our stress testing analytics, we design a customized recommendation of goals and investment strategy."

Slide 2: The Wealthcare Process



"You can have confidence and comfort that this recommendation is achievable while avoiding unnecessary investment risk or undue sacrifice to your lifestyle at any point during your lifetime. If we properly understood your goals and priorities, our recommendation will confidently exceed those things that are important to you, and we will implement the recommended set of goals along with the proper investment strategy. Whenever you desire, but no less than quarterly, we will give you a simple "snapshot" Status Report that shows you where you stand based on the markets' behavior. This will tell you whether you are on track to meet your goals, and it will expose opportunities to either add new goals or make slight changes now to prevent more dramatic changes later. Finally, we understand that your goals and priorities change over your lifetime and we can respond to such changes at any time. Each time we meet, we will discuss your goals and priorities so those things that you deeply value remain the focus of our ongoing relationship."

Slide 4-6*:* These slides contrast the Wealthcare process to traditional advisory services. Walk through the content on slides #4 & #5, then at slide 6 say:

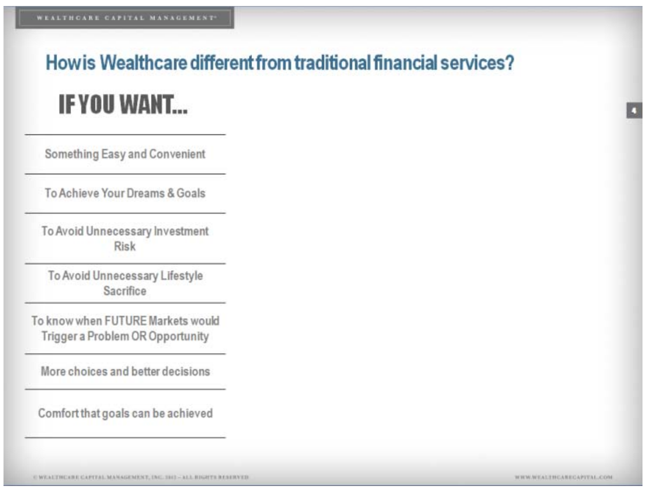
"This process may on the surface appear similar to some traditional advisory services, but because the premises are completely different, the Wealthcare System produces significant additional benefits for you. I'm sure you understand that while there are many details that can be included in the analysis, many of these details really are immaterial to the goals you value. For example, whether your cable bill is $90 or $78 dollars a month is not going to impact whether you can retire at 60 or 65. Traditional services inconvenience you by collecting all the data you have, even if not necessary, which would distract the advisor from those things that really make a difference in your life. With our system, we simply identify only those things that are needed, making the process much easier on you. Traditionally, advisors are trained to 'get clients to be realistic' often for the purpose of

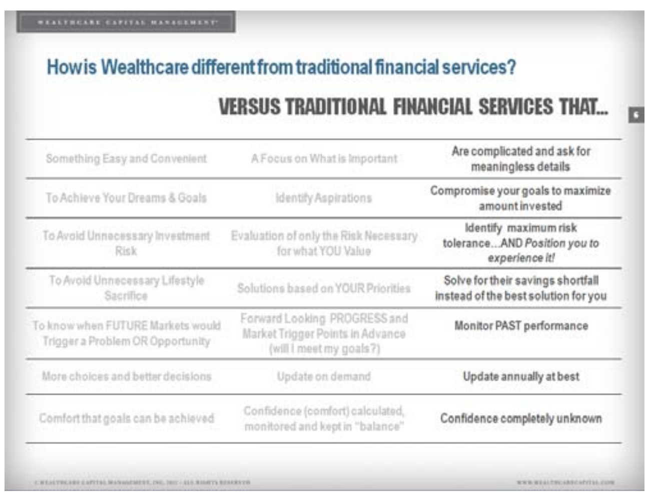
maximizing how much money you invest with them. This 'realism' ignores your aspirations, even though they may be achievable, but with Wealthcare we identify these aspirations in your ideal goals and priorities.

Traditional advisory services usually identify your maximum risk tolerance and then position you in a portfolio to EXPERIENCE IT. In reality, you may be able to have confidence in exceeding your deeply valued goals by implementing a portfolio with less risk than your maximum tolerance. With Wealthcare we analyze this opportunity to avoid needless investment risk. Apart from positioning investors at the highest tolerable risk level, the typical solutions offered by many traditional advisory services focus on saving more, which while sounding noble, also alters current lifestyle. Once again, in traditional services this benefits the advisor by getting him more money to invest, but with our process we can actually find a solution that allows you to DECREASE savings if that is one of your priorities.

Traditional services monitor past performance, which is interesting information, but it cannot be changed and does not tell you what the performance means to you in terms of exceeding your goals. With our system, we monitor on a quarterly basis, and on demand, not only what happened, but whether it has any impact on your confidence in exceeding your goals. This can provide true comfort and identify both problems and opportunities in advance, before they have a major impact on your lifestyle."

Slides 4-6: Contrasting Wealthcare with Traditional Services





"Traditional advisory services not only ask you for a lot of inconvenient and unnecessary information at the beginning, but also any time you want an update. Because of the complexity, many advisors only do this annually or perhaps even less frequently. With our system, not only do we focus on those things that matter, but if your goals and priorities haven't changed, the only thing that needs to be updated is the value of your investments, so

it is easy to tell you where you stand at any point in time. This offers you more choices and allows better decisions since we can easily measure the impact for any question like: Does it have any effect if I save this unexpected bonus award or if I spend it?

Finally, many traditional advisory services disclose away the fact that no one has any idea of whether things will work out as projected. Read the fine print and you will basically see that the projections should NOT be relied upon. This leaves you completely in the dark. While markets are uncertain, we actually measure how confident you can be in exceeding your financial goals and anticipate both bull and bear markets. This can provide you comfort and confidence that we can constantly modify your plan as needed to make the most of your life even in extremely poor markets. With our quarterly monitoring, the impact of really poor markets on your lifestyle will be identified early so corrective action can be taken to avoid more dramatic changes to your lifestyle that you would otherwise have to make later."

Slide 7*:* Having laid the conceptual foundation, the next step is to start walking the clients through the practical benefits of the system.

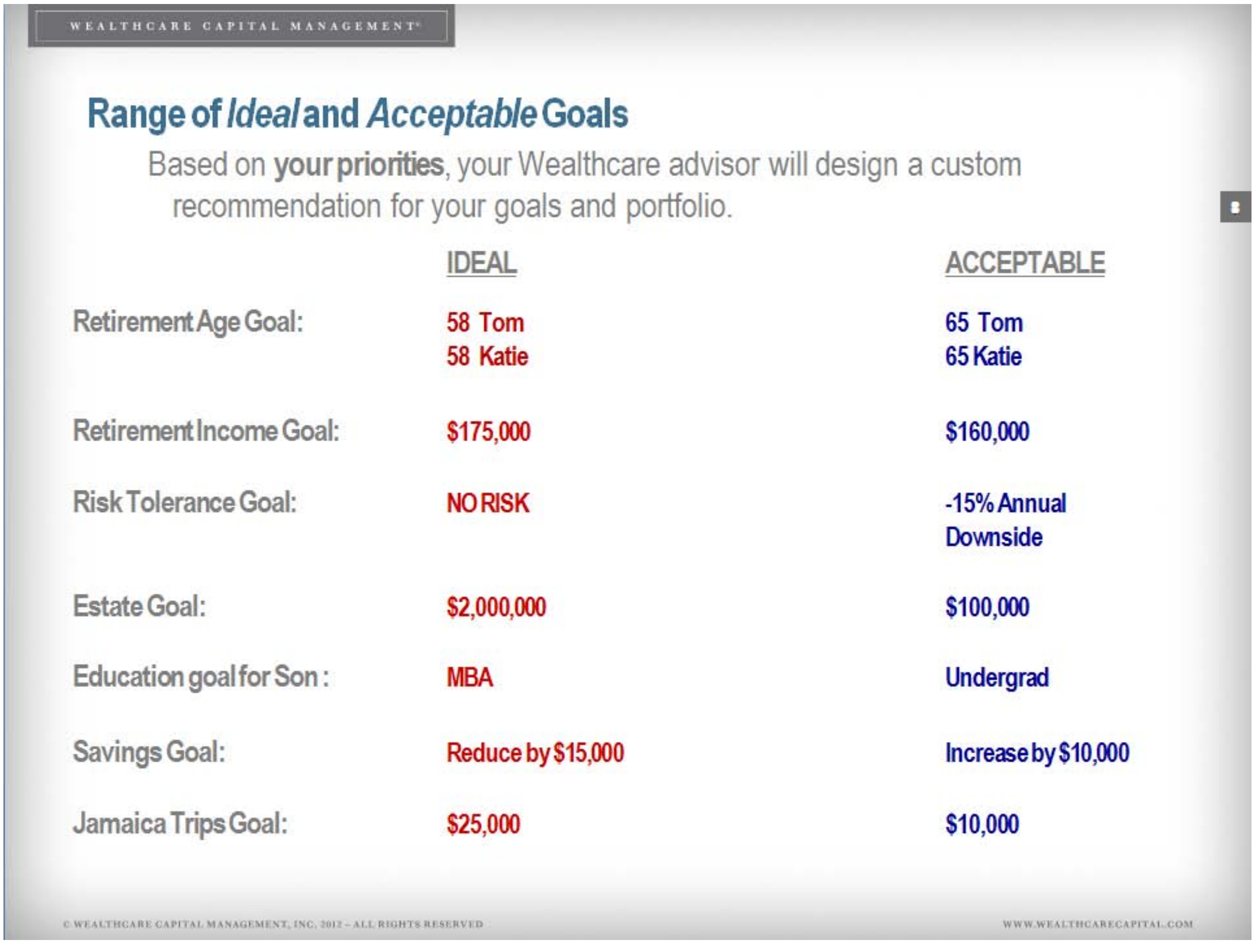
"While all of this may conceptually sound appealing, perhaps the best way to demonstrate the specific benefits you might find from this process is to walk you through how it worked for an example client. Your assets, goals and priorities will no doubt be different, but the tangible benefits to them are likely to be similar to the types of benefits we can provide you.

Tom and Katie are both 58 years old with a 19 year old son in school. Their combined income is $395,000 a year, much of which is used to rapidly pay down mortgages on vacation and rental property. They love to travel and would like to reduce how much they are currently saving towards retirement so that these workaholics can start to use some of their vacation time before retirement. They would like to fund educating their son through graduate school and while retirement age isn't a priority because they both love their work, once they do retire they want to enjoy their lifestyle and continue to travel even more. They have about $2.4 million in liquid investment assets split between a taxable joint account and their 401(k) plans."

Slide 7: An Example Wealthcare Client

Slide 8: "*In defining this example client's goals, we see that we have very simply identified their major life goals, both in terms of acceptable goals (like traditional financial plans) as well as their aspirations or ideal goals. Ideally, if they won the lottery, they would retire now at age 58, but because they love their work, they wouldn't feel as though it was a sacrifice to work to age 65 if it were necessary to confidently exceed other goals they more deeply value. If their mortgages were paid off and they could spend $175,000 a year, they could enjoy a somewhat better lifestyle than they are now, but they wouldn't feel as though it was a sacrifice if they could only afford to spend $160,000 a year in retirement. Ideally, if they could afford to have essentially a risk free portfolio and still confidently exceed the goals they value, they wouldn't take any more investment risk, but if it were necessary to exceed other goals they value more, they could tolerate a portfolio allocation that has about a 1 in 20 chance of losing more than 15% in any one year. Ideally, they'd leave behind an estate that is worth almost as much as their current assets, but their estate is not a priority to them, so it would be acceptable to leave behind only $100,000. Later on we will learn about a priority they have between this range. Ideally they would fund their son's education through graduate school, a very high priority for them, but if it were necessary, their son could be asked to fund graduate school himself. Ideally, they would reduce how much they are currently saving to use more of their vacation time to travel, but if it were needed, they could afford to save $10,000 a year more. Finally, when they retire they would ideally spend five weeks in their favorite destination, Jamaica, which costs $5,000 a week, but if times were hard and markets unkind, they would still spend at least two weeks a year in Jamaica in retirement.*"

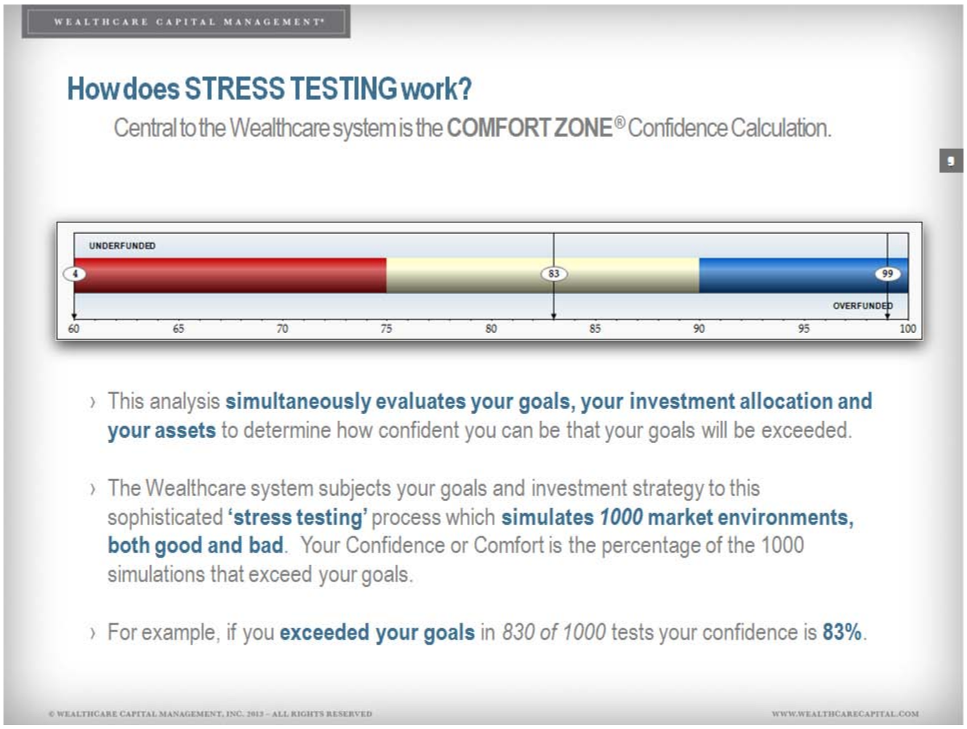
Slide 8: Range of Ideal and Acceptable Goals

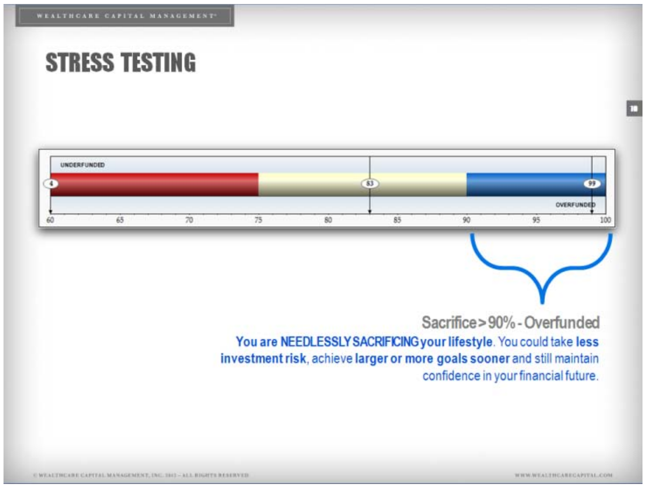


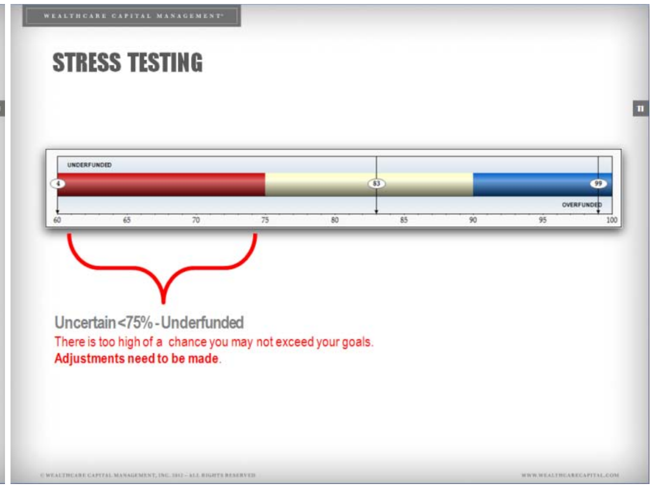
Slides 9-12: The "stress-testing" system and the concept of balancing confidence and sacrifice is the subject of slides 9-12.

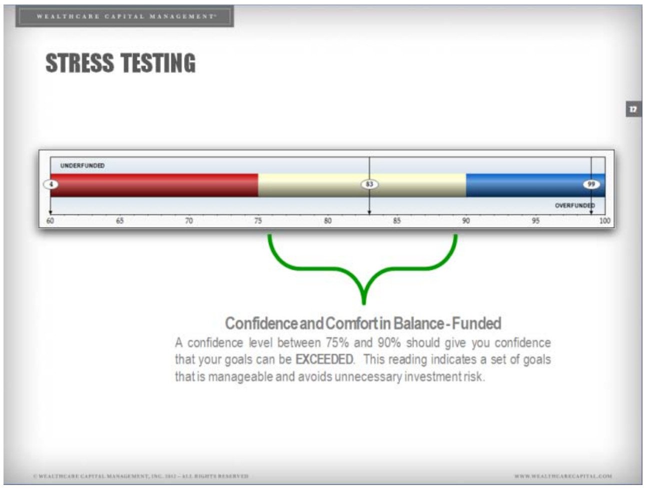
"This is how we are going to analyze your goals and investment strategy. I mentioned earlier that we use a sophisticated and patented stress-testing methodology that simulates 1000 lifetimes of investing. The results of this analysis expose the balance between being confident and comfortable versus being overfunded with undue sacrifices to your lifestyle or underfunded with too much uncertainty."

Slide 9-12: Stress-Testing Process









"Simply put, we measure the percentage of 1,000 tests that you met all of your goals and ended up leaving an estate larger than your targeted end value. If 900 of 1000 simulations or 90% of the simulations left you with a larger estate than your target, this means that you are over funded and making undue sacrifices to your lifestyle since the market environments simulated at that level are similar to experiencing both the Crash of '29 & Great Depression. By contrast, if the number of trials that met or exceeded all of your goals were less than 750, or 75%, we think this leaves you underfunded and too uncertain. This doesn't necessarily mean you would run out of money, it means that some changes would likely be needed to put you back into the Comfort Zone®. We think that having more than a 1 in 4 chance of needing to change your plan just based on moderately adverse market environments provides too little confidence and we would not recommend planning on something that uncertain. Between 75% and 90% we think you are "in balance"…having a high confidence level that your deeply valued goals can be exceeded or at least be manageable through ongoing monitoring, providing you with comfort, yet not making undue sacrifices to your lifestyle by living your life planning on things going worse in the markets than they ever have in the past."

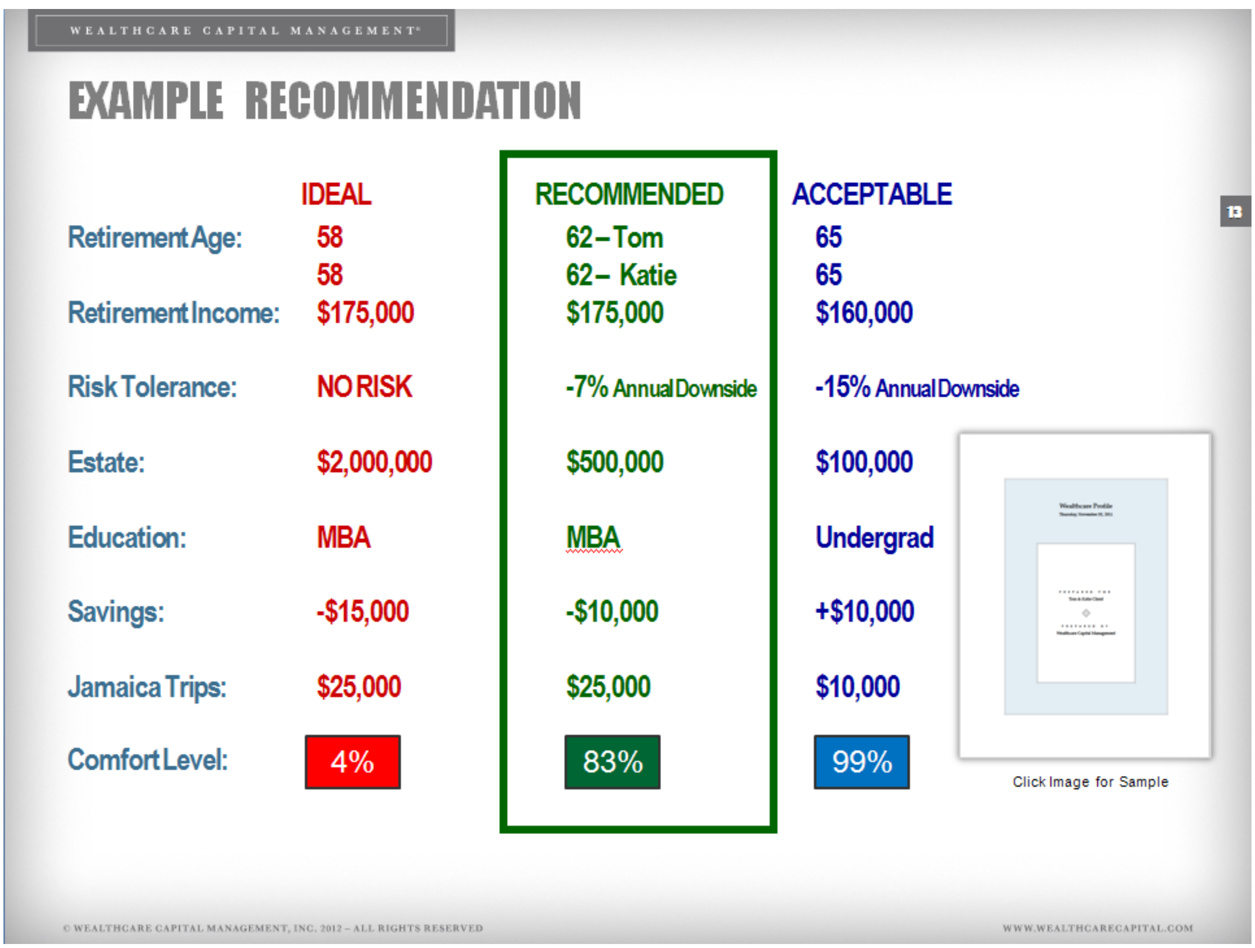
Slide 13*:* The results of applying this analysis on their range of goals is covered in Slide 13.

"Here we see the results for the range of goals for this sample investor. As often is the case, we can see that the acceptable goals identified in traditional advisory services needlessly sacrifice many goals and leave this investor with a 99% chance of exceeding those goals while needlessly sacrificing the goals they valued. Yet realistically, it is unlikely that they can be confident of exceeding all of their hopes and dreams as outlined in the ideal goals, having only a 4% chance of the markets providing returns sufficient to exceed all of these goals; or viewed another way, a 96% chance that they would be forced to make changes and compromises to this set of goals."

Further, we show them how we designed a recommended set of goals and investment strategy that is "in balance," based on the sample client's priorities.

"Here we see how we met the premises of this process, of confidence in exceeding deeply valued goals, without undue sacrifice or needless investment risk. Now your priorities may be different, but for this client those things they viewed as critical were educating their son, their retirement lifestyle and traveling now and in retirement. For them, something they would like but was not as critical was avoiding dramatic increases to their savings and if possible taking less investment risk. Of even lesser importance to them was the size of their estate and their retirement age, especially if they could afford some vacations now and up to retirement. Everyone is different and has different priorities, but you can easily see how our recommendation gave them confidence that they could exceed their goals and let them live the only life they have in a way that suited them...which, unlike many traditional advisors, also suits us. We may have less to invest, but we think it is our fiduciary mission to meet what is important to our clients."

Slide 13: Results of the Analysis



Most of your Wealthcare clients will not only be interested in a sound planning strategy, but they're also interested in efficient implementation of their strategy through their investment portfolio.

"We accomplish this through the use of our Wealthcare Portfolio approach. These are all highly diversified, low cost, total market portfolios designed to deliver market returns while simultaneously reducing uncertainty and risks we can control (like costs and taxes). But please understand that this isn't a "set it and forget it" approach to investing, nor is it a simple "buy and hold" strategy. These portfolios are designed to work in concert with your Wealthcare Plan and can be efficiently adjusted as we determine investment changes are warranted through the regular updates to your Wealthcare Plan."

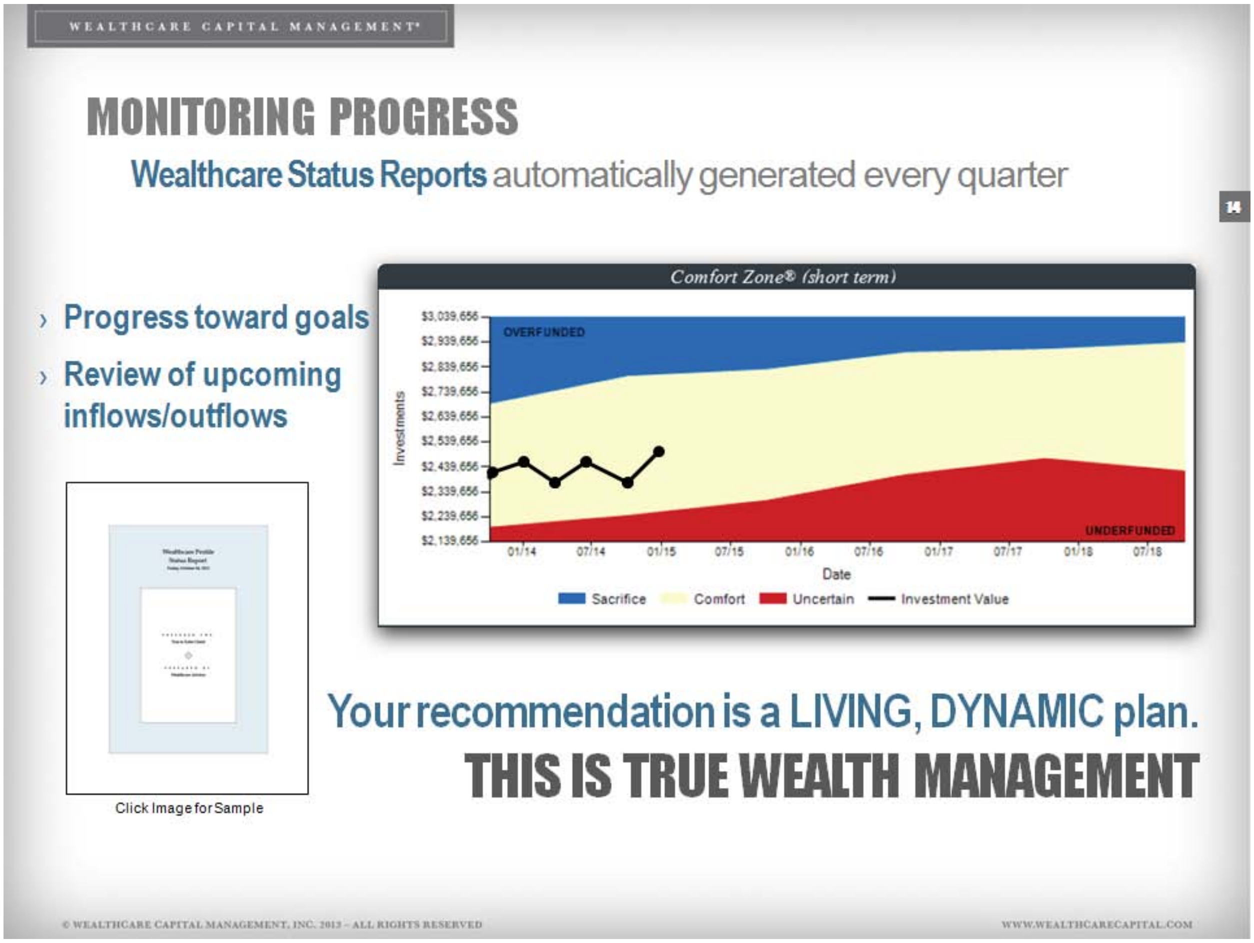
Slide 14*:* This slide transitions to the discussion of making sure the recommended strategy happens through ongoing monitoring.

"Once we have the right combination of goals and have implemented the appropriate investment strategy, we feel it is our job to make it happen and to keep you comfortable that you are on track. At least quarterly, but also anytime you wish or in extreme positive or poor markets, we can show you where you stand by simply updating your portfolio values."

On slide 14, we show them an example Comfort Zone® "snap shot" report.

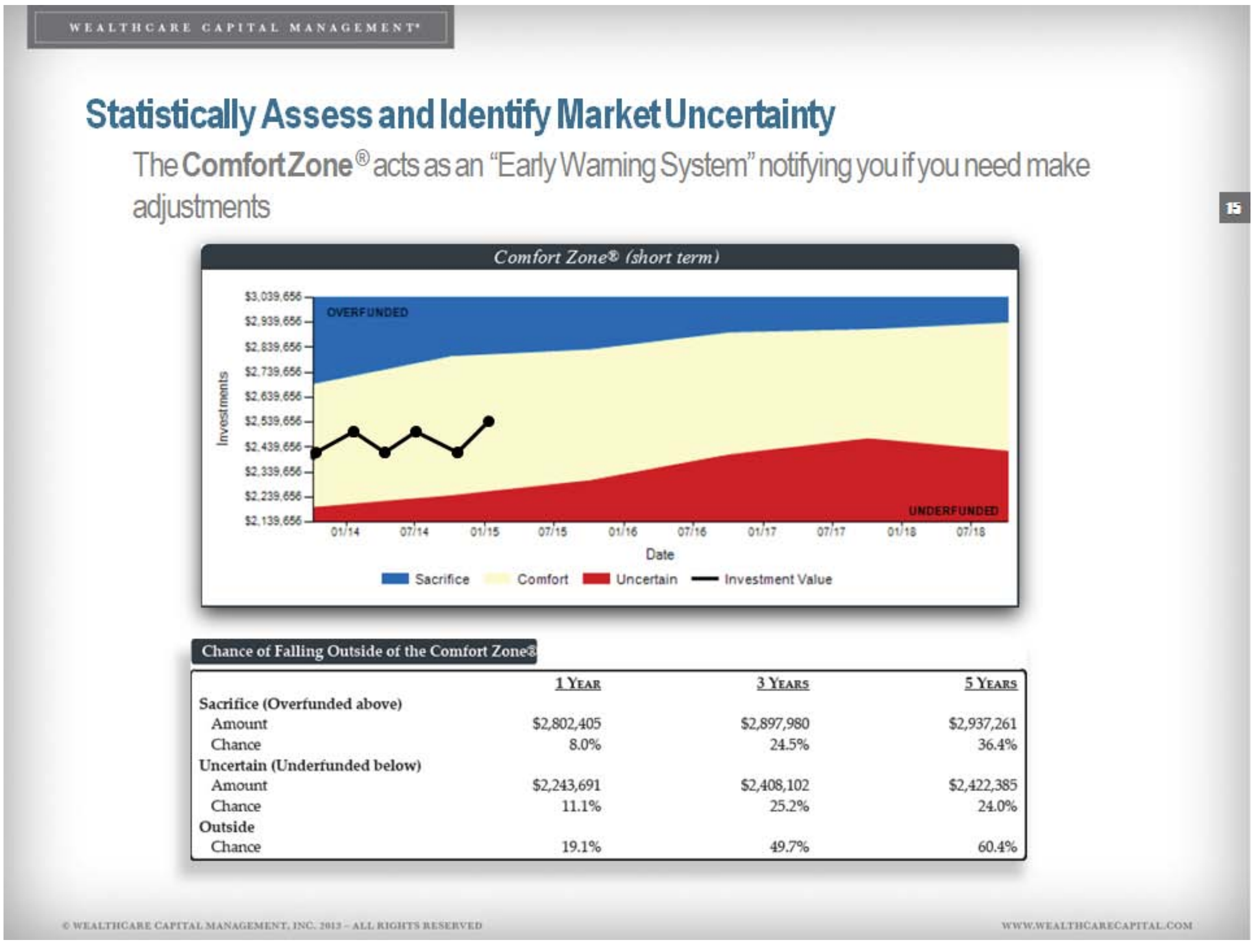
"With updated portfolio values we can measure your confidence level and actually track your portfolio along the way. We can even tell you the specific dollar levels in future years we need to watch out for, whether offering opportunities to achieve new or larger goals as where your portfolio drifts into the 'Overfunded' zone, or suggesting some minor changes if particularly poor markets happen and things start to become more uncertain or underfunded."

Slide 14: Monitoring Progress and Exceeding Goals



Slide 15: *"Of course, a primary part of Wealthcare is the acceptance that no one can predict the future with regard to investing or anything else. So we don't waste our time and your money trying to do so. However, based on the patented Wealthcare stress testing system, we can statistically calculate the odds that you will move out of your personalized Comfort Zone® and into overfunded (needless sacrifice) or underfunded (too uncertain) status over the next 1, 3 and 5 year periods. And since we update your plan and these statistics on a quarterly basis, while we can't see the future, we can have some perspective of what we need to pay attention to in your Wealthcare Plan."*

Slide 15: Our Wealthcare Monitoring & Early Warning System



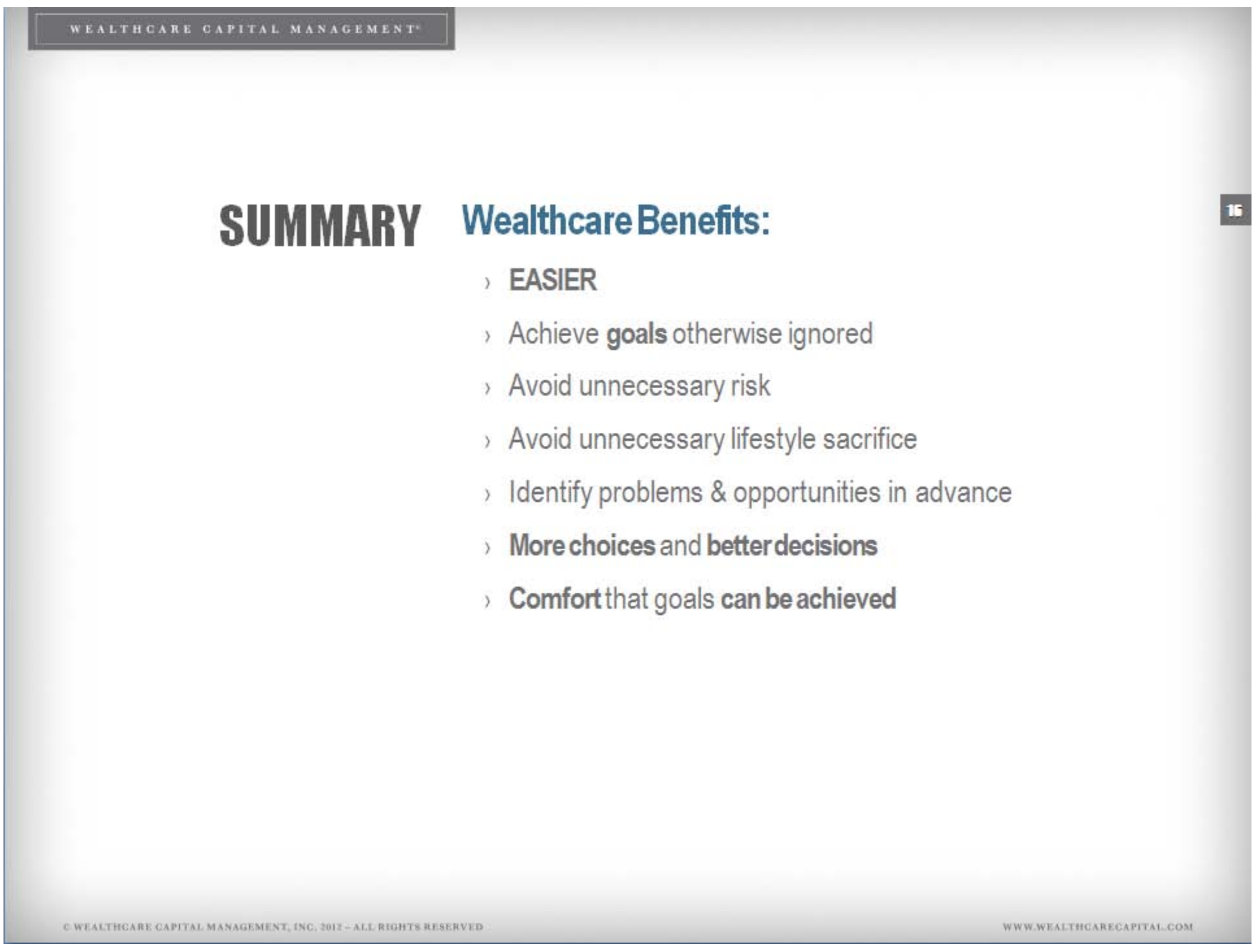
"Performance reporting is nothing more than "yesterday's news". It already happened and cannot be changed. It is a bit like going to the doctor after you are already dead! Of course, we think that you should understand what you own, why you own it, and you should become familiar with how these investments react to different market and economic environments over time. We don't base our recommendations or any advice on past performance but we are committed to complete transparency in our communications with you and performance reporting is part of our fulfillment of that commitment.

We're not alone in our efforts to make the most of your one life. In fact, in addition to the work I do for you, there is an experienced team of professionals behind me, all of whom are just as committed as I am to delivering on the Wealthcare promise."

Slide 16*:* This slide summarizes the benefits of the system and moves them to the next step.

"Mr. & Mrs. Prospect (or client)*, this new advisory system is the first time we've had all the pieces of the puzzle put together to help you get what I suspect you really want from a relationship with an advisor* (or 'me' if a client). *You may not find all of the benefits of this system are valuable to you, but clearly some of these would be helpful. So, whether you like the fact that it is easier, that we can achieve goals that may have previously been ignored, avoid unnecessary investment risk or undue sacrifices to the only life you have…whether you like knowing we can identify the market events that would be either problems or even opportunities for new or larger goals in advance… or whether you like having the decision support system available on demand to see if tactical questions make a difference…or…if all that you are looking for is comfort, Wealthcare can give you confidence that you can live the one life you have knowing you can make the most of it. I believe we should use this system for you. I'd like about an hour of your time to outline your ideal and acceptable goals and understand your priorities. Could we discuss those now, or would you prefer to schedule another time to discuss them?"*

Slide 16: Summary



Our research has shown that by walking through this presentation with a client or prospect, you have an unbelievably high chance of getting them to the next step. You may get specific questions about how the analysis is done, what it costs, etc. so you should prepare for how you would respond to these questions. In general though, keep the focus on getting to the goal setting and prioritization by saying, *"Perhaps the best way for you to see this is to see how it might work specifically for you…can we invest an hour to discuss your goals and priorities? I think it would be much more understandable if it was specific to you."*

In the next chapter, we will walk you through profiling the client the Wealthcare Way™.

Chapter 2

Discovery and Prioritization - The Keys to the Kingdom

Many financial advisors literally despise this aspect of their advising process. When we look at traditional client profiling/data gathering, who could blame them? The client never has all the information you need, there is always a statement or two missing, it takes forever, you are constantly arguing with the client to get them to be "realistic" and the result is a step in your advisory process that the client hates as much as you do. With traditional advisory services, the profiling/data gathering is like the bad medicine both you and the client have to swallow in order to get better.

But there is a better way. The Wealthcare System recognizes that the two main problems with traditional client profiling are gathering needless detailed information and artificially constraining goals to be "pseudo-realistic." Avoiding these two problems is an important feature of a client discovery session done the Wealthcare Way™. The benefits are tremendous, because if you make the system easy and painless and identify the client's priorities without artificially constraining the conversation to be "realistic," they will tell you exactly what they will buy...you just need to listen. For many of us, listening, or creating the opportunity to listen, is hard. Our sales skills generally have us either talking or waiting to talk.

Our suggestion is to begin the process by focusing the conversation on what is important: the goals (not the details) in the client's life. While the data input would be easier if we started with the facts and figures, don't start the discovery session here...start with their goals, in their language.

In fact, before you ask any specific questions, start with something like, *"Mr. & Mrs. Jones, tell me about the things that are most important to your life...the things that concern you the most...the things you do not want to have to worry about. I want to understand your goals in terms of what <u>they mean to you and why you value them</u>."*

Most people, when asked this type of question, will talk about things like wanting a comfortable retirement, educating their children or grandchildren, avoiding being a burden to their children and leaving a legacy or protecting the wealth they've accumulated from erosion. DO NOT let our questionnaire guide the conversation...let the client guide the conversation. You will need to become adept at jumping around the questionnaire should specific information be revealed (i.e. I **want** to retire at 59) and filling out the appropriate blank at that point. More than likely though, you won't get anything you can input on the form, at least not yet. However, you will learn the things that need to be discussed further, and you will be able to discuss them using the client's words, instead of yours or ours.

When the client is talking, record notes about what they say in the margins, on the back of the form, on a notepad (see example at the end of this chapter), or with an audio recorder (if the client is comfortable with that). Pay particular attention to capture anything the clients say with a lot of emotion. Make an effort to NOT TALK. You should only talk 10-20% of the time, primarily to ask questions to guide the conversation. ASK WHY! It is a powerful question. When you're not talking, you should be actively listening and engaged in what your clients are sharing with you. When the client is finished with their response to your first question...wait. Wait for what seems like an uncomfortable period of silence, and if the client starts talking again...listen and repeat the waiting process. If the things they talked about were all long-term goals, say something like, *"Well it sounds like you have a good idea of the things that are important to you in the future, but is there anything you would like to do now, or sometime in the next five years that you didn't mention?"*

Repeat the waiting and listening process and see if there is another one of those emotional hot buttons, such as...we'd really like to take this exotic trip for our 25th anniversary, I'd like to go back to school and get my MBA, or we have been thinking about buying a boat. Add these sorts of things to your notes.

Some advisors are very skilled at this process and go on to the step of eliciting dreams from their client. They might say something like, *"I think I have a sense for what is important in your financial life…but, I want to make sure we make the most out of the one life you have. If you found out you were going to die tomorrow, is there anything in your life you would regret having not done?"*

You may discover that they always have wanted to open a café, take a fishing trip with their father or son, or spend a week in New York shopping by day and going to shows at night. Listen for these and add them to your notes.

Now that the client has given us some "big picture" goals, it is time to turn them into the measurable terms we need. When they say "comfortable retirement," what does comfortable mean to them? When they say they'd like to retire early, how early is early? When they say they want to travel, what kind of trips would they take, how much might they cost, and how often would they take them? Using your notes about conceptual goals as a guide, talk about each goal focusing first on their aspirations (i.e. as much as possible and as soon as possible). Make sure you coach them to dream big enough. Ask them if they won a lottery for millions, what would change in their ideal goals? What would they move sooner, what would they make bigger, and of course, WHY would they make those their ideal goals?

For each conceptual goal, we are trying to understand a couple of simple things. How big is the goal in dollar terms? When would they like the goal to happen? Each "dream" has a "dollar" and a "deadline" associated with it. This is the information we need. Some goals have multiple deadlines as in a travel budget for the first 10 years of retirement or tuition costs for a child. Others are single, one-time amounts like buying a boat, or taking the 25th Anniversary train ride through the Alps. Even their estate goal is nothing more than a date (death) and dollar amount (size of estate).

However, in general clients have not figured out in detail that age 58 is the absolute right retirement age, their travel budget needs to be $12,122.38 a year or they have $7,239 a year available for additional savings. In fact, generally clients are much MORE realistic than we give them credit for because they are actually coming to us looking for advice about these things...when can they retire, how much could they spend on travel, etc. Traditional profiling makes these things the client's responsibility while Wealthcare includes it as part of the advice you give. Clients are desperately seeking advisors who will advise them on these things AND their investments...not just their investments.

You will need to develop your own style for getting the dollar values and deadlines, but in general it is easier to start with their "ideal" goals assuming as much as possible as soon as possible. If clients are artificially constrained and excessively conservative when talking about ideal goals, use the lottery technique or ask them if their portfolio doubled, would they move their ideal goal sooner, or make it bigger. For example, say you are trying to determine the goal of retirement age since in your conceptual discussion the client said they would like to retire early if possible. The client has not calculated a specific age of "59"...they just know earlier is better. You might say something like, *"One of the goals you talked about was retiring early…and we may be able to achieve that, but, how early is early?"*

When they give you their answer, don't assume that is their ideal retirement age. Ask the other side of the equation to get a sense for whether they're trying to be "realistic" or aspirational. For example, if the client says...58 or 59, ask them a follow up question like, *"OK...58 or 59 is what you meant by early retirement...so 60, 61, or 62 would be unacceptable?"*

If they respond with a "*Yes, 62 is definitely not my idea of early retirement,"* then you know they were being realistic and you need to ask them some aspirational questions like, *" would you retire at 55 if you could?"*

After the client gets up off the floor (they aren't used to those kinds of questions from a financial advisor), listen to what they say...if their eyes light up with enthusiasm and they ask, *"Do you really think that might be possible?"* you have landed on their real ideal aspiration.

Likewise however, if when we asked about later retirement ages the client responded with *"62 is fine and I'd be happy if we could do that"* then the client was being aspirational in their first response and you have the starting point for the next question, *"If it were necessary for you to work longer to achieve other goals that you felt were more important, how long would you be willing to work?"*

For each one of the conceptual goals (dreams) the client mentioned and you noted when you first started discussing goals, you need to go through this exercise of finding their true ideal and acceptable definitions of timing (deadlines) and size (dollars). Don't dwell on things that are immaterial. If the couple starts arguing about their travel budget needing to be $15,000 versus $13,500, split the difference or say something like, "*I'm sure we can achieve a $15,000 a year travel budget, and if not we can look at it again later.*"

The main thing is to keep the main thing, the main thing. There are a few primary levers you can pull that really are the heart of their financial lives. So, don't dwell on the small things...instead focus on:

- When they retire (if they are not already)
- Basic retirement income need and the numerous other spending goals once retired
- The size of their estate
- Their savings (if they are younger...it may not be material if they are within a few years of retirement)
- Investment risk

Each of these can have an equally powerful impact on the confidence they can have in exceeding their goals. These are the things to focus on, and for each one of these it is critical that you identify an "ideal" deadline (when) and dollar amount (size) that they would truly be happy about under the context of extremely rewarding markets, as well as how far off of "ideal" they can go while under the context of extremely poor markets. When a client is being unrealistic about their acceptable goals, say their acceptable travel budget is $10,000 a year (if needed), I reflect that back to them as, "So we are in a Great Depression and your neighbors are waiting in soup lines just to survive, but you are still going to Jamaica for two weeks a year." In our system, since we don't needlessly compromise goals, it is very unlikely that we would ever restrict it that way UNLESS it was necessary and we were in a Great Depression. It is much easier to be prepared for how to deal with really bad markets, if you are, well…prepared.

When it comes to investment risk, the Wealthcare profiling process is much easier. There are two things we are trying to identify. **Their "ideal" risk tolerance is their point of indifference**. If they really are indifferent about -5% downside risk, then there is no reason to consider the risk averse -3% downside portfolio. But, whatever they settle on, make sure they really are indifferent and comfortable with that risk level. Just as when we discuss other goals, identifying their maximum tolerance for risk is done by saying something like, *"As you know, we will avoid investment risk that is not necessary, But if it was necessary to accept more risk than that associated with the portfolio you were indifferent about, in order to meet goals you felt were important, how much risk would you still find acceptable?"* (Click here for a helpful graphic.)

After going through this exercise for all of the "main things," and noting other less material goals in the "other goals" section, it is time to start getting the other, more detailed financial information. This will be a bit more like traditional planning profiles...start with the correct spelling of their names, birth dates, earned income, etc.

Then move on to the value of their financial assets. Start by asking them, *"Excluding your home, cars, real-estate, and collectibles, what is the approximate total value of all of your liquid investment assets?"* Some people will know this off the top of their head. Others will start going through their balances account by account. Let them work through it in the manner they feel comfortable, knowing that what you ultimately need to get to is the total dollar value broken into taxable accounts, tax deferred accounts and exempt accounts such as Roth IRAs and 529 plans.

Then ask them how much they are saving on a regular basis, and which accounts those savings go to. If they want to talk a lot about the apartment building they own, their home, beach house and related mortgage balances, include this in the non-investment assets section.

Now comes the high pay-off part. We have their goals framed in ideal and acceptable terms both by when (deadlines) and size (dollars), their ideal and acceptable tolerance for risk, the value of their investments and how much they are saving. The last thing we need is their priorities...this is where the big bang comes from.

For each of their primary goals...the big ones (again don't sweat the small stuff)…we want to know if they would compromise other goals (or perhaps more accurately, if they don't view it as compromise) to achieve that goal. Take our early retirement example. To achieve early retirement, would they be willing to take more investment risk? How much in their current lifestyle is early retirement worth? Put a price on it in terms of how much they are willing to save. Focus on each main goal and identify the things they would do to achieve that goal.

Be careful about discussing inconsistencies in their responses. For example, often clients will say they would be willing to reduce their retirement spending to retire earlier, but then later respond that in order to spend more in retirement they would be willing to work longer. Try asking the question with a different focus to understand which priority is more important...when or how much? You obviously cannot logically say you would be willing to spend less to retire early yet be willing to work longer to spend more...this is what you need to understand to craft advice for clients that has meaning.

Once complete, ask if the client is satisfied that you discussed the most important things with them. Ask them if there is anything else they want to address. Then summarize the key points....

For example:

"Mr. & Mrs. Client, I think I have a good basic understanding of what is important in your life. As I understand it, you would like to retire early and reduce your savings to do some traveling now, pass your inheritance from Tom's father to your son, and you are fearful of the risks present in the market. From our discussion, these were the main things that were most important to you. We also discussed taking an annual trip to Jamaica for $25,000, paying for your son's tuition through graduate school. Did I understand your desires accurately?"

If they nod and look comfortable, you are ready to lay the foundation for the next meeting. *"It will take me a while to analyze and balance all of your goals, priorities, investments, etc. to make sure that we confidently exceed the goals you value, without undue sacrifice to your lifestyle and to avoid unnecessary investment risk. Could we schedule a time about two weeks from now so I can work with our analysts to determine all of your options and design the best solution for you?"*

In our next chapter, we will address how you present the recommendations. The Wealthcare discovery process is easy if you speak the client's language and listen. The form (download it here) isn't what is important, it is the information you get by listening to the client, counseling and understanding them and ASKING WHY. If you learn these skills, the resulting recommendations that can be made will be exactly what the client wants. They will tell you what they want, if you listen.

Sample Notes From Profiling Session:

Discovery Session with Tom & Katie Client

GOALS:
- "comfortable" retirement
- don't want to be burden on son
- make sure son, Tommy is educated
  Tom always wanted to go to grad school but couldn't afford it...
  seems to be important to provide option to son.
- Took a trip last year to Jamaica (25th anniversary).
  First vacation in over ten years - LOVED IT!
  Tom loves job, never used vacation time
  - Katie paying the price for his work...
  (note-Tom can start to slow down at any time - 6 weeks vacation)
Both would like to use vacation time & spend a month in Jamaica each year
now if possible, definitely in retirement - ideally 5 weeks, 2 week min
- Rapidly paying down mortgages on home & rental properties -
  value home: $700k, rental house: $300k condo: $200k
  $220,000 left on mortgages
just refinanced 15 years at 5%; payment $4967

SUMMARY GOALS:
- Happy if:
  "comfortable" retirement, didn't have to worry about "enough" income,
  5 weeks in Jamaica, son could go to grad school, avoid investment risk
- Nice to haves:
  Didn't dip into principal
  Comfortable retirement = spending $160-175K a year
  (excluding travel, no mortgage)

His income: $210k, Hers $185k - $395k total
Both are saving $12k each to their 401k's w/25% match

Fed taxes - $90k - State $20k, $19k FICA/MED (from them)
$395k - $129k taxes - $24k savings - $10k tuition - $60k mort P&I
= $172,000 retirement lifestyle spending to equal current life
including work expenses of $12k that will go away in retirement, which
makes $160,000 acceptable since it is their current lifestyle spending.

DEFINE GOALS:
- Ideally retire at: 60 - Katie trumped...ideally now but only if they have
  to wait until retirement for Jamaica trips
- Both said 65 is ok (she will work as long as he does) but they would
  definitely need to travel every year until then if delayed until 65
- College for Tommy - attending a state college, not into college "brands"
  $10K a year undergrad, $50K grad - compromise grad school if needed
- Estate - Not a priority if they don't have to worry about burdening son,
  they feel morally obligated to pass on their home and $500k inheritance
  from Tom's father
- Katie has pension, $45K a year, no real diff at different ages, no cola
- Investment risk - ideally avoid risk - 10% - 15% understandable
lived through -38%, didn't like - portfolio B if needed, C or D
would be better, ideally F but not if trips college etc. compromised

Other Data:
-Mentioned $2.4 million in assets - excludes house and Alice's pension
  do not talk about pension lump sum likes idea of lifetime income from it
- $2.4 million is: $1.3 million - joint brokerage; $800k Tom's 401k
  $300K in Katie's 401k

- Annual income from rental properties is $50,000 before taxes
Don't want to be landlords forever, will sell both properties at 75

- VA Residents - Tom's birthday 10/25/1953 Katie's 10/25/1953
-Good health, nothing abnormal in family history
-Son is Tommy - 19 years old
- They don't think government would let SSI fail, con include
- 5 weeks in Jamaica costs $25k, 2 weeks = $10k min

Chapter 3

Presenting Recommendations

In this chapter, we will address the actual presentation of recommendations. Before we delve into the power of this aspect of the Wealthcare System, it is important to understand and to have completed the Wealthcare Value Proposition presentation and profiling steps in a manner that would make this next step as effective as possible. It is critical that you understand that if you did not present the benefits of Wealthcare and articulate your differentiation as a Wealthcare Advisor, the presentation of recommendations may not be as effective as it could be. If you did a haphazard job of profiling and prioritizing the client's goals, focused too much on minutiae, or did not really identify aspirations and acceptable compromises, this presentation will not have the intended outcome.

However, if you invested 20 minutes to present the value proposition, benefits and premises of your Wealthcare services, and followed with an effective goal setting and prioritization session (either at the same time or in a separate meeting with the client), then presenting the recommendations will have an extraordinary impact. The initial presentation and profiling/prioritization steps lay the foundation for your recommendations. By executing these steps effectively, you are building a conceptual buy-in one step at a time, earning the client's respect and trust and learning what you need to know about the client that would not only make an effective presentation, but more importantly, make a meaningful difference in their lives. By following these steps you will convert an uncertain prospect into a comfortable client that is confident you will help them live the only life they have in the best way possible for them.

While our Personal Wealthcare Plan reports and other reports generated by our tools can be extensive, if you follow our process you will need only one page to convey precisely what needs to be communicated. Many advisors expect the report to sell the prospect, but the client is not buying the report…they are buying YOUR ABILITY to make the most of their life. The report CANNOT make up for your lack of skills. No matter how beautiful it is, how clearly organized it is, how thick, extensive or comprehensive it is, the client is ultimately buying YOU. A single page of our report contains all the essential information. All the additional pages are included only for back up details and to lay the groundwork for how the monitoring process will work going forward, once the client agrees to hire you. If you followed the first two steps…if you made that 60-90 minute investment, then one page is all you need to demonstrate your value and you will convert the prospect to a client, or armor plate your client from competitors.

Start the meeting by reiterating the previous steps. *"Mr. and Mrs. Client, as you may recall when we first discussed Wealthcare, I outlined many benefits that result from this process and the completely different premises supporting it. Those premises were to provide you with comfort and confidence that you can meet your financial goals without unnecessary sacrifice to the only life you have, while avoiding undue investment risk.*

We then discussed your main financial goals, both in terms of ideal goals (your aspirations), and in acceptable terms (compromised goals that would still be satisfactory to you). We then talked about your priorities, the things you value the most, and also identified in that process those things that you feel are 'nice to haves' but are not critical."

By starting a meeting with a brief restatement of the steps taken so far, you are jogging their memory of all the benefits they perceived in the first meeting. Before you get to the presentation of recommendations, it may be helpful to have your notes from the original goal-setting meeting to restate their financial goals, **in their words**. Start with the things they prioritized during the session.

"If I understood you correctly when we discussed the financial goals of great importance to you, I learned you wanted to minimize your current savings yet have a comfortable retirement, minimize your exposure to investment risk, travel to Jamaica during the first several years of retirement, and to ensure your son's education was funded. Those were your primary goals, as I understood them. Did I understand you correctly?"

Pause here and make sure the client **completely** concurs. Your recommendations will focus on these primary goals, and if there was any misunderstanding about a priority, you need to clarify it before you present your recommendations. You want the client to take ownership of the range of goals and delineate what is a priority to them.

"Other goals we discussed were passing an estate to your son, and retiring early.. As I understood it, these goals, while desirable, were not as critical as your other priorities. Did I understand you correctly?"

This step is incredibly important because while it sounds as though you are merely confirming what was discussed in the prior meeting, in reality it is a confirmation of what you need to do to help them accomplish their goals. Of course, your recommendations will align with their priorities and aspirations, so the presentation will show them you can give them confidence and comfort that their priorities are achievable. At this point, *before* you show them your recommendations, remind them of how you analyze their choices in this process. *"Mr. and Mrs. Client, you may recall that to have sufficient confidence that you will exceed the goals you prioritize, yet make sure we do not make unnecessary sacrifice to the only life you have, we apply a sophisticated 'stress-testing' methodology to your ideal and acceptable goals. This methodology simulates one thousand lifetimes of investing including the potential for markets producing results even worse than the Crash of '29 and Great Depression. The confidence level is the percentage of the 1000 tests where you achieved all of your financial goals and left an estate larger than your target estate goal. So, for example, if in 900 of 1000 tests you met all of your goals and ended up with an estate larger than your desired estate; that would be a 90% comfort factor. Of course, since we do not want to make unnecessary sacrifice to the only life you have, and, since the stress tests include markets even worse than the Crash of '29 and Great Depression, having more than a 90% chance of leaving an estate* ***larger*** *than your goal means that you made unnecessary sacrifice to your life. In essence, you could have spent more or perhaps taken less investment risk and we would consider such a plan as overfunded.*

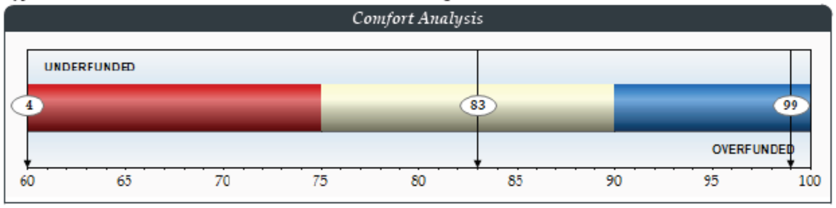
However, for you to have confidence and comfort you will meet your critical financial goals, you would obviously want better than 50/50 odds. In fact, we think that if the odds are less than 75%, that represents a 1 in 4 chance of us needing to change your goals along the way and that it is hard to be confident and comfortable with those odds. Of course, having 75% confidence does not mean that your plan would "fail" one out of four times, it merely means that there is some chance that we may have to make some modifications along the way. This is why we closely monitor your confidence level based on how the markets behave as well as the effect that uncertain behavior has on your confidence level going forward. Some advisors mistake this for the number of times you would 'run out of money,' and if you did not monitor your progress and just kept spending as originally planned despite extraordinarily poor market performance, that is exactly what would happen. But since we monitor your progress each quarter, we can identify in advance the impact of exceptionally poor markets, and we can make minor modifications well before they cause dramatic changes to your lifestyle. As such, with proper monitoring of your progress, we suggest that you do not adopt a set of goals that would cause your confidence level to be less than 75%. In essence, such a scenario means that you have a 75% chance of things going better than planned, but a one in four chance of needing to make some minor modifications along the way. We consider a plan with a confidence level of less than 75% to be underfunded.

The recommendations I will present are based on balancing your priorities we discussed and will fall in this Comfort Zone® that has sufficient confidence of achieving your goals without unnecessary sacrifice to the only life you have. In essence, the recommended plan is neither over funder nor underfunded. What this means is that if you follow my recommendations and we implement the investment strategy and regularly monitor your progress, you have at least a 75% chance of things going better than planned. Further, this means that you will accomplish your goals without the unnecessary sacrifice to your life that would occur if you lived it in a way that left you with more than a 90% chance of leaving an estate larger than you desired. Would you like to go over my recommendations now?"

Before going to the presentation, pause here to make sure the clients have connected with the primary concept. If they seem to understand, then move on to the ONE PAGE that makes it easy to see how all the pieces fit together. One simple page that combines lifetime goals, their priorities, their investment strategy and their confidence is all you need to demonstrate you are the advisor who can achieve what is important to them. This is elegant simplicity….

Comfort Analysis

Important: The projections or other information generated by Financeware regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.



	Name	Simulation Method	Comfort Level	Status
1	*Ideal*	Monte Carlo	4%	Uncertain (underfunded)
2	*Recommended*	Monte Carlo	83%	Comfort
3	*Acceptable*	Monte Carlo	99%	Sacrifice (overfunded)

- Sacrifice (overfunded) . Unnecessary sacrifice to lifestyle or undue investment risk.
- Comfort. Sufficient confidence without undue sacrifice, changes to goals likely to be minor and manageable.
- Uncertain (underfunded) . Confidence is too low, changes to goals may be necessary now and into the future.

	Ideal	Recommended	Acceptable
Retirement Age			
Tom	Retired	62	65
Katie	Retired	62	65
Retirement Spending			
Tom	$175,000	$175,000	$160,000
Other Goals			
Jamaica Trips	$25,000	$25,000	$10,000
Education Goal	Yes	Yes	Some
Target End Value			
Today's Dollars	$2,000,000	$500,000	$100,000
Actual Dollars	$6,149,567	$1,537,392	$307,478
Savings (Current)			
Tom	$7,500	$10,000	$20,000
Katie	$7,500	$10,000	$20,000
Default Inflation Rate	3%	3%	3%
Investment Adjustment	-1.427%	-1.427%	-1.429%
Portfolio			
All Accounts	WCM-RISK AVERSE 30% EQUITIES	WCM-BALANCED INCOME 45% EQUITIES	WCM-GROWTH 90% EQUITIES
Median Return	6.17%	7.22%	9.56%
Risk			
Std. Deviation*	6.85%	9.04%	17.19%
Downside (95%-tile)**	-4.51%	-6.63%	-14.92%

*Standard deviation is a risk statistic used to measure the volatility of return observations around the portfolio's average return.
**Downside represents the 1-year 95th percentile return. 95% of all 1-year returns simulated are better than this return and 5% are worse.

Page 5

PLEASE READ ALL DISCLOSURES

Focusing on What's Important

To help the clients understand the value of the recommendation you're presenting, it's helpful to keep the focus on what is most important to them. During your presentation you can guide the client's attention to where the recommended value for a particular goal falls in relation to the ideal or acceptable value, or even how that recommendation relates to other goals.

During the discovery session, if you did an excellent job coaching the client to stretch for ideal dreams and to define acceptable goals in the context of extremely severe markets, it is very likely you will have a Wealthcare

Plan like this one where the ideal set of goals has only 4% confidence and the acceptable set of goals has 99% confidence. Such a plan gives you a wide latitude to deal with extreme markets, both positive and negative. In strong markets you will have many opportunities to go back to the client with advice that improves their lifestyle by adding or increasing goals, moving goals sooner, or reducing their risk exposure. In the absence of such a menu of ideal goals, you would be at a loss as to what good news you could deliver. Likewise, the acceptable goals which we explained we would use only if needed because of extremely poor markets (or very low priority), gives us a lot of latitude to come back to the client with a plan they can still be comfortable about despite terrible markets; like the three year bear market early this century or the market debacle of 2008. Imagine being prepared in advance to be able to deal with such markets and still instill confidence and comfort. In fact, one of the firms that licenses our system, Wells Fargo, had Harris Interactive do a survey of clients who had Envision® Plans (Envision® is their branded version of our system) in 2011. Even with the 2008 market collapse and the flash crash of 2010 still fresh in everyone's minds, 95% felt they were able to live the life they planned for and 93% said they were confident they will retire on their own terms[1].

Don't Blame the Client

As you go through discovery sessions with your clients, if you notice that the range in confidence levels between the ideal and acceptable sets of goals are frequently much narrower, this is a signal to you that you might be sticking too rigidly to getting the answers to the questions on the Wealthcare questionnaire and are not focusing enough on asking deeper questions that are raised by the client's initial answers. Remember, always probe for stretching a goal. If the client says ideal retirement is age 62, ask why not 59 or 60. If they say $10,000 is an acceptable travel budget, ask if they would still take those vacations if we were in a Great Depression and their neighbors were waiting in soup lines. If you need to hone your skills in this area, we have nearly six hours of training videos of discovery sessions with six real couples and six Wealthcare Advisors. Contact us if you would like a copy of these videos.

So now we are going to present the recommendation to the client. We reminded them about how our analysis is done, we reconfirmed their ranges of ideal and acceptable goals and their priorities, and now we open the report to the one page that simply summarizes everything. Throughout our presentation we will anchor the client's attention to what is important. We will also use language to subtly educate the them about the need for future advice.

Point to the acceptable retirement ages and say:

"Tom and Katie, you said you both liked your jobs, that early retirement was not a priority and it was acceptable to work to age 65 if needed, but for now (point to the recommended retirement age) *we are recommending that you plan on retiring at age 62, three years earlier than what was acceptable."*

Point to the ideal retirement spending and say:

"While early retirement wasn't a priority, when you do retire it was important to be able to maintain or ideally even improve your lifestyle, so for now we are recommending (point to the recommended retirement spending) *that you plan on $175,000 in basic retirement spending when you retire which is about a $15,000 annual improvement relative to your current lifestyle and meets your ideal retirement spending goal."*

Let's pause for a moment and examine these brief statements about two goals and analyze the discipline used in the choice of words, why they were used and what we pointed to on the page to focus the client's attention.

First, you will observe that when describing the goals, I also included the priority…i.e. liked their jobs and early retirement isn't a priority, spending in retirement was a high priority.

[1] See: http://www.businesswire.com/news/home/20111019005362/en/Investors-Envision%C2%AE-Plans-Optimistic-Financial-Future-Wells

Second, I selectively anchored them by pointing to the acceptable value for the low priority goal of retirement age, and didn't even mention the ideal, because, early retirement isn't important to them. For the high priority goal of their retirement spending, because we were able to recommend their ideal retirement spending, I instead anchored them on the ideal level and reflected back to them the improvement to their lifestyle and how it met their ideal dream retirement lifestyle.

Third, in both cases you will notice that I said "for now, we are recommending that you plan on." The choice of words here is really very important because by including "for now, plan on" we are preparing the client to expect changes, which is needed because we know the plan will likely need to change in the future. Those words imply that you should expect change. If instead you said, "I recommend that you retire at 62" you are implying that it is certain. You may not be explicitly saying that it is, and you might say that the plan will need changes in the future elsewhere in your presentation, but why not use the presentation of each goal to convey that it cannot be sacred and might need to be adjusted? Consistently presenting goals in this manner prevents a lot of potential disappointments caused by misunderstanding and lays the groundwork for why they will always need your advice to make the most of their lives.

With an understanding of these three points—always including the priority in describing the goal, focusing on acceptable or ideal goals depending on the priority and recommendation, and consistently saying "for now, plan on,"—let's present the rest of this plan to the client and observe more examples of this approach:

Pointing to the ideal Jamaica budget *"I have to tell you that your eyes really lit up when we talked about the possibility of spending five weeks a year in Jamaica when you retired* (point to the recommended Jamaica goal) *so for now we recommend that you plan on spending $25,000 a year in retirement to spend five weeks in Jamaica, your ideal goal."*

Pointing to the ideal education goal, *"You had also said that it was important to you to be able to send Tommy to both undergraduate and graduate school, and that you regretted having not done so yourself, so for now* (point to the recommended Education goal) *we recommend you plan on funding all of Tommy's schooling through graduate school, your ideal goal."*

Pointing to the acceptable target ending value (estate goal), *"You had said that leaving behind a large estate was not a high priority for you, that you would rather spend down some of your principal instead of compromising other more important goals, and it was acceptable to leave an estate of $100,000 plus your primary home. However, you also said you felt a moral obligation to at least pass on the $500,000 you inherited, so for now,* (point to the recommended target ending value) *we recommend that you plan on targeting that $500,000, which is $400,000 more than your acceptable goal and satisfies the feeling of meeting your moral obligation."*

Point to the acceptable savings goal say, *"Together, you are currently saving $30,000 a year and* you said it was acceptable to increase your combined savings to $40,000, or $20,000 each if needed, but you *would prefer reducing your savings by $10,000 - $15,000 so you can use some of your vacation time to spend two or three weeks a year in Jamaica before you retire.* (Point to the recommended savings) *So for now, I recommend you plan on reducing your savings to $10,000 each which frees up a total of $10,000 a year and we will see if you workaholics actually use two weeks of your vacation a year for Jamaica trips."*

Move your pointer to the inflation line and say, *"It is important for you to understand that all of your goals here are adjusted for inflation, and future inflation rates are uncertain. Also, understand that different categories of expenses will in reality move independently of the overall inflation rate. For example, if housing prices increase, considering your soon to be paid off house and rental properties, inflation in that area would be beneficial to you and could offset detrimental inflation in other areas like education. But instead of trying to forecast uncertain inflation rates for each area that might affect you, we make an overall directionally sound assumption, and then when we do our quarterly review meetings we can simply adjust each area of spending to reflect its current costs."*

Point to the investment adjustment line and say, *"You know we actively promote full, complete and clear disclosure, and this line demonstrates that the analysis completely included all investment costs. This includes expense ratios, estimated commissions your broker may charge and our advisory fees."*

Point to the acceptable portfolio showing 90% equities, and then glide down to the downside risk while saying, *"You said that you could tolerate the risk of a portfolio with 90% stock exposure, which has a 5% chance of losing more than 15% in any twelve month period, which you, as you mentioned, you have unfortunately experienced. But you also said you really wanted to reduce risk significantly if possible and that would make you much more comfortable. While we cannot control the market and I cannot promise you that even a more conservative portfolio would prevent such declines,* (now point to the recommended portfolio*) I can tell you that for now, we recommend that you plan on using a much more conservative allocation than your tolerance for risk. This allocation has only 45% in stocks, and also has nearly half of the volatility of what you could tolerate."*

That's the whole script for this page. In addition to reflecting on the client's priorities in each goal we discussed, anchoring on acceptable goals when the recommendation was less than ideal, anchoring on ideal goals when that was what we recommended, and consistently saying "for now, plan on," there were some additional things you might pick up on in this content.

For example, when we were discussing the estate goal, we reflected back that we heard, understood and shared their feeling of moral obligation to leave behind at least what they had inherited from Tom's father. That sort of empathetic emotional connection profoundly moves the client and demonstrates your deep emotional concern for their wellbeing. Imagine what would have been lost if during the discovery session all we got was the ideal and acceptable values and the low priority, and we hadn't probed more in our interview with the client.

Notice when we were presenting the savings goal how we reflected how they would actually spend the money when they reduced their savings, and included some humor about their self admitted workaholic addiction. This eased the fact that we were not quite able to reach their ideal reduction to savings, yet provided a rational reason for not doing so.

In the education goal section, notice how we used their son's nickname "Tommy" instead of just saying son, and how we included the emotion of regret about not having earned a graduate degree himself.

These subtle connections combine to make an enormous impression on a client. When we have reports that are mathematical and fact based, our natural tendency is to speak in that manner.

But the real skill that will make you valuable and bring meaning to money, to your clients' lives and to your career is your ability to master these emotional bonds. That's when people will thank you with tears in their eyes. That's when clients will hug you for giving them the comfort to know that their dreams can be realized. That's when people smile from ear to ear and say, "I didn't think that was possible, thank you so much." These are the things that will turn your career into a calling.

Think about how the client would perceive these recommendations. With every other advisor telling them they should save more, take more risk, and compromise the only life they have, contrasted with you recommending that ideal aspirations can be confidently achieved when other advisors simply ignore those goals, how could the client come to any conclusion other than <u>**you**</u> **are the one advisor who will help them live their only life in the best way possible?**

Each client will have different priorities. Some may be completely unrealistic even about their acceptable goals. In that case you will need to have a heart to heart conversation about the things necessary to have adequate confidence and comfort, or, perhaps recognize you need to work on your profiling skills. But, if you properly presented the value proposition, if you identified both ideal and acceptable goals and the client's priorities between those ranges of goals, if you focused on achieving those things they do not want to compromise and only compromise those things the client views as less important, you will have a powerful presentation of recommendations that your clients will love. And, they will love it because it is doing the one thing we are paid to do as financial advisors. There's no hocus pocus, no misleading statements, and no fine print disclosure that says one cannot rely on this. Instead the Wealthcare Way™ gives clients confidence and comfort they can achieve their financial goals, without sacrifice or undue risk. In other words, it helps them live the one life they have the best way they can.

Chapter 4

The Right Time for the Right Implementation

Just as presenting the Wealthcare process and profiling/prioritization can often be combined into a single meeting with the client or prospect, the implementation can also be combined into the same meeting as recommendations. You might think there is something almost bizarre about the Wealthcare system up to this point. You may have noticed that up through the point of making recommendations, we have had NO DISCUSSION at all about any specific investments. Up until now, we have had no need to gather client statements or detailed holdings information. Now some advisors probably will have a difficult time AVOIDING the discussion about particular investments. But if you ultimately want to invest the prospect's money, the time to talk about it is WHEN THEY WANT TO, when they TRUST YOU, when they BELIEVE YOU ARE THE ADVISOR WHO CAN MAKE THEIR GOALS HAPPEN. A little patience here goes a long way toward making it happen.

Unfortunately, many of you are probably so used to showing "current" and "proposed" that you feel like you can't make a presentation without it. In order to really become an excellent Wealthcare Advisor, you will need to let go of this habit. Think back over the presentation of Wealthcare recommendations. Was that not a powerful presentation? Unless you totally blew the goal setting and prioritization, what prospect would want to STOP the progress you are making toward helping them live the only life they have in the best way possible? If you can just take the time through the first few steps to focus on what is important to them, you will have your chance to talk about the investments. If you’re impatient and jump the gun, odds are that you won't be given another opportunity.

If you follow the Wealthcare process, you will see that it is EASY to get to an EXTREMELY COMPELLING presentation of recommendations for your prospect, without typing in a long list of securities, without asking the prospect to dig up missing statements, without causing the prospect any discomfort about sharing specific positions or specific investment accounts they are uncomfortable disclosing. (For more information about this, read our papers "*What's Current Got To Do With It?*" Part One   Part Two.)

Avoiding this detailed analysis (until THE TIME IS RIGHT) has many benefits. It saves both you and the prospect time and inconvenience. Perhaps more importantly, it prevents you from entering into the circular argument with competing advisors about how and why your efficient frontier is more efficient than your competitor's. Everyone has an efficient frontier and clients now expect them along with the lovely pie charts that go with them, but prospects cannot discern whose frontiers and pies are more beautiful. Actually, maybe they can tell whose are more beautiful…they just cannot tell whose are really better FOR THEM. The Wealthcare System makes it clear that your solutions are the ones that will achieve the things that are important to them.

The only appropriate time to ask for client statements is after they have agreed that they want to move forward with your recommendations. So, presuming you have exercised adequate patience up until this point, let's pick up where we left off in the presentation of recommendations. You may recall we closed the presentation of recommendations with a summary of how your recommendations provide confidence and comfort the client's primary goals will be met, highlighting where your recommendations allowed them to spend more, take less risk, retire sooner, etc., than what the client said was acceptable. Before going to the investments, make sure you are completely connected to the client at this point, "*Mr. & Mrs. Jones, would you agree that my recommendations and analysis provide you confidence in achieving your primary financial goals without unnecessary sacrifice to your lifestyle either now, or in the future?*"

Now wait and use those listening skills we discussed in the profiling process. If you truly understood their priorities, if you clearly gained concurrence on their acceptable compromises and if your recommendations clearly focused on those goals they viewed as priorities, they will agree. NOW it is time to move to the implementation. If there is any hesitation on their part, or if they have questions about other trade-offs, address them. Just MAKE SURE you do not start talking about the investments until you have agreement here. If their questions are immaterial details, address them but also share with them that you have evaluated the issue and it made little difference in their confidence or choices. If you completely misread either a goal (i.e. to me age 63 IS NOT early retirement) or a priority (why on earth would you suggest compromising my target estate value when I told you about the promise I made to my father on his death bed?) DO NOT go forward. Instead, you must restart the profiling process. If this happens to you often, you may want to consider honing your goal setting and prioritization skills through careful listening or by watching our training videos of six real discovery sessions.

Presuming the client is pleased about and concurs with the recommendations, it is time to present the investments (FINALLY!) Start off by acknowledging their satisfaction, "*Mr. & Mrs. Jones, I'm glad to hear that we understood your goals and priorities and your desire to avoid unnecessary investment risk, so I'm pleased that we could design a solution for you that gives you confidence you will make the most of the one life you have. This is one of the most satisfying aspects of my job, and I'm so happy we have been able to help you. However, while the work we have done so far achieves these things, it is critical that your investment portfolio be invested in a manner consistent with these recommendations. All of this effort and analysis is meaningless if your investments are exposing you to too much risk or are allocated in a way that wouldn't provide you with the confidence our recommended strategy provides.*"

That last statement bulletproofs you from competition. While your competitor **tries to convince** the prospect their portfolio is "more efficient," the client **has seen** how **<u>your portfolio</u>** helps them achieve their goals. They may not yet know what is in your portfolio, but they do know that your portfolio is tied to their goals and their life. This is what Wealthcare helps them understand. The competitor's portfolio is tied to a "dot" on a chart, something that every advisor shows them, but it is not concretely tied to their goals. Their goals are the purpose of their investments, and you will win that battle every time. Now starts the "fun" part you have been so patiently waiting for, "**Mr. & Mrs. Jones, would you like to see the how the portfolio we recommend is constructed?**"

Start by showing them the Wealthcare Recommendation Summary. Review and confirm the goals one last time, and introduce them to the concept of the future Comfort Zone® that will be used in monitoring going forward. Make a point of highlighting the uncertainty of the future by showing them the odds of becoming over or under funded in the coming years. Make the point that despite that reality, you will be there to make new recommendations to get them back on track in order to make the most of their lives. In particular, get them to focus on the values over the next year that would cause them to be over or under funded, and tell them that as long as their portfolio is within that range, they are on track, and can be comfortable regardless of what they might hear on the news. Make sure they understand that the Comfort Zone® isn't a projection of what will happen, but instead, where their portfolio needs to be to remain comfortable in achieving their goals. See *Exhibit 1.* Then, move on to the asset allocation page from the reports as shown in *Exhibit 2*.

Exhibit 1 - Wealthcare Recommendation Summary from Wealthcare Capital Management® Analytics:

Recommended Goal Package *(Recommended)*

Retirement Age	
Tom	62
Katie	62
Retirement Spending	
Tom	$175,000
Other Goals	
Jamaica Trips	$25,000
Education Goal	Yes
Target End Value	
Today's Dollars	$500,000
Actual Dollars	$1,537,392
Savings (Current)	
Tom	$10,000
Katie	$10,000
Default Inflation Rate	3%
Investment Adjustment	-1.427%
Portfolio	
All Accounts	WCM-BALANCED INCOME 45% EQUITIES
Median Return	7.22%
Risk	
Std. Deviation*	9.04%
Downside (95%-tile)**	-6.63%

*Standard deviation is a risk statistic used to measure the volatility of return observations around the portfolio's average return.

**Downside represents the 1-year 95th percentile return. 95% of all 1-year returns simulated are better than this return and 5% are worse.

Chance of Falling Outside of the Comfort Zone

	1 YEAR	3 YEARS	5 YEARS
Sacrifice (Overfunded above)			
Amount	$2,786,773	$2,896,522	$2,948,826
Chance	8.9%	26.6%	38.5%
Uncertain (Underfunded below)			
Amount	$2,246,098	$2,414,314	$2,444,128
Chance	10.8%	24.4%	23.8%
Outside			
Chance	19.7%	51.0%	62.3%

See Common Terms and Definitions in Appendix II at the end of this report for more information about the Wealthcare Analysis.

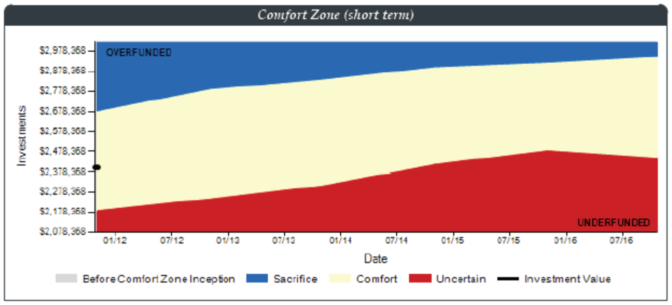
Page 7

Wealthcare Analysis

Important: The projections or other information generated by Financeware regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

See Common Terms and Definitions in Appendix II at the end of this report for more information about the Wealthcare Analysis.

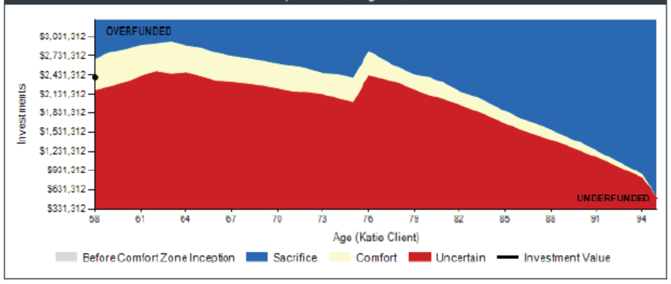
Comfort Zone (short term)



Chance of Falling Outside of the Comfort Zone

	1 YEAR	3 YEARS	5 YEARS
Sacrifice (Overfunded above)			
Amount	$2,786,773	$2,896,522	$2,948,826
Chance	8.9%	26.6%	38.5%
Uncertain (Underfunded below)			
Amount	$2,246,098	$2,414,314	$2,444,128
Chance	10.8%	24.4%	23.8%
Outside			
Chance	19.7%	51.0%	62.3%

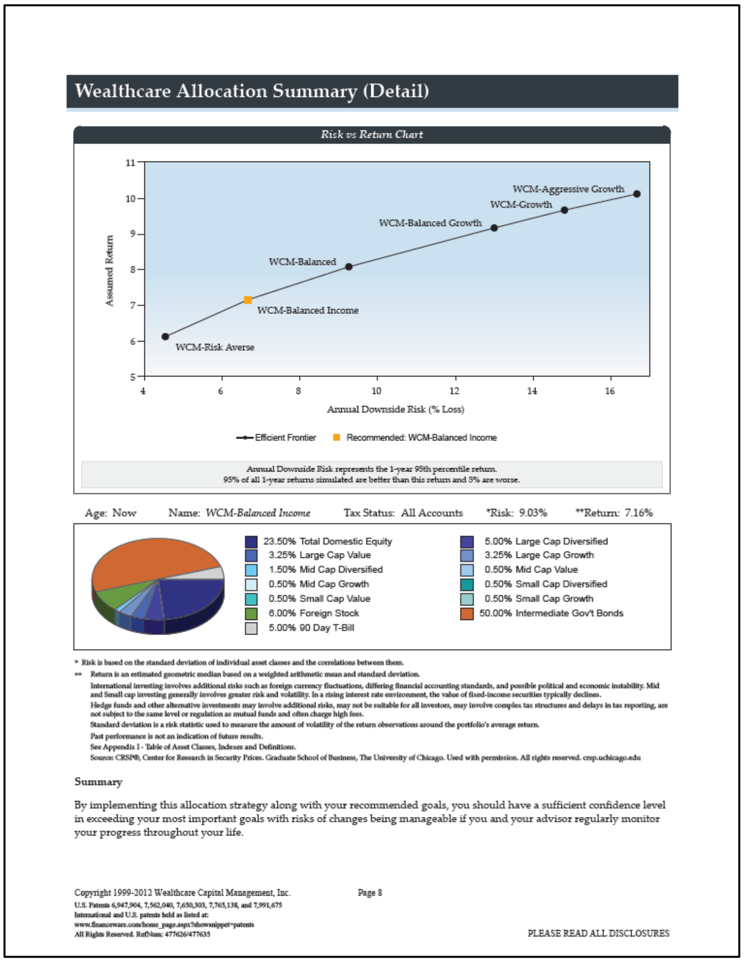
Comfort Zone (long term)



Page 6

PLEASE READ ALL DISCLOSURES

Exhibit 2 – Wealthcare Allocation Summary from Wealthcare Capital Management® Analytics



Wealthcare Allocation Summary (Detail)

Age: Now Name: *WCM-Balanced Income* Tax Status: All Accounts *Risk: 9.03% **Return: 7.16%

* Risk is based on the standard deviation of individual asset classes and the correlations between them.

** Return is an estimated geometric median based on a weighted arithmetic mean and standard deviation.

International investing involves additional risks such as foreign currency fluctuations, differing financial accounting standards, and possible political and economic instability. Mid and Small cap investing generally involves greater risk and volatility. In a rising interest rate environment, the value of fixed-income securities typically declines.

Hedge funds and other alternative investments may involve additional risks, may not be suitable for all investors, may involve complex tax structures and delays in tax reporting, are not subject to the same level or regulation as mutual funds and often charge high fees.

Standard deviation is a risk statistic used to measure the amount of volatility of the return observations around the portfolio's average return.

Past performance is not an indication of future results.

See Appendix I - Table of Asset Classes, Indexes and Definitions.

Source: CRSP®, Center for Research in Security Prices. Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. crsp.uchicago.edu

Summary

By implementing this allocation strategy along with your recommended goals, you should have a sufficient confidence level in exceeding your most important goals with risks of changes being manageable if you and your advisor regularly monitor your progress throughout your life.

Copyright 1999-2012 Wealthcare Capital Management, Inc. Page 8
U.S. Patents 6,947,904, 7,562,040, 7,650,303, 7,765,138, and 7,991,675
International and U.S. patents held as listed at:
www.financeware.com/home_page.aspx?showsnippet=patents
All Rights Reserved. RefNum: 477626/477635

PLEASE READ ALL DISCLOSURES

The idea is that you are **tying your Recommended allocation strategy to achieving client goals** instead of merely being "better" than a competitor or better than "current." **If the client understands that this strategy is how they will accomplish the things they want in their life, there is no other allocation that is better, because this is THE RIGHT ONE.**

IMPORTANT NOTE:

As you get more skilled in deeply connecting to clients' goals and communicating that your real value is life relative advice, you may often discover that very little if any discussion about the actual portfolio is needed. I see this happening now in about 80% of my client presentations. The deep emotional connection has earned you the trust they need, and frankly, most people really don't care about what the investments are or why you choose them. It is probably hard to imagine this when your entire career has been based on your value being the portfolio, but a lot of people simply would prefer to trust you to handle it. So, while this section is discussing how to present the portfolio, I'd personally set an objective to earn the trust of my clients that is so meaningful that the portfolio construction discussion rarely needs to come up.

Now, how you go on to implement the portfolio is of course your choice, but be careful that you are not implementing in a manner that isn't perfectly consistent with the allocation you modeled in the plan. Think this through objectively. For example, just because the funds you use might be labeled with the same asset classes as the allocation you modeled for the plan, that doesn't mean they will necessarily perform like the asset class. If a fund might materially underperform the asset class (i.e. by more than the expenses), that risk was not modeled in your Wealthcare Plan. From a practice management perspective it is best to index, control what is controllable like expenses and taxes, and explain to your clients that they should expect to underperform the benchmarks approximately by the total expenses. This is after all what you modeled in the plan. The plan has confidence of exceeding the goals with that portfolio and it is an expectation you can meet. Setting clients' expectations for outperformance will invariably disappoint some of your clients. Aiming for outperformance isn't needed in Wealthcare, it isn't modeled in the plan, and it bears certain additional costs, risks and taxes.

You may choose to manage the portfolio yourself, use money managers (or we'd suggest using low cost and tax efficient ETFs), or hire us to do it for you. However you fill the pie slices, **make sure they are diversified and together they have a high correlation to the asset class slices** you are filling. Then…start moving the discussion toward the steps required to implement this portfolio.

"*Of course, we haven't reviewed your current investments in detail. Some of your current positions may be satisfactory, and for investments like your 401k plan or Section 529 plan, your choices may be limited. When we scheduled this meeting, I suggested that you bring in your statements so we could do some further evaluation. Did you happen to bring them with you?*"

Think about how this changes the nature of implementation presentations. This discussion presumes, and the client concurs, that the portfolio you recommend is the right one for them. It isn't a matter of debating whose portfolio is better, or which fund or manager is "better." The Wealthcare System has instilled trust in the client that what you recommend is correct, and the discussion is now focused on the steps of how to get them there. It isn't a question of "If" your portfolio is right, the portfolio discussion now is focused on "How To" best get their portfolio to your "right" portfolio.

You may need to get back to the client to get missing statements, deal with low cost basis positions, or classify some of their existing securities they want to keep. Use your listening skills to ascertain these issues.

The idea behind implementation of investments is to get the client to understand that your recommended plan and allocation will help them make the most out of the one life they have.

The last step is monitoring, which we will cover in the final chapter.

In this step, you are merely seeking a confirmation that your recommended package of goals and asset allocation strategy is something the client can have confidence in…something they can be comfortable with…something they are hiring you to make happen. The best way to get them to understand this is to ask them to hire you to make it happen. "*Mr. & Mrs. Jones, we've determined your goals and priorities, we have designed a plan that demonstrates you can have comfort that your goals are achievable, along with an investment strategy needed to have confidence in attaining your goals. I would very much like you to work with you to ensure that the current comfort and confidence level we have designed is maintained so that you get to experience the dreams of your only life. I'd like to see you live the one life you have in the best way possible. Does that sound like something you would like to do?"*

I know many advisors would rather spend more time talking about how diligent their investment picks are and discussing the details of the investments they recommend. You don't need coaching on this part of the discussion, and frankly, most clients probably won't fully follow the nuances of how you evaluate investment choices. They will trust you based on what you have already achieved…making the most out of the one life they have. Your enthusiasm will show, and you will shine when you start discussing the specific investments you recommend to fill these pie slices. Have fun doing what you do best…but don't get lost in that discussion and NEVER lose sight of the fact that regardless of the investment selections, they are only there to serve a purpose…the clients' goals. Being hired to achieve client goals is worth far more than any stock or fund pick, and if the remote chance that all the investments you pick are not winners, provided you are diversified, the impact of any investment selection mistakes will still keep clients in their "Comfort Zone®."

Chapter 5

Ongoing Service – Mutual Commitments and Monitoring

While the value of Wealthcare is reinforced in each step of the process, sometimes clients still may not fully comprehend just how tremendous the benefits are until the first or second progress review. Perhaps some of you may not fully understand it either. If you haven't been monitoring your client's progress, and you have been using Wealthcare ONLY for presentations and implementation, but rely on traditional performance/portfolio reporting as your "ongoing" value-added service, you are missing the greatest value in the whole process.

THIS CHANGES EVERYTHING

Think back through each of the steps in Wealthcare. The new premises of our system have corrected errors in what used to be the traditional "best practices" of our industry. Wealthcare also requires us to change how we present our value, how we profile clients, how we present our advice and recommendations, and how and when we discuss implementation. Do you really think we can change all of these things for the better, but leave intact our ongoing service tied to the premises and processes of what we used to do?

Take performance reporting. In our old methods of advising, reporting how well we were doing relative to the markets was critical because we sold our value as out-performing the market. Of course, with a high percentage of active managers under-performing the market over long periods of time, we were setting ourselves up for failure. If 75% of the managers under-perform, and through my picking ability I can improve this to 50%, I'm still leaving my ongoing service with 50/50 odds of not being able to prove my value.

Of course these are long-term investment numbers. Many clients don't have 10 years worth of patience to prove your value. Over shorter periods, the odds are even more against you. The whole emergence of performance reporting was born in a bull market. When we decided performance reporting was our important value, we forgot that for a 60/40 balanced portfolio, the odds are worse than 1 in 5 that we will have a negative two-year trailing return.

Some advisors have tried to adapt to this problem by reporting performance in absolute terms relative to "conservative" return assumption, such as a 7% return comparison for a balanced portfolio. The problem with this is they don't realize there is a 1 in 3 chance in any single **five-year period** that returns would fall below this "conservative" 7% return. And, for that sensitive first year with the client, odds are nearly 50/50 they will fall short of this "conservative" number.

After advocating performance reporting for fifteen years of my career, I've seen how ineffective it is in serving client relationships. For all of you I taught to do this, I'm sorry. **But here is the net/net on performance reporting:**

1 - It hurts you in bull markets because your conservative diversified portfolios will look boring compared to wacky high-risk portfolios or indices producing extraordinary returns.

2 - It hurts you in bear markets because your "good news" isn't very good. Telling people "good news, we've only lost 20% of your money versus the market's 25% loss" IS NOT GOOD NEWS.

Knowing what the performance has been doesn't have any "therefore." Past performance has happened, it cannot be changed, and it is not an indication of future results. We may explain their over-weighting to value for the last year has resulted in great relative performance, but it doesn't answer the questions the client wants to know: “Can I still retire? Can I still buy my beach house?” If the manager was consistent with their management style, we may explain to the client that their growth manager was supposed to under-perform, so while they are unhappy about their performance, they really shouldn't be. THIS IS NOT CLIENT FRIENDLY!

I want to go on public record with my apology to the industry for my contribution to this self-inflicted wound. The fact is you probably have an 80% chance of disappointing your client at some point in your relationship if you focus on performance. Wouldn't you like to turn those odds around? Wouldn't you prefer an 80% chance of exceeding the client's expectations? That's what Wealthcare monitoring does for you, and that's the comfort it provides the client.

Wealthcare Monitoring…"The more you explain it, the less I understand it."

For you to benefit from the Wealthcare System, you will need to let go of past mistakes. Wealthcare monitoring is easy. It answers the questions clients want to ask and prevents random possibilities from destroying your client relationship. Most importantly, it prepares both you and the client for very extreme markets. Unfortunately, for all of your existing clients who are used to getting performance reports, you will probably be stuck producing them for a long time to come. However, you needn't perpetuate performance reporting for new clients and may slowly wean your existing clients toward Wealthcare.

We have taken the client all the way through Wealthcare by changing the way we present our value, our profiling, recommendations and implementation. The prospect is now our client, who has a portfolio we are comfortable with and matches what we modeled.

Question…what did the client buy from us in this system? Was it:

A: Comfort that things will go as reasonably planned, constantly updated for opportunities to improve their life or modified as needed to prevent disappointment?

B: Their time weighted return relative to a blend of Russell style indices that has a 20% chance of demonstrating high portfolio efficiency?

C: Their short-term random return relative to a conservative 7% return?

D: Lots and lots of pie charts?

The answer is "A."

Now, unlike traditional financial plans that sit on a shelf and are updated only when you manage to guilt the client into filling out the 30 page questionnaire again, DON'T throw away the client's Wealthcare Plan. You will be using it for purposes of updating it.

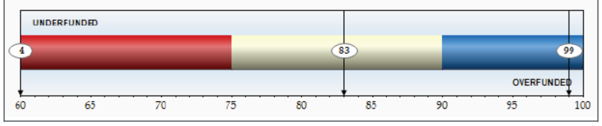
Remember the one summary page that you initially presented? It had EVERYTHING on it: the best portfolio, the best choices in balancing competing goals, and even the confidence level that the client can exceed their goals. Since this is what we are providing, WE ARE GOING TO USE IT…over and over again.

Exhibit 1 - Comfort Assessment – Current Status

Comfort Analysis

Important: The projections or other information generated by Financeware regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

Comfort Analysis



	Name	Simulation Method	Comfort Level	Status
1	*Ideal*	Monte Carlo	4%	Uncertain (underfunded)
2	*Recommended*	Monte Carlo	83%	Comfort
3	*Acceptable*	Monte Carlo	99%	Sacrifice (overfunded)

- Sacrifice (overfunded) . Unnecessary sacrifice to lifestyle or undue investment risk.
- Comfort. Sufficient confidence without undue sacrifice, changes to goals likely to be minor and manageable.
- Uncertain (underfunded) . Confidence is too low, changes to goals may be necessary now and into the future.

	Ideal	Recommended	Acceptable
Retirement Age			
Tom	Retired	62	65
Katie	Retired	62	65
Retirement Spending			
Tom	$175,000	$175,000	$160,000
Other Goals			
Jamaica Trips	$25,000	$25,000	$10,000
Education Goal	Yes	Yes	Some
Target End Value			
Today's Dollars	$2,000,000	$500,000	$100,000
Actual Dollars	$6,149,567	$1,537,392	$307,478
Savings (Current)			
Tom	$7,500	$10,000	$20,000
Katie	$7,500	$10,000	$20,000
Default Inflation Rate	3%	3%	3%
Investment Adjustment	-1.427%	-1.427%	-1.429%
Portfolio			
All Accounts	WCM-RISK AVERSE 30% EQUITIES	WCM-BALANCED INCOME 45% EQUITIES	WCM-GROWTH 90% EQUITIES
Median Return	6.17%	7.22%	9.56%
Risk			
Std. Deviation*	6.85%	9.04%	17.19%
Downside (95%-tile)**	-4.51%	-6.63%	-14.92%

*Standard deviation is a risk statistic used to measure the volatility of return observations around the portfolio's average return.
**Downside represents the 1-year 95th percentile return. 95% of all 1-year returns simulated are better than this return and 5% are worse.

 Page 5
U.S. Patents 6,947,904, 7,562,040, 7,650,303, 7,765,138, and 7,991,675
International and U.S. patents held as listed at:
www.financeware.com/home_page.aspx?showsnippet=patents

PLEASE READ ALL DISCLOSURES

When you do a review with your client, all that is needed is updated portfolio values and a few pages from the monitoring (status) report. "*Mr. Jones, as we discussed, this process is designed to make sure you can be comfortable things will go as planned, to identify opportunities to improve your lifestyle should things go better, and to identify potential problems in advance should we experience adverse markets. Do you recall those benefits?*"

"As one might expect, based on the recent market performance (or the fact they have skipped their savings, or didn't give you all the money to manage, etc.) your current confidence level has dropped only a bit to 80%, well within the Comfort Zone®. In addition, here is snapshot of all your most important goals as outlined in our last meeting.*"*

"*Based on your goals, priorities and the portfolio we recommend, we have calculated the appropriate range of your future portfolio values to maintain that comfortable balance.*" (shown in *Exhibit 2*)

"*You can see the current value of your investments fall within the Comfort Zone®. If you recall, the Wealthcare Analysis represents the range of investment values necessary to confidently and comfortably achieve your most important goals. You can see that as we get close to your currently planned retirement age of 62, say at age 60, your investments need to be worth around $2.5 million if you are to remain comfortable your retirement can happen when you want, with the lifestyle and travel budget you desire.*"

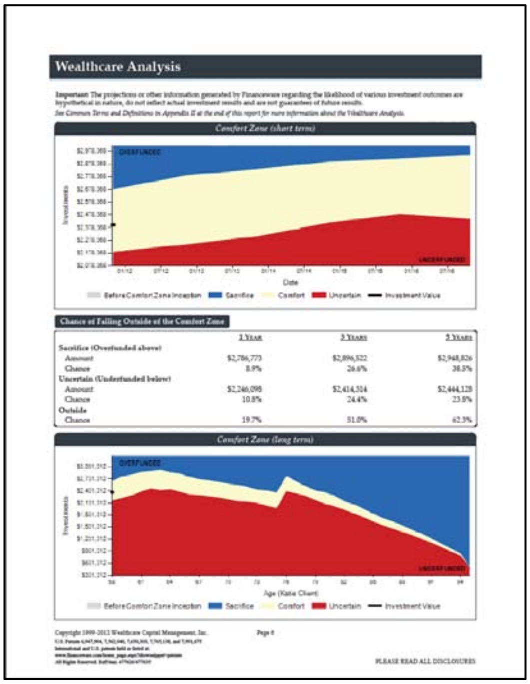
Likewise, you can see that if the markets treat us well, and your portfolio is approaching $3 million at that point, you could probably consider moving your retirement age up a year or two, as we discussed.

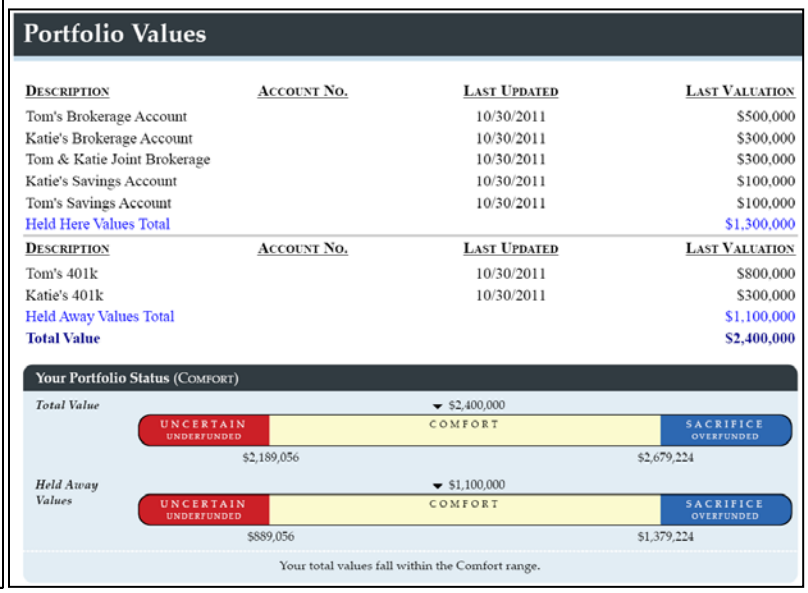
The ongoing monitoring of your portfolio is critical. If markets are treating us well and your portfolio drifts into the blue overfunded zone, we could be adding new goals or reducing your investment risk. We don't want you to *make unnecessary sacrifice to the only life you have, so it is important we monitor this regularly. Just a few months of an extraordinary market might offer such opportunities, and I'm sure you would want to capitalize on them if you could. Likewise, if markets are terrible, before things get too far into the red underfunded zone, we can see what things you may be able to alter either now, or in the future, to remain confident. The odds are better than 80% things will go as well, or better than we've planned.*

Also, notice that there is and 8.9% chance you will become overfunded and a 10.8% chance you will become underfunded in the next year. Together, that's nearly a 1 in 5 chance, which is why we closely monitor your status. In fact, if you look over the next five years, you see there is more than a 62% chance you will become over or under funded and will need new advice. I'll be there to provide that new advice."

This reminds the client that they cannot make the most of their lives without you and your ongoing advice.

Exhibit 2 - Wealthcare Status Report





Portfolio Values

Description	Account No.	Last Updated	Last Valuation
Tom's Brokerage Account		10/30/2011	$500,000
Katie's Brokerage Account		10/30/2011	$300,000
Tom & Katie Joint Brokerage		10/30/2011	$300,000
Katie's Savings Account		10/30/2011	$100,000
Tom's Savings Account		10/30/2011	$100,000
Held Here Values Total			$1,300,000

Description	Account No.	Last Updated	Last Valuation
Tom's 401k		10/30/2011	$800,000
Katie's 401k		10/30/2011	$300,000
Held Away Values Total			$1,100,000
Total Value			**$2,400,000**

Your Portfolio Status (Comfort)

Total Value — $2,400,000
UNCERTAIN UNDERFUNDED | COMFORT | SACRIFICE OVERFUNDED
$2,189,056 — $2,679,224

Held Away Values — $1,100,000
UNCERTAIN UNDERFUNDED | COMFORT | SACRIFICE OVERFUNDED
$889,056 — $1,379,224

Your total values fall within the Comfort range.

"*Now, I can easily monitor the $1,300,000 in portfolios you transferred to me any day. For the other accounts you have, you and your wife's 401k, I'll need you to provide me with those values to monitor where you stand on occasion. If at any point before our next review, you want to know where you stand, all I need you to do is write in the most recent values of these accounts and fax it to me. I will combine it with the portfolio I'm managing to show you exactly where we stand. Please don't hesitate to ask for this at any time…ok?"*

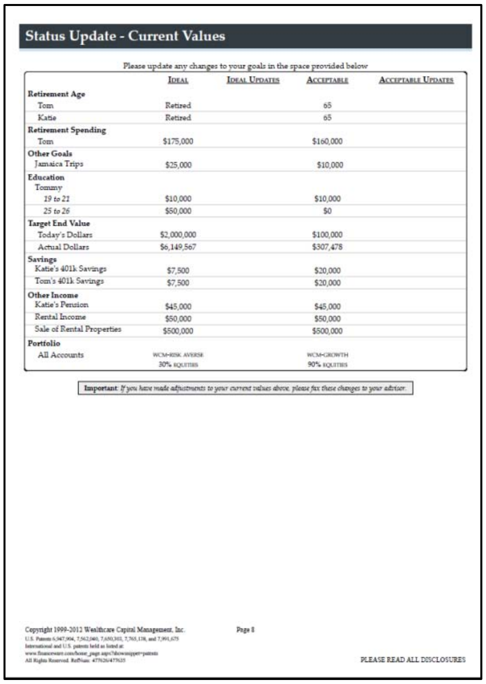
"Since I'm not managing those other accounts, I don't know what the current values are, but the total value of those portfolios that I'm not managing needs to be no more than $1,379,224, but no less than $889,056 (see graphic at the bottom of the portfolio values page in Exhibit 2) *for you to maintain confidence and comfort. Since the last valuation was $1.1 million, I doubt that you are outside of this nearly $500,000 range which is why it isn't critical to update these value each meeting. If your total held away account balance is not within this range, please contact me immediately so that we can make the necessary adjustments.*" (Show them the Wealthcare Status Report page shown in *Exhibit 2*.)

"*The other thing we discussed is that your goals and priorities might change. You may be offered a special early retirement package that might change things, one of you could be "downsized" or you may pick up a new hobby that requires some resources.*"

"*There is never any question too small to ask, so here is what I would like you to commit to me. If you ever are even the least bit curious about changing one of your goals, adding a new goal or get concerned about investment risk…anything at all, I want you call me…ok?*"

To gather this information, you may choose to use forms like those illustrated in Exhibits 3 & 4 from our Wealthcare Status Reports.

Exhibit 3 – Status Update: Current Values



Status Update - Current Values

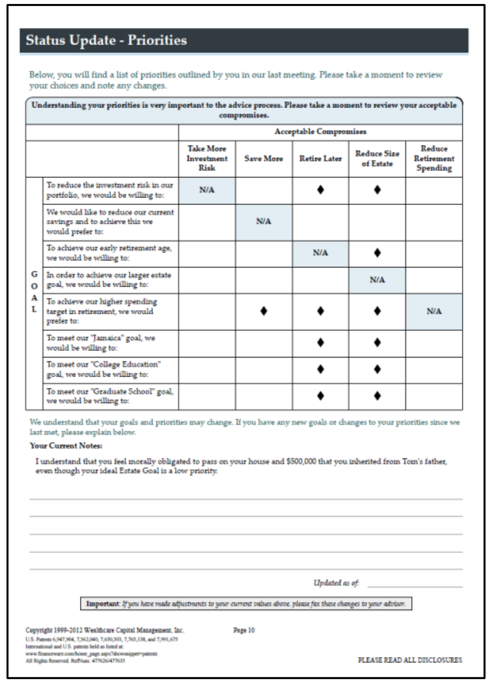
Please update any changes to your goals in the space provided below

	Ideal	Ideal Updates	Acceptable	Acceptable Updates
Retirement Age				
Tom	Retired		65	
Katie	Retired		65	
Retirement Spending				
Tom	$175,000		$160,000	
Other Goals				
Jamaica Trips	$25,000		$10,000	
Education				
Tommy				
19 to 21	$10,000		$10,000	
25 to 26	$50,000		$0	
Target End Value				
Today's Dollars	$2,000,000		$100,000	
Actual Dollars	$6,149,567		$307,478	
Savings				
Katie's 401k Savings	$7,500		$20,000	
Tom's 401k Savings	$7,500		$20,000	
Other Income				
Katie's Pension	$45,000		$45,000	
Rental Income	$50,000		$50,000	
Sale of Rental Properties	$500,000		$500,000	
Portfolio				
All Accounts	WCM-RISK AVERSE 30% EQUITIES		WCM-GROWTH 90% EQUITIES	

Important: *If you have made adjustments to your current values above, please fax these changes to your advisor.*

Copyright 1999-2012 Wealthcare Capital Management, Inc. Page 8
U.S. Patents 6,947,904, 7,562,040, 7,650,303, 7,765,138, and 7,991,675
International and U.S. patents held as listed at:
www.financeware.com/home_page.aspx?showsnippet=patents
All Rights Reserved. RefNum: 477626/477635
PLEASE READ ALL DISCLOSURES

Exhibit 4 – Status Update: Priorities



Status Update - Priorities

Below, you will find a list of priorities outlined by you in our last meeting. Please take a moment to review your choices and note any changes.

Understanding your priorities is very important to the advice process. Please take a moment to review your acceptable compromises.

		Acceptable Compromises				
		Take More Investment Risk	Save More	Retire Later	Reduce Size of Estate	Reduce Retirement Spending
GOAL	To reduce the investment risk in our portfolio, we would be willing to:	N/A		♦	♦	
	We would like to reduce our current savings and to achieve this we would prefer to:		N/A			
	To achieve our early retirement age, we would be willing to:			N/A	♦	
	In order to achieve our larger estate goal, we would be willing to:				N/A	
	To achieve our higher spending target in retirement, we would prefer to:		♦	♦	♦	N/A
	To meet our "Jamaica" goal, we would be willing to:			♦	♦	
	To meet our "College Education" goal, we would be willing to:			♦	♦	
	To meet our "Graduate School" goal, we would be willing to:			♦	♦	

We understand that your goals and priorities may change. If you have any new goals or changes to your priorities since we last met, please explain below.

Your Current Notes:

I understand that you feel morally obligated to pass on your house and $500,000 that you inherited from Tom's father, even though your ideal Estate Goal is a low priority.

Updated as of:

Important: *If you have made adjustments to your current values above, please fax these changes to your advisor.*

Copyright 1999-2012 Wealthcare Capital Management, Inc. Page 10
U.S. Patents 6,947,904, 7,562,040, 7,650,303, 7,765,138, and 7,991,675
International and U.S. patents held as listed at:
www.financeware.com/home_page.aspx?showsnippet=patents
All Rights Reserved. RefNum: 477626/477635
PLEASE READ ALL DISCLOSURES

"*Now a lot of my clients were not used to this kind of service, and wait for my quarterly updates…and you have seen how those work. When you get these reviews, if you would like it rerun with any updated values…or if any goals or priorities change, either jot it down and shoot off a fax of these forms, or just give me a call.*" *(Refer to* Exhibits 3 and 4*)*

"*If you don't have time to provide me with the updated values from the accounts I'm not managing, I know how busy life can get, I'll still provide you with an update based on the values I do have and using the last values I received from you. Since the report will clearly show where you need to be, so long as the values are reasonably close, you will still be able to tell whether or not you are on track. But, remember, if the values are much higher, we will want to get together to discuss opportunities for new goals or lowering your investment risk, ok?*"

When doing a status report meeting with a client who is still in the Comfort Zone® (as we can see for this client, there is an 80.3% chance of that during the first year), the rest of your status meeting is to remind them or rediscover their ideal and acceptable goals to keep them fresh in their minds, or perhaps to get them to stretch them some if initially the range was too narrow. We also want to validate priorities so if the 19.7% chance of moving outside of the Comfort Zone® occurs in the next year, instead of delivering a report that shows they are outside of the Comfort Zone®, we would create a new recommendation that is in the Comfort Zone® and that is just as powerful as the initial recommendation.

"As you may recall from our initial discussion about your goals, you said ideally you would retire now, but that was a low priority. Is that still true?

Use your listening skills here. Maybe things changed at work and early retirement has become a higher priority.

"You also said that it was acceptable to work to age 65 if necessary to meet other goals you value more, but any later than this would feel like a sacrifice to you."

Notice the choice of words here and how I'm giving the client the opportunity to extend the range in my wording.

"To take less risk, you had said you would be willing to retire later and spend some of your principal, which would reduce your estate from your current values, is this still the case?"

You will notice that I'm moving between the ranges of goals and the priorities based on how they relate to one another. This keeps the meeting in a conversational tone instead following a rigid report script. Do this for all of the client's goals and priorities each time you meet. You would be surprised how quickly you can go through and validate them.

If some time has passed, also make sure that the recommended values are either sufficient or perhaps excessive. Did they really spend $10,000 on Jamaica over the last year? Is the son's schooling still costing $10,000, etc.?

People like talking about their goals and priorities much more than they do the nitty gritty portfolio and performance information. Discussing all of the ranges of goals and priorities, in-essence a rediscovery session, has a number of benefits.

First, it prepares you with information you need to create a new recommendation if the markets or the client moves them out of the Comfort Zone® (clients can move themselves out of the Comfort Zone® by spending more than you had planned on or saving less, and if that is going to continue, you need to design a new plan). Secondly, it keeps the client's ideal and acceptable goals fresh in their minds and reminds them that the plan may need to change, because it will. In the absence of focusing on the ideal and acceptable goals, the client is likely to anchor on the current recommended plan. Knowing that the plan will need to change (i.e. why we say, "for now, plan on"), you do not want to set their expectation on a recommendation that you know will likely need to change one day. Third, it deepens your relationship with clients by demonstrating that your focus (and therefore your value) is all about the goals they care about.

You will find over time, if you keep your focus on discussing, validating, and expanding ideal and acceptable goals and priorities, that clients will give you important emotional information you did not previously know each time you meet with them.

The majority of your quarterly meetings (our suggested schedule) will be rediscovery sessions, but when markets are extremely positive or negative, you will have to create a new recommendation. They hired you based on how meaningful your initial recommendation was to them, so use that as an opportunity to prove your value again.

DO NOT show them a status report that says they are above or below the Comfort Zone® without at least providing a new recommendation that puts them in the Comfort Zone®. I don't think there is any value to looking at a past recommendation's current status if it is outside of the Comfort Zone®. What value is that? We never said we were going to create a plan that would never change, nor did we ever imply that we could control the markets to keep any particular set of recommendations in the Comfort Zone®. In fact, we represented the exact opposite. So, focus on the new recommendation and present it in the exact same manner that you presented the initial recommendation (see Chapter 3).

Based on the fact that we anticipate how uncertain markets can be, the monitoring process can provide a great deal of comfort to clients.

If you implement using our Wealthcare Unified Manage Household (UMH) program, your reviews are automatically provided to you. We even provide interim reviews and new advice if clients drift into the overfunded or underfunded zones, including recommended changes to goals or even reducing portfolio risk if appropriate.

Now, I realize that after years of demonstrating your value by showing clients they are over-weighted in mid-cap value stocks by 1.72% or their accounts have under-performed the market by 0.38%, it will take some time to get used to this process. And, if you need to, you may still provide those performance reports and those portfolio reviews. But, the next time the client calls up and says, "I'd like to stop by this afternoon and see how I am doing," instead of your normal fire drill of updating spreadsheets, trying to figure out what was a contribution or a withdrawal, calculating endless returns that will only tell them how they did and NOT what it means to them…instead of trying to properly classify every holding or figuring out how you are going to explain that three of their large cap growth stocks are now value stocks…how about simply answering their question? Think about just plugging in their current account value, and seeing that everything is on track. Try it…you'll like it. And, so will your clients.

This is how together we can Defy the Common®.

WEALTHCARE QUESTIONNAIRE – PERSONAL WEALTHCARE PLAN

CLIENT SPOUSE / PARTNER

Name: ________________, _____________, _____ ________________, _____________, _____
Last First MI Last First MI

Date of Birth________________________ __________________________
(MM/DD/YYYY) (MM/DD/YYYY)

Gender: _________ State of Primary Residence: _______________ Gender: __________

DEPENDENTS

Name: ______________, ____________, _____ Date of Birth ____________________ Gender ______
Last First MI (MM/DD/YYYY)

Name: ______________, ____________, _____ Date of Birth ____________________ Gender ______
Last First MI (MM/DD/YYYY)

Name: ______________, ____________, _____ Date of Birth ____________________ Gender ______
Last First MI (MM/DD/YYYY)

ASSETS AND NET WORTH

Current Investments by Tax Category

Please list the total value of all investments based on the "Tax Category." You may input the detailed ownership OR simply the "Total Value of Investments," however detailed information may be required for advanced planning.

TAX CATEGORY	TOTAL VALUE OF INVESTMENTS	CLIENT	SPOUSE/PARTNER	JOINT
Taxable Investments:	______________________	_____________	____________	_____________
Retirement Accounts: *(401k, IRA, Annuities, ESOP, Cash Value of Variable Life Insurance, or other tax deferred investments)*	______________________	____________	_____________	_____________
Tax Exempt (Roth) Accounts:	______________________	____________	_____________	_____________

OR List Current Investments by Specific Accounts

Description	Account Number	As of Date	Tax Status	Whose	Cost Basis	Current Balance	Held Here
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N
____________________	____________	__________	T/TD/TE	C/S/P	__________	______________	Y/N

Non-Investment Assets and Liabilities (optional)

Please list those assets you hold, such as business interests, real estate, and collectibles that were not included in the investment assets above.

Other Assets *(Enter approximate value of Homes, personal property, rental property, etc.)*

DESCRIPTION	CLIENT	SPOUSE/PARTNER	JOINT
____________________	________________	___________________	________________
____________________	________________	___________________	________________
____________________	________________	___________________	________________
____________________	________________	___________________	________________

Liabilities (Enter current amounts for debts, mortgages, loans, etc.)

DESCRIPTION	CLIENT	SPOUSE/PARTNER	JOINT
____________________	________________	___________________	________________
____________________	________________	___________________	________________
____________________	________________	___________________	________________

Profile Start Page

Client Information – Retired: Yes ___ No ___ Life Expectancy: _____
Total Annual Earned Income: _______________

Spouse/Partner Information – Include in Profile: Yes ___ No___ Retired: Yes ____ No ____
Life Expectancy: ____ Total Annual Earned Income: _______________
(Exclude income from investments and required minimum distributions, but include bonuses, commissions, etc. based on GROSS, BEFORE TAX, annual estimated amount).

Retirement Goals

1. Ideally, I would like to retire at age ____________, but if needed to meet other more important financial goals, would be willing to work to age____________.(input "Now" if already retired)

2. My spouse will retire at the same time as I do: YES or NO. If NO, my spouse/life partner would ideally like to retire at age __________, but if needed to meet other more important financial goals, would be willing to work to age____________. (input "Now" if already retired)

3. If possible, I would like to leave an estate worth at least $__________________, but would be willing to leave as little as $______________ if necessary to meet other more important goals.

4. How would you like us to estimate your basic living expenses in retirement? (check one)

______ I'd like you to estimate my basic living expenses in retirement based on my current income and your estimates of what would be needed to maintain my lifestyle (do not select this option if already retired, input your annual spending needs below).

______ I/We would ideally retire on an annual retirement spending budget of $____________, BUT in no case less than $____________.

5. Please tell us which best describes your attitude about Social Security: (check one)

______ I/We would prefer to not be dependent on Social Security in retirement.

______ I/We would like to include estimated Social Security benefits in our Wealthcare Plan.

______ I/We would like to include known Social Security benefits in our Wealthcare Plan: Specify the **annual** amounts for each of the Client: ___________ and Spouse / Partner: ____________

Life Goals

I/We have other specific goals we will need money for and would like to include these expenditures in our Wealthcare plan. (DO NOT include basic living expenses in retirement among these goals. Do include: extraordinary travel, vacation home, gifting, etc.). C/S/P refers to client/spouse/partner. The Ideal and Acceptable ranges for these goals are as follows:

Description	Owner	Plan	Annual Amount	Start Age	End Age	Annual Increase
___________________	C/S/P	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
___________________	C/S/P	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
___________________	C/S/P	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
___________________	C/S/P	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
___________________	C/S/P	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________

Education Goals

I/We have specific education goals we will need money for and would like to include these expenditures in our Wealthcare plan. The Ideal and Acceptable ranges for these goals are as follows:

Description	Owner	Plan	Annual Amount	Start Age	End Age	Annual Increase
_________________	_________	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
_________________	_________	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________
_________________	_________	Ideal	_______________	______	______	________________
		Acceptable	_______________	______	______	________________

RISK TOLERANCE / ASSET ALLOCATION

Unlike traditional planning methods that position you to experience the most risk you can tolerate, Wealthcare planning assumes you would prefer to avoid risk if possible. Based on your desire to avoid unnecessary investment risk, the portfolio that best fits your ideal tolerance for risk is: Ideal Portfolio _______

Sometimes your ideal portfolio may be too conservative to produce returns that would enable you to meet your most important financial goals. If necessary, to meet financial goals you feel are critical, which portfolio has the most risk you could possibly tolerate? Acceptable Portfolio _______

	POTENTIAL MEDIAN RETURN IN ONE YEAR	ODDS OF LOSING MONEY IN ANY ONE YEAR	DOWNSIDE 95%-tile FOR ONE YEAR	WORST RETURN IN ANY ONE YEAR	PERCENT IN STOCKS
Portfolio A	11.5%	1 in 3.9	-15%	-40%	100%
Portfolio B	11.1%	1 in 4.1	-13%	-37%	90%
Portfolio C	10.6%	1 in 4.4	-12%	-33%	80%
Portfolio D	9.5%	1 in 5.2	-8%	-26%	60%
Portfolio E	8.6%	1 in 6.3	-5%	-20%	45%
Portfolio F	7.6%	1 in 7.9	-3%	-15%	30%

Important Disclosures:

The results in the table above are materially affected by the capital market assumptions ("CMAs") used by Wealthcare Capital Management, Inc. ("Wealthcare"). The CMAs were developed by Wealthcare using an approach described in detail in the whitepaper titled "Hunting for Black Swans" and can be found at: http://www.financeware.com/ruminations/WP_hunting_for_black_swans.pdf

The target portfolios are comprised of a mixture of domestic equities (all cap), foreign equities (developed markets all cap), intermediate maturity U.S. Treasury bonds (7 – 10 year maturity U.S. bonds) and cash (3 month T-bill yield). The Wealthcare CMAs were run through a Monte Carlo simulation process for each target portfolio which generated 10,000 random scenarios of one year investment returns. That distribution of 10,000 simulated results provides the Potential Average Return, Odds of Losing in any one year, 95th percentile Downside Risk and the Worst Hypothetical Year portfolio statistics shown in the table above. The bar graph shows the potential results of six portfolios in any ONE year. NOTE: The highest potential portfolio returns typically have the greatest risk of losses.

The 95th percentile downside risk means for any given 12 month period, only 1 out of 20 periods would, probabilistically, have a negative return in excess of the calculated 95th percentile downside risk statistic using the 10,000 simulations. It does not mean that an investor might encounter such a loss only once in 20 years. The Exposure to Stocks figures reflect the percentage of domestic and foreign equities combined in each portfolio. Not shown in the chart is the percentage in intermediate term U.S. treasury fixed income securities for Portfolios A through F , which, in descending order, respectively, are 0%, 10%, 18%, 37%, 50% and 60%, with remainder of the each portfolio, after taking the equity percentage into account, allocated to cash.

Source of data analyzed to create the Wealthcare CMA assumptions: For equities, Center for Research in Security Prices ("CRSP"), Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. crsp.uchicago.edu. For fixed income index analysis prior to 1942, Ibbotson Associates data. Used with permission.

U.S. Patents 6,947,904, 7,562,040, 7,650,303, 7,765,138, 7,991,675.

SAVINGS

To estimate the likelihood of meeting your goals, we need to know how much you are saving each year to your 401(k), SEP, 403(b), IRA, Taxable Accounts, Roth IRA and the like. If you do not have detailed information for items like matching employer contributions, matches on deferred compensation, etc., please provide your best estimate for the amount. T/TD/TE refers to taxable, tax-deferred and tax exempt, C/S/P refers to client/spouse/partner. The Current savings amount and Ideal and Acceptable savings are as follows:

Description	Adds to Cost Basis	Tax Status	Owner	Amount Type	Referenced Cash flow
______________________	Y/N	T/TD/TE	C/S/P	$ Amount/% of flow	____________

Plan	Annual Amount	Start Age	End Age	Annual Increase
Ideal	________________	______	______	_________________
Current	________________	______	______	_________________
Acceptable	________________	______	______	_________________

______________________	Y/N	T/TD/TE	C/S/P	$ Amount/% of flow	____________

Plan	Annual Amount	Start Age	End Age	Annual Increase
Ideal	________________	______	______	_________________
Current	________________	______	______	_________________
Acceptable	________________	______	______	_________________

______________________	Y/N	T/TD/TE	C/S/P	$ Amount/% of flow	____________

Plan	Annual Amount	Start Age	End Age	Annual Increase
Ideal	________________	______	______	_________________
Current	________________	______	______	_________________
Acceptable	________________	______	______	_________________

PRIORITIES

To design the optimal set of the hundreds of potential choices, we need to prioritize your goals to identify those alternatives that make the most sense for what you want to accomplish. Please complete the following:

1. Investment risk (volatility or risk of losing money) is something we all wish to avoid if possible. With Wealthcare we can often take less than our maximum tolerance for risk by making relatively minor modifications to our other goals. Please answer the following question: *I would be willing to do the following to design a plan that takes less risk than my maximum risk tolerance indicates (check all that apply):*

a. ____ Save more each year than I'm currently saving
b. ____ Retire later than my ideal retirement age
c. ____ Leave a smaller estate than my ideal estate
d. ____ Lower my basic living expenses in retirement

2. Saving money is usually necessary to achieve your financial goals. However, it may also mean you are making sacrifices in your current lifestyle to achieve future goals. Please answer the following question:
If possible, I would like to reduce my current annual savings by $______________ a year so I can improve my current lifestyle. To meet this goal I would be willing to modify the following goals (check all that apply):

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Retire later than my ideal retirement age
c. ____ Leave a smaller estate than my ideal estate
d. ____ Lower my basic living expenses in retirement

3. When you plan to retire can have a significant impact on the probability of achieving your financial goals, because it is the age when you stop saving and begin withdrawals from investments. Please complete the following question: *To retire at my ideal retirement age, I would be willing to modify the following goals (check all that apply):*

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Save more annually than I'm currently saving
c. ____ Leave a smaller estate than my ideal estate
d. ____ Lower my basic living expenses in retirement

4. Many people have charitable desires or wish to pass wealth on to their family to provide financial security. Doing so can mean compromising other goals. Please answer the following question:
To achieve my ideal estate or charitable goals, I would be willing to modify the following goals (check all that apply):

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Retire later than my ideal retirement age
c. ____ Save more each year than I'm currently saving
d. ____ Lower my basic living expenses in retirement

5. Your lifestyle in retirement is dependent both on the resources you have available and your personal preferences. Most people would like to have a comfortable retirement income and lifestyle. Please answer the following question: *To maximize my spending budget in retirement, I would be willing to modify the following goals (check all that apply):*

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Retire later than my ideal retirement age
c. ____ Save more than my ideal savings amount
d. ____ Leave a smaller estate than my ideal estate

6. You may have specified one or more life goals above. Most people would make such goals a priority. Please answer the following question: *To achieve my specific life goals, I would be willing to modify the following goals (check all that apply):*

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Retire later than my ideal retirement age
c. ____ Save more than my ideal savings amount
d. ____ Leave a smaller estate than my ideal estate
e. ____ Lower my basic living expenses in retirement to more modest levels.

7. You may have specified one or more education goals above. We would like to understand the relative priority of these goals. Please answer the following question: *To fund the specified education goals, I would be willing to modify the following goals (check all that apply):*

a. ____ Take more risk than my maximum risk tolerance indicates
b. ____ Retire later than my ideal retirement age
c. ____ Save more than my ideal savings amount
d. ____ Leave a smaller estate than my ideal estate
e. ____ Lower my basic living expenses in retirement to more modest levels.

NOTES ON GOALS AND PRIORITIES

____

____

____

Notes (continued)

____

____

____

____

____

____

____

Sources of Income

I/We have other sources of income, such as pensions, rental income, etc. we would like to include in our Wealthcare Plan. (Please do not include income from stocks, bonds, mutual funds or other investment accounts included in the investment assets below. Do not include Social Security if selected or entered above). These sources are as follows:

Description	Owner	Gross/Net	Plan	Annual Amount	Start Age	End Age	Annual Increase
__________	C/S/P	______	Ideal	__________	____	____	__________
			Acceptable	__________	____	____	__________
__________	C/S/P	______	Ideal	__________	____	____	__________
			Acceptable	__________	____	____	__________
__________	C/S/P	______	Ideal	__________	____	____	__________
			Acceptable	__________	____	____	__________
__________	C/S/P	______	Ideal	__________	____	____	__________
			Acceptable	__________	____	____	__________

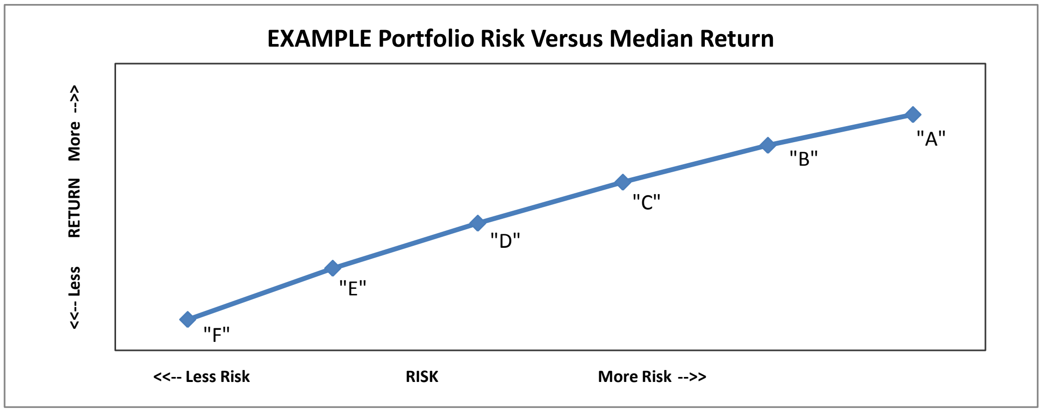
Tax Filing Status: Single ____Joint _____Head of Household _____

Advisor Information

Name: ____________________________ Requested by: ____________________________

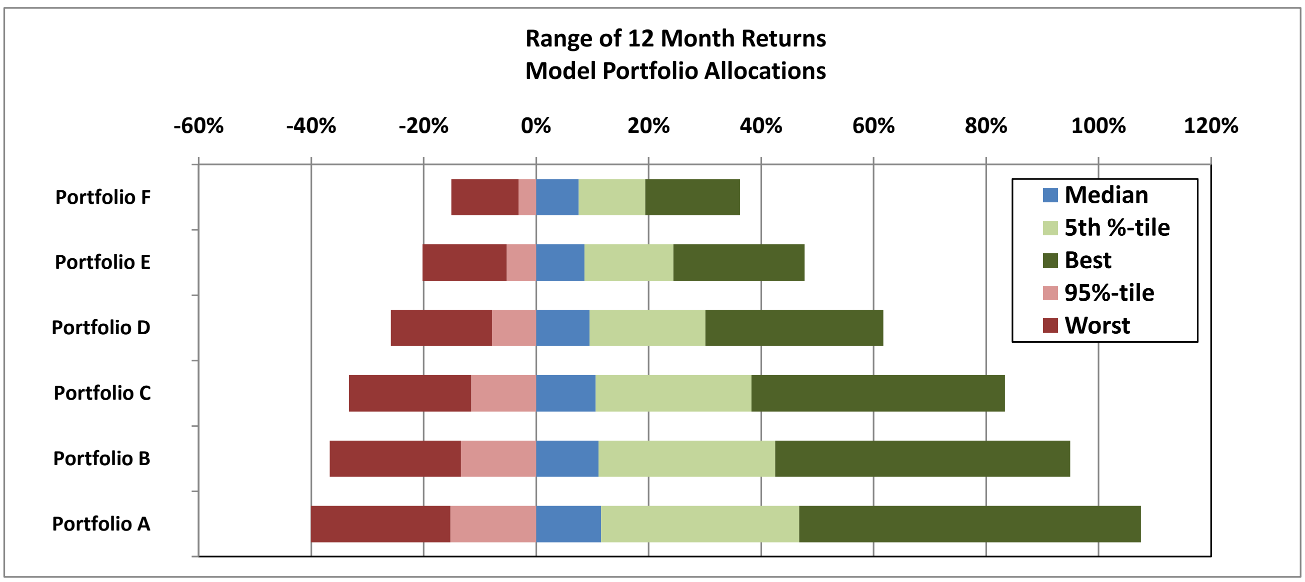
Fee: ____________ Date of Meeting: ____________

WEALTHCARE CAPITAL MANAGEMENT®



This graph is a general representation of the correlation between risk and return.

PORTFOLIO	*POTENTIAL MEDIAN RETURN IN ONE YEAR*	*ODDS OF LOSING MONEY IN ANY ONE YEAR*	*DOWNSIDE 95%-tile FOR ONE YEAR*	*WORST RETURN IN ANY ONE YEAR*	*EXPOSURE TO STOCKS*
A	11.5%	1 in 3.9	-15%	-40%	100%
B	11.1%	1 in 4.1	-13%	-37%	90%
C	10.6%	1 in 4.4	-12%	-33%	80%
D	9.5%	1 in 5.2	-8%	-26%	60%
E	8.6%	1 in 6.3	-5%	-20%	45%
F	7.6%	1 in 7.9	-3%	-15%	30%



IMPORTANT DISCLOSURES:

The results in the graphs and table are materially affected by the capital market assumptions ("CMAs") used. The CMA statistics were developed from data compiled on various historic U.S. and foreign asset class index returns from 1926 through 2009, but are not the specific asset class actual return statistics for any one period or series of time periods in the data set analyzed. For foreign securities where index data was not available as far back as 1926, a small cap domestic index was used as a proxy for the return and volatility characteristics of foreign equities. These CMAs, developed by Wealthcare, use an approach described in detail in the whitepaper titled "Are You Modeling What You Intended?", as revised from time-to-time, and can be found at: www.wealthcarecapital.com/ruminations/WP_areyoumodeling.pdf.

The target portfolios are comprised of a mixture of domestic equities (all cap), foreign equities (developed markets all cap), intermediate maturity U.S. Treasury bonds (7 – 10 year maturity U.S. bonds) and cash (3 month T-bill yield). The Wealthcare CMAs were run through a Monte Carlo simulation process for each target portfolio which generated 10,000 random scenarios of one year investment returns. That distribution of 10,000 simulated results provides the Potential Average Return, Odds of Losing in any one year, 95th percentile Downside Risk and the Worst Hypothetical Year portfolio statistics shown in the table above. The bar graph shows the potential results of six portfolios in any ONE year. NOTE: The highest potential portfolio returns typically have the greatest risk of losses.

The 95th percentile downside risk means for any given 12 month period, only 1 out of 20 periods would, probabilistically, have a negative return in excess of the calculated 95th percentile downside risk statistic using the 10,000 simulations. It does not mean that an investor might encounter such a loss only once in 20 years. The Exposure to Stocks figures reflect the percentage of domestic and foreign equities combined in each portfolio. Not shown in the chart is the percentage in intermediate term U.S. treasury fixed income securities for Portfolios A through F , which, in descending order, respectively, are 0%, 10%, 18%, 37%, 50% and 60%, with remainder of the each portfolio, after taking the equity percentage into account, allocated to cash.

Source of data analyzed to create the Wealthcare CMA assumptions: For equities, Center for Research in Security Prices ("CRSP"), Graduate School of Business, The University of Chicago. Used with permission. All rights reserved. crsp.uchicago.edu. For fixed income index analysis prior to 1942, Ibbotson Associates data. Used with permission.

October 19, 2011 08:30 AM Eastern Time

Investors With Envision® Plans Optimistic About Their Financial Future, Wells Fargo Advisors/Harris Interactive Survey Finds

98% of investors with Wells Fargo Advisors' Envision plans say their plan lets them know where they stand in reaching their financial goals

ST. LOUIS--(BUSINESS WIRE)--With consumer confidence plummeting to a two-year low and more Americans wondering whether they will be able to retire as they had planned, Wells Fargo Advisors (WFA), the brokerage unit of Wells Fargo & Company (NYSE:WFC), today released research conducted online by Harris Interactive showing that Wells Fargo Advisors clients who have gone through the firm's *Envision* planning process express an unusually high level of confidence about their financial standing.

The *Envision* process is a unique investment planning process used by Wells Fargo Advisors to help clients identify and prioritize goals, select investments suited to their objectives and preferences and track progress toward achieving their goals.

"We know from our own research that two-thirds of Americans don't have a written plan, and that many Americans are not confident they will be able to retire comfortably, if at all. At Wells Fargo Advisors we are committed to working with our customers and helping them succeed financially."

The research found that among surveyed *Envision* plan holders:

- 98% know where they stand in reaching their financial goals
- 93% focus on more important issues in their lives than their investments
- 95% feel they are able to live the life they've planned for
- 93% are confident they will retire on their own terms
- 92% have confidence about meeting their financial goals
- 92% feel in control of their finances

"We are pleased that our clients are finding the *Envision* process so helpful in meeting their goals," said Danny Ludeman, president and CEO of Wells Fargo Advisors, LLC. "We know from our own research that two-thirds of Americans don't have a written plan, and that many Americans are not confident they will be able to retire comfortably, if at all. At Wells Fargo Advisors we are committed to working with our customers and helping them succeed financially."

About Wells Fargo Advisors

St. Louis-based Wells Fargo Advisors is one of the nation's top brokerage firms with nearly 15,200 Financials Advisors and $1.1 trillion in assets. This vast network of advisors serves clients through offices in all 50 states and the District of Columbia.

Wells Fargo Advisors is the trade name used by two separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company: Wells Fargo Advisors, LLC and Wells Fargo Advisors Financial Network, LLC (members SIPC). Statistics include other broker-dealers of Wells Fargo & Company. www.wellsfargoadvisors.com.

About Wells Fargo

Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with $1.3 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores, 12,000 ATMs, the Internet (wellsfargo.com and wachovia.com), and other distribution channels across North America and internationally. With more than 270,000 team members, Wells Fargo serves one in three households in America. Wells Fargo & Company was ranked No. 23 on Fortune's 2011 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our customers' financial needs and help them succeed financially.

About the Survey

On behalf of Wells Fargo Advisors, Harris Interactive surveyed 1,004 adults online between June 14 and July 5, 2011, including Wells Fargo Advisors clients with an Envision plan, Wells Fargo Advisors clients without an Envision plan, and non-Wells Fargo Advisors clients. All respondents were U.S. citizens 35 years old or older who identified themselves as a primary or joint financial decision-maker for their household with investable assets of $250,000 or more and a banking relationship and a financial advisor relationship. Respondents were screened to exclude people employed in advertising, market research, or financial services. Data were weighted as needed to represent the population of those meeting the qualification criteria.

About Harris Interactive

Harris Interactive is a global leader in custom market research. With a long and rich history in multimodal research that is powered by our science and technology, we assist clients in achieving business results. Harris Interactive serves clients globally through our North American, European and Asian offices and a network of independent market research firms. For more information, please visit www.harrisinteractive.com.

Contacts

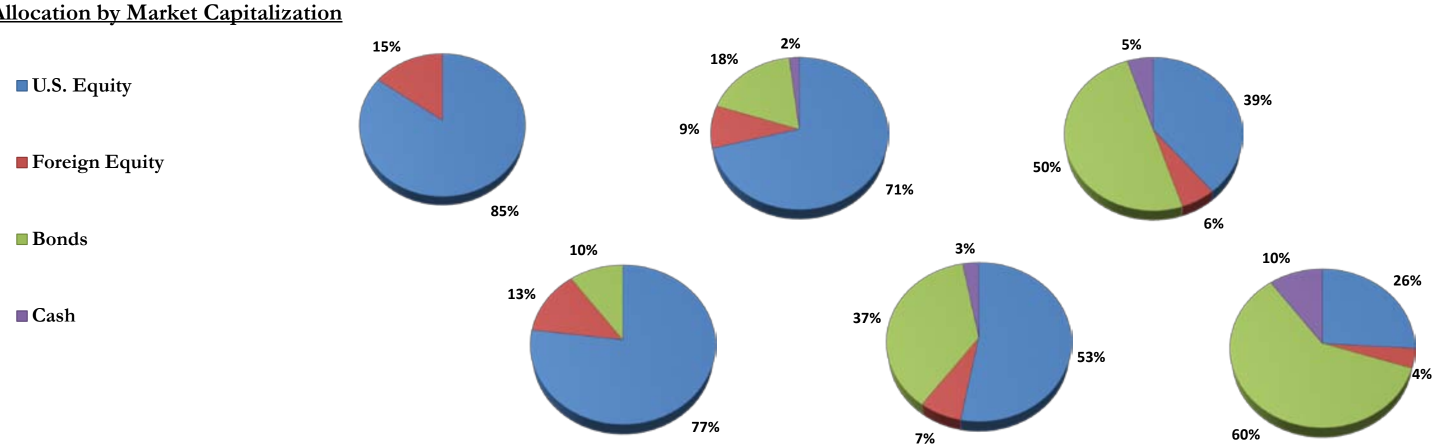
Wells Fargo Advisors
Rachelle Rowe, 314-955-5544
Rachelle.rowe@wfadvisors.com

WEALTHCARE CAPITAL MANAGEMENT®

Wealthcare Capital Management, Inc.'s Wealthcare Portfolios model asset allocations are designed to provide investors with a low cost, multi-disciplined and tax efficient approach to having comfort and confidence in achieving their lifetime goals, without unnecessary compromise to their lifestyle, and while avoiding unnecessary investment risk. Portfolios are constructed to maximize portfolio efficiency through broad global diversification and avoid "bets" on style or market capitalization. Portfolios are constructed by purchasing index based securities selected to minimize undesired capital gain distributions and expenses while maximizing tax, trading and diversification efficiency. Additionally, portfolios are rebalanced through our proprietary methodology designed to minimize taxes and maintain diversification.

	Aggressive Growth	Growth	Balanced Growth	Balanced	Balanced Income	Risk Averse
Portfolio Characteristics	Globally diversified portfolio designed for investors seeking maximum capital appreciation with a correspondingly high level of risk	Portfolio seeking capital appreciation through global diversification for investors with a relatively high risk tolerance	Globally diversified portfolio balanced with both stocks and bonds, yet focused on capital appreciation for investors with a moderate risk tolerance	Portfolio balanced between stocks and bonds, globally diversified, for investors seeking a balanced between growth and current income with a moderate risk tolerance	Globally diversified balanced portfolio seeking growth and current income, with a bias toward income and/or capital preservation for investors with a moderately low risk tolerance	Portfolio with a bond emphasis, with globally diversified equities for investors with a low tolerance for risk seeking capital preservation in real terms and/or current income
Holdings[1]						
Vanguard Total Stock Market Index (VTI)	85.0%	77.0%	71.0%	53.0%	39.0%	26.0%
Vanguard FTSE All-World Ex-US (VEU)	15.0%	13.0%	9.0%	7.0%	6.0%	4.0%
iShares 7-10 Year Treasury (IEF)	0.0%	10.0%	18.0%	37.0%	50.0%	60.0%
Cash/Money Market[3]	0.0%	0.0%	2.0%	3.0%	5.0%	10.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Portfolio Statistics[2]						
Yield	2.1%	2.1%	2.0%	1.9%	1.8%	1.6%
P/E Ratio	18.4x	18.4x	18.5x	18.5x	18.5x	18.5x
No. of Securities	5,898	5,912	5,912	5,912	5,912	5,912
Expense Ratio[3]	0.07%	0.07%	0.08%	0.09%	0.10%	0.11%

Asset Allocation by Market Capitalization



PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS.

[1] This list of holdings is subject to change at any time. The selection of portfolio holdings is based on objective non-performance based criteria and does represent all the holdings in the Wealthcare Model Portfolios. Clients should not assume that investment in these holdings were, or will be, profitable. Nothing contained herein should be construed as investment advice or recommendations to purchase or sell securities.

[2] Portfolio Statistics of the portfolios are based on the actual security holdings and holdings of beneficial interest within funds as of the most recent published data on Oct. 08, 2013. This list of holdings, and therefore this data, is subject to change at any time. Source: Barclay's iShares, Morningstar and Vanguard.

[3] Expense ratios of money market funds that are operationally efficient for the client to use (e.g. distributions for other holdings are automatically invested in such a fund, disbursements from the client accounts generate automatic money market fund covering sales, etc.), which are often referred to as money market sweep products, are dependent on the custodian for availability and can vary widely in expense ratio cost. Currently, the prevalent very low interest rates paid by issuers of high credit quality instruments with short maturities held by money market funds often require expense subsidies to ensure clients receive a very small positive yield. In some cases, the subsidy covers the entire fund expense ratio. Subsidies are provided primarily by the money market fund's manager waiving all or some portion of the fund manager's advisor fee, but in some cases, the fund's expense are paid for by the custodian affiliated with the fund's manager . These subsidies are generally subject to change on short notice in terms of amount of the subsidy or even if the subsidy will continue to be provided by the fund manager or its custodian. Therefore, indicating a specific expense ratio is not meaningful to clients seeking to understand the characteristic impact of the cost of cash equivalents that track closely to the 3 month U.S. Treasury Index in the portfolio models shown here. The salient disclosure is that since 2008 any actual client investments in the cash component of a Wealthcare Portfolio is yielding close to a zero return. The main purpose of the cash component of the model over time is to lower the risk of loss of that particular portfolio model given the very low likelihood a money market serving as a proxy for the 3 month U.S. Treasury Index would lose principal value. Most money market funds do not exclusively hold U.S. Treasury debt.

Hyperlinks to Individual Fund Fact Sheets:

VTI: https://advisors.vanguard.com/VGApp/iip/site/advisor/literatureforms/productlitdetails?litId=W089&fundId=0970
VEU: https://advisors.vanguard.com/VGApp/iip/site/advisor/literatureforms/productlitdetails?litId=W139&fundId=0991
IEF: http://us.ishares.com/content/stream.jsp?url=/content/en_us/repository/resource/fact_sheet/ief.pdf&mimeType=application/pdf

600 East Main Street, Suite 1240 • Richmond, VA 23219 • 804.644.4744 • www.wealthcarecapital.com

Version 10082013

Wealthcare's disclosure document, the ADV Part 2A, is available at: www.wealthcarecapital.com/ruminations/WCMADVII.pdf and must accompany or precede this brochure.