

Fairhaven Checklists

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The Financial Uncertainty Preparedness Checklist

There are few industries in the world that have accomplished what the US commercial aviation industry has - an almost perfect record of safely delivering passengers at heights of five miles and at speeds in excess of 500 miles per hour -- and it has done so year after year. A key contributor to this record: preflight and in-flight checklists. What does this have to do with successful financial planning? More than you might think.

Introducing the Fairhaven Standard of Care

Borrowing insights from aviation, we've developed the concept of a Standard of Care for comprehensive wealth management. Highly personalized, not all elements of the following checklist will apply to each client. Unique circumstances will likely demand unique solutions. However, the following framework is intended to facilitate discussion and identify strategies across a broad range of topics.

1. Uncertainty Preparedness: establish savings account with at least six months' worth of expenses

2. Portfolio Review

- ✓ Define the client's risk profile
- ✓ Define the roles of active and passive investing in the portfolio
- ✓ How do you ensure that the portfolio is optimized to avoid impairments/underperformance over time?

- ✓ What performance impairments may impact spending?
- ✓ What is the role of diversification in the portfolio?
- ✓ How do you diversify across asset classes? How many asset classes and why?
- ✓ What is the role of a concentrated portfolio in diversification? What research supports this strategy?
- ✓ What is the role of and reason for alternative investments as diversifiers in the portfolio?

3. Financial Planning

- ✓ Define long-term financial goals
- ✓ Perform a Monte Carlo analysis of goals; establish the baseline likelihood of success and tracking
- ✓ Budget and savings strategy: determine how savings and sacrifices influence long-term goals; establish a monthly savings goal
- ✓ College spending plan (if applicable): establish 529 account(s); how does the client balance 529/savings/scholarship/student plans? How does the client equalize spending if children have different college expenses?
- ✓ Is the client saving for a wedding?
- ✓ Does the client plan to keep the existing home, buy or rent a short-term domicile, and/or move now or later to a retirement

location? What are the titling implications of the client's goals?

- ✓ Is the client planning to help adult children financially and/or provide annual gifting? If so, when and how much?

4. Retirement Planning

- ✓ Define the vision of retirement, including a spending plan; how will the client generate cash flow in retirement?
- ✓ Review employer-sponsored retirement plan: refine investment strategy
- ✓ Refine holistic investment approach; does the client have additional retirement accounts?

5. Legacy Goals

- ✓ Define family gifting goals and philanthropic gifting goals
- ✓ Irrevocable living trust (if applicable): protect assets from the impact of taxes

6. Education Goals: Establish 529 accounts for children (engage grandparents/extended family)

7. Balance-Sheet Management

- ✓ Review loans and optimize borrowing; consider asset-based lending
- ✓ Review mortgages with consideration of a long-term spending plan
- ✓ Consider establishing a line of credit

8. Insurance Review

- ✓ Establish life insurance strategy: Include life insurance/ income replacement?
- ✓ Review home insurance for replacement cost

coverage, especially in areas with rapidly escalating replacement costs

- ✓ Review health, disability and umbrella insurance policies for coverage amounts
- ✓ Review all beneficiaries for all plans (including defined contribution)
- ✓ Perform expanded insurance review: traveler's insurance, pet insurance, inventory of vehicles and hard assets

9. Health Savings Account (HSA) (if Applicable)

- ✓ Set strategy for accumulating assets in HSA for later use
- ✓ Establish policy of saving all health-related expenses for later reimbursement

10. Medical Screening and Preventative

Healthcare Plan: Consider a comprehensive diagnostic service, such as an Executive Health Assessment; recent research shows there are simple lifestyle changes that people can make to significantly improve their quality of life and reduce their risk of early mortality.

11. Basic Estate Planning

- ✓ Discuss advance medical directives and durable power of attorney for medical and financial decisions for adults and children; consider sharing with godparents and other adults of influence
- ✓ Update all wills, executors and durable powers of attorney
- ✓ Engage a specialist for advanced estate planning

- ✓ Consider adding an ethical will to enrich the understanding of what this money means to the extended family
- ✓ Establish medical power of attorney for adult children
- ✓ Extended family strategy: establish inheritance/intergenerational gifting strategy (discuss with grandparents); include Roth IRA(s) with grandchildren as beneficiaries

12. Cybersecurity, identity theft, safety and documentation

- ✓ Set strategy for identity theft protection
- ✓ Collect next of kin/family contact permissions
- ✓ Collect a record of safes, storage units and safe deposit boxes as well as accessibility for each
- ✓ Collect records of all accounts, computer files, passwords, photos of personal property, inventory of vehicles and confirmation of financing and ownership.

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For more information, please contact:

Marc Horner, CFP®
 Founder & Wealth Advisor
mhorner@fairhavenw.com
 630.990.900



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