



Business Owner

Client Background and Situation

As an entrepreneur and owner of an energy exploration and private investment company, our Client did not have the time or interest to actively managing his public market investments. He did, however, understand the importance of having someone he trusted look after this area so that he could focus on his business, personal, and philanthropic activities. Additionally, he was looking for sound financial advice regarding estate planning for future generations. In 2005, he selected us to manage \$500,000 of his portfolio while he focused on building his business.

In 2007, he realized \$5 million of post-tax proceeds from the sale of a small manufacturing business and contacted us for advice on what he should do with these additional funds. In parallel, the investment bank who brokered the sale of his business – and whose President was a close personal friend of our client– had presented him a 30-page deck on their asset management practice.

Our approach was to objectively educate him on the various financial services available for High Net-Worth Individuals, their pros and cons, and the criteria he might want to think about in selecting a specific firm.

The first step was for us to work together to explore his goals, objectives, and priorities, which included the following:

- Secure his retirement
- Diversify the risk of his focused business activities
- Provide educational funds for his grandchildren
- Pass on a legacy for organizations and charities

Choosing the Appropriate Service Model

The first decision for our client was deciding between a Family Office or a Private Advisor as a service provider:

- **Family Office:** For the ultra wealthy (over \$25 million in assets), this service can make sense as it comes with both a portfolio manager and an office manager. The portfolio manager selects investments while the office manager takes care of administrative tasks such as paying bills, managing home staff, managing calendars, etc.
- **Private Client Advisors:** LGA recommends fee-based advisors over brokers who charge commissions, since client interests are better aligned. Advisors typically offer investment management, financial planning, and insurance offerings to help clients achieve their goals.

In our Client's case, he did not have a need for the Family Office, so hiring an advisor made the most sense, provided he could find someone he trusted and whose services could help him achieve stated goals.

Choosing the Appropriate Investment Strategy

Furthermore, our client had to choose between two different investment strategies:

- **Strategic Asset Allocation:** The investment bank that brokered the sale of his business used this buy-and-hold approach based on the "Efficient Market Theory." This theory believes that markets have priced in all known information so it is important to diversify, but impossible to outperform by timing the market.





- **Tactical Asset Allocation:** This strategy uses systems and data to monitor investment fundamentals and market movements to make tactical changes in the portfolio. This theory believes that an edge can be generated through analysis to capture opportunities and mitigate pitfalls from inefficient and oftentimes irrational markets. LGA utilizes this approach.

After understanding both investment models, the Client felt that the tactical asset allocation strategy was more pragmatic and a better fit for him for two reasons:

- The tactical strategy provides a hedge during down markets and he didn't like the risk he'd have to take during down markets using the buy-and-hold approach.
- As an entrepreneur, he philosophically believed that when armed with the appropriate data and a disciplined and proven system, one can work hard to become aligned with the highest probability of success.

Additionally, the client felt that LGA's more hand's on and customized service approach better matched his requirements for attentiveness and attention to detail.

Developing and Implementing a Plan

The final step for us was to develop and implement a plan to reach each client goal. Together, we made / took the following decisions / actions:

- Adjusted his risk file from aggressive to moderate based on his new goals to conserve and protect assets versus previous objective of pure growth.
- Diversified a majority of his wealth into our actively managed tactical asset allocation portfolio.
- Set aside a smaller portion of the proceeds to continue his riskier pursuits in oil exploration and real estate for which he still had a personal interest.

- Established trust funds and education savings plans for his grandchildren. Invested these funds in a more growth-oriented portfolio to align with young children's needs and longer term timeline.
- Reduced estate taxes by helping to facilitate a generation-skipping trust whereby the children of our client would not incur a tax liability when using the funds for their children.
- Established and funded charitable trusts that support the organizations/charities that are close to his heart.

Client Investment Results

Since making the decision on May 15, 2007, US Equity markets have been down 7% in the 1 year period, while our client's portfolio is up 3%, validating his selection of a tactical strategy with LGA over the buy-and-hold approach. The characteristic of hedging during downturns fit with his principles of not trying to hit a home run but rather to protect his assets during turbulent times while growing them moderately for his retirement.

Client Satisfaction

As a measure client satisfaction, we are proud to report that our client independently discussed our approach, process, and results with a number of his colleagues. From these discussions, three new individuals / families became clients of LGA in the past year, while each had different situations, profiles, and goals.

The common thread amongst all LGA clients is that they have a desire to pursue their life's dreams and require a firm that they trust to help them along the way.



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