



**GARDE**  
CAPITAL

## The Happiness Equation

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Why do we invest? If we asked 100 people this question we are likely to get many different responses. Those responses will vary based on upbringing and family characteristics, personality type, professional experience, and most importantly where the investor is in their own life journey. On some level, we invest with the goal of making more money so that one day we won't have to work and save anymore and we can simply enjoy life. That represents happiness for many investors. For others, achieving happiness is more than that. It involves the complete mastery of their financial lives. A 2014 Harris Poll on behalf of the American Psychological Association found that nearly three out of four adults reported feeling stressed about money at least some of the time, and one in four reported extreme stress over money during the prior month<sup>1</sup>. To us, happiness has a lot to do with removing or even eliminating our stress about financial matters. A foundational study by Russ Alan Prince identified the five major concerns of investors, concerns that we hear over and over again when working with clients. They are:

1. **Wealth Preservation:** Above all else, investors are concerned about losing their wealth. This is not just about losing money, it is about having enough money to fund their lifestyle, whether simple or extravagant.
2. **Wealth Enhancement:** Mitigating income taxes as well as estate and capital gains taxes is very important to investors.
3. **Wealth Transfer:** Effective wealth transfer is all about taking care of heirs: finding and facilitating the most tax-efficient way to pass assets to loved ones in a manner that meet the client's wishes with minimal difficulty and cost.
4. **Wealth Protection:** Investors are concerned about protecting their wealth from catastrophic loss, potential creditors and litigants.
5. **Charitable giving:** Many investors are looking outward beyond their own families to the world at large and want to make meaningful gifts to charity in the most impactful way possible.

At Garde Capital, we refer to the process of holistically managing a client's financial needs as *Wealth Management*. It is a term that is sometimes over used and often misunderstood in the financial services industry. Here we clarify this concept and introduce the Garde Capital Wealth Management Formula, which might just as easily be called *The Happiness Equation*.

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<sup>1</sup> [www.apa.org](http://www.apa.org)



## The Traditional Approach: Investment Advice

In the traditional approach to managing one's savings, the act of investing plays a dominant role. Financial advisors that use this approach may offer a broad range of investment products or specialize in a certain sector of the financial markets, for instance, investing in U.S. large capitalization stocks. The investment advisor, who may call what they do wealth management, in fact spends little time developing a comprehensive overview of their clients' broad, long term financial picture. According to CEG Worldwide, among over 2,000 financial advisors surveyed, just 6.6 percent actually used a true wealth management business model. These advisors may assess market statistics and try to predict the outcomes of things like elections, socio-economic events, corporate earnings reports, government activity, and other factors. Often, this is where the conversation starts and finishes, and the client is left with the assumption that conquering the market is the key to eliminating finance related stress. The reality is that investors have very little control over the performance of their investment assets. The act of trying to control an outcome that is statistically random is a formula for adding stress instead of reducing it. Fortunately, there are a number of aspects of our financial lives that we can control.

## The Garde Capital Wealth Management Formula

At Garde Capital, we believe that investment management is a critical piece of the wealth management puzzle, but it is not the only piece. A sound investment plan must be coupled with a solid advanced plan and a relationship management approach that is completely customized to the client.

Happiness, in our minds, rests in the knowledge that our financial affairs are completely in order so that we can go on living our lives. A simple formula helps guide us in this endeavor. The Garde Capital Wealth Management Formula is as follows:

$$\text{Wealth Management (WM)} = \text{Investment Management (IM)} + \text{Advanced Planning (AP)} + \text{Relationship Management (RM)}$$

In the complete wealth management plan, the advanced planning and relationship management components complement and integrate with the investment strategy to address each of an investor's financial concerns.

### *Investment Management (IM)*

Investment management involves the oversight of all investment related elements with the goal of maximizing the probability of clients achieving all that is most important to them. Understanding the level of risk in specific types of investments as well as understanding how much risk a client is willing and able to be exposed to is of paramount importance. We at Garde Capital are passionate about understanding a client's unique investment goals and then building a customized investment portfolio that maximizes the probability of achieving that goal. It is useful to note that financial goals are different for everyone which means that the investment solution must be customized and flexible. Portfolio construction and analysis, risk evaluation and management, asset allocation, cost and tax management, and long-term retirement projections are used to address the clients desire to protect their current standard of living. This is the portion of the process with which clients are most familiar.

### *Advanced Planning (AP)*

Advanced planning is used to address client concerns about their wealth outside of wealth preservation. Advanced Planning consists of four important components:

- Wealth Enhancement (WE) – Strategies for ensuring that clients are not paying too much in taxes or too much in borrowing costs. Cash flow management is the primary consideration for wealth enhancement.
- Wealth Transfer (WT) – Creating a customized plan for transferring wealth effectively to family members or other beneficiaries when the appropriate time comes.
- Wealth Protection (WP) – Incorporating insurance and other risk management methods into the plan to protect client assets from being unjustly taken or compromised.
- Charitable Giving (CG) – Working to maximize charitable impact. Helping with donor advised funds, community and family foundations, and suggesting efficient means by which to direct wealth to other organizations and manage current tax liability.

While investors may feel confident that they have a sound investment and retirement plan in place, it is the advanced plan that often requires the most attention. The knowledge that assets are efficiently managed, well protected, and structured in a manner that allows for customized transfer at the appropriate time is an enormous burden lifted.



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### *Relationship Management (RM)*

Relationship management has two components of its own:

- Customer Relationship Management (CRM) – Customizing the communication and reporting process in a way that suits each client’s specific needs.
- Professional Network Relationship Management (PNRM) – Providing access to a network of experts in the areas of estate planning, tax planning, insurance planning, and other risk management categories, and bringing ideas to the table that help the client achieve a broad set of wealth management goals.

Relationship management is the glue that holds the other elements of the plan together and allows them to work seamlessly to create a fantastic client experience.

### **Achieving Happiness**

When it comes to financial matters, we know that most goals cannot be accomplished without a plan. For our clients, we strive to put them on a path where someday, they no longer need to wake up each morning and worry if they have the right plan in place. While we cannot predict the markets, we do have control over the risk we are taking, the costs and tax efficiency of our portfolios, the beneficiaries of our assets, and the way in which we receive information about our plan. When creating a complete wealth management plan by using the formula above, we can help clients set the direction of their financial lives. That is one giant step toward eliminating stress and finding the happiness that often seems so elusive for many investors.