

Rules for the Pursuit of Wealth Management

People often ask how a financial planning firm, like Wagner Planning, assists clients with wealth management. To help explain, let's imagine you are the "owner" of a baseball team. As the "owner" you care about the game and you want to be involved but you need to hire a "coach" for your team, someone who lives and breathes baseball daily. The "coach" manages the team in order to meet your goals, in part by selecting the "players" who will be out on the field catching the ball or up at bat trying to hit the home run. Now for some inside "baseball."

You, the baseball team "owner", hire Wagner Planning to be your "coach". As your "coach", Wagner Planning uses our knowledge and expertise to evaluate potential "players", conditions, and "playing venues". We will be your advocate, guiding your decision-making and will be focused on your overall objectives while you place your attention in other areas of your life.

The "player" selection process starts with our in-house Investment Committee, which reviews potential holdings, such as mutual funds and ETFs, to see if they would be a good fit for our "team." Our committee meets monthly to make sure that the "team" or overall portfolio is meeting expectations both internally and when compared to peers. During these meetings we also analyze market trends, economic data, and discuss newsworthy topics that could impact the markets. We are continually evaluating the "players" in our portfolios to ensure we have more than a "team" of "outfielders" and are diversified.

While it would be great to have a "player" knock it out of the park, what we prioritize is predictability. Usually if a fund can do extremely well it can also do extremely poorly. Wagner Planning has created a proprietary scoring tool to review prospective "team members," or fund managers. Our scoring tool evaluates potential "players" and considers data such as alpha, beta, expense ratios, fund manager tenure, standard deviation, and historical long-term performance. In addition to our internal tool, we also meet with representatives from the fund companies, people who can share some insight into the background or methodology of the "player."

As your "coach," it is important for our committee to interpret the statistics and see the whole picture. For example, if a fund has an excellent 10-year track record but the fund manager has been there only a year then that performance does not belong to that fund manager. If a fund manager is

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frequently making trades, then it might make sense to have a higher than average expense ratio, we just want to make sure that the performance net of expenses is worth the cost. Similar to when a “team” brings on a new “player”, they have to justify the size of the contract. Utilizing informed decision-making along with analytical data from our proprietary scoring method, allows us to objectively and consistently evaluate “players” for consideration.

Once we have selected the individual “players” our dedicated Investment Committee evaluates how they all work together as a “team” using the industry-respected analytical tool, Morningstar. Morningstar uses best-in-class data to provide powerful research that allows us to create hypothetical portfolios, showing us how an allocation may perform under specific circumstances. We can see historically how our potential “team” will play together before switching out “players” or before deciding who is “pitching.” Morningstar also allows us to take into consideration historical market events that may lie outside a 10-year lookback period. For example, understanding how the fund performed during the 2008 market downturn could prove beneficial in decision-making.

Finally, the “team” needs a “stadium” with all the amenities to practice and play. When choosing a “stadium” or custodian, considering one that can accommodate all the “players”, offers a history of stability, has a reliable structure, and meets the “owner’s” objectives is invaluable. You never want your “players” practicing in your “coach’s” backyard which is why, Wagner Planning never directly custodies your assets. When you trust us with your investments, those monies will always be held with a vetted third-party custodian, and you provide us with authorization to assist with those funds on your behalf.

Wagner Planning’s primary custodian is Pershing, owned by BNY Mellon since 1939. Bank of New York or BNY has been around for 230 years, but as we have learned recently, longevity does not always equate to stability, so understanding a custodian’s financial situation is critical. As a part of our processes, Wagner Planning reviews data such as custodian ownership, net capital, as well as total global client assets. Pershing custodies over \$2 trillion in global client assets and is considered a Globally Systematically Important Bank (G-SIB). As a G-SIB, BNY Mellon is subject to stringent capital and liquidity rules, as well as stress tests, that complement our rigorous approach to investor protection.

Wagner Planning offers [holistic financial planning](#), which includes wealth management services. We offer a large variety of different products to help you on your path toward your investment goals.

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When assisting with wealth management we evaluate multiple factors related to your accounts from the stability of the custodian, to the track record of the fund managers and we will only consider companies with a reputation for dependability and credibility.

With a fantastic “stadium,” a great “team” of diverse “players” and a hard-working “coach” you should be all set for a winning season.

This article is written by Sandra J. Wagner, CFP®. Sandra has been helping people with their finances since 2001. She is a CERTIFIED FINANCIAL PLANNER™ professional and CEO of Wagner Planning.

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