GROW YOUR WEALTH

With This Holistic Account Management Strategy

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Quick what is your total net worth? For many high net worth individuals, that's a complicated question to answer. To find a total net worth, you need to consider all your assets. Not only do these include your investment accounts or real estate holdings—easily accessible in real time—but they also include assets that may be tougher to track down and assign value. They may include, for example, your stock options, your HSA and any art you may have.

That's why creating a holistic balance sheet can be essential, according to Mat Neben, vice president at Whittier Trust.

"A holistic balance sheet is an easy to understand one-page document where all assets and liabilities are listed, regardless of where they're held and whether they're liquid or illiquid," said Neben. "It's really a single clear picture of your financial life."

At Whittier, managers work with clients to create this list, including assets outside of Whittier, to help create a clear financial plan, manage risk and avoid any tactical errors that may come from multiple managers handling different accounts. The idea, said Neben, is to provide a dedicated point person to ensure that your assets are working for you—and that you're not overlooking any hidden risk or sources of liquidity. Here are the reasons why any investor should create a holistic balance sheet, either by themselves or in partnership with a manager they trust.

Accurately Manage Risk

"I compare a holistic balance sheet to a map," said Neben. "In order to get where you want to go, you first have to know where you are."

But without a simple one-sheet, it can be tough to truly understand your asset allocations. "You can log onto single brokerage accounts, but you may not know what your total net worth is without including additional assets, such as real estate, including your primary residence" said Neben. And without a clear picture of your entire portfolio, the information you get from financial advisors may be exclusive to single platforms—and may overlook potential risk and liquidity problems.

"We create these a lot and almost always discover something surprising," said Neben. "A big one we see is concentration risk, which is especially common in real estate."

While an investor may be aware of investments in a private real estate fund, they may not fully consider their personal residence or investment property as part of their overall portfolio. "We've had clients who don't realize that 50% of their net worth is in real estate," said Neben. Once you see your overall holdings, you can then plan how to allocate risk appropriately.

Centralize Strategy and Avoid Tax Issues

He compared a manager's job at Whittier to that of a football quarterback. "By the time someone becomes a Whittier client, they already have a team of advisors built out, and we don't want to displace the current team of trusted advisors," said Neben. Rather, a manager can coordinate the entire team of advisors to talk strategy together and come up with the best course of action for your money.

Multiple advisors, acting separately, can also create tax headaches, said Neben. One common problem he has seen clients have, prior to adopting a holistic wealth strategy, is unwittingly getting tangled in Internal Revenue Service complications, such as breaking wash sale rules.

"Let's say you have two investment managers," Neben said. "Manager A sells an airline company to realize a loss for tax reduction purposes. Five days later, Manager B buys the same stock. Under IRS regulations, that loss won't be recognized." A central advisor can help avoid cross-purpose actions.

Maintain Liquidity Amid Volatility

If you have debt payments—from real estate investments, or other essential monthly cash flow needs—then ample liquidity is important. And it's especially important when the market is volatile.

"This past spring, we saw very stable companies cancel or suspend dividends," said Neben. "If an investor were relying on those to meet cash needs, they may have been forced to sell at a loss."

And during a market downturn, that sale can translate into a permanent loss of capital. Working with an advisor who understands the full picture of your monthly cash needs can help you set up a portfolio that ensures you have enough of a liquidity buffer to withstand the unexpected—without being forced to sell at a loss.

Bottom line: A holistic wealth management mindset can be revealing—which is exactly the point.

"I can't think of a single time we've created this balance sheet and didn't see a way to make things better," said Neben. From lower risk to an aligned strategy to overcoming potential liquidity issues, a holistic mindset can safeguard your wealth now and help you achieve your financial goals for the future.

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