



**WHEELER**  
Wealth Management

**FLASH REPORT**

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## It May Be Time To Give Your Wealth Plan a *Stress Test*

One of the best plans to take from the financial playbook of the Super Rich—those with a net worth of \$500 million or more—is to work with professionals to help manage your financial and lifestyle concerns. But, as the Super Rich know, you can't stop there. We also need to regularly assess whether the financial advice we get—and the financial solutions we rely on—are truly up to snuff.

The Super Rich regularly take this step, and so should you. One reason: As your circumstances change, or the world around you changes, the solutions you have in place may no longer be optimal for your needs. “*Life happens,*” as they say—and strategies that were ideal for you a decade ago might be in need of revision.

That's where a technique known as **stress testing** can make a big difference.

### From piecemeal to comprehensive

A stress test can help you see whether the wealth management solutions you are using are not only in alignment with your goals and objectives but also appropriately state of the art. Stress testing is a systematic way to determine how your wealth management solutions are likely to hold up under different scenarios—and ultimately deliver the results you expect.

There are two main reasons why the Super Rich regularly conduct stress tests:

- To avoid potentially destructive economic and legal situations
- To ensure they are benefiting from all possible opportunities

One big reason why your wealth planning efforts may be in need of fine-tuning (or possibly more) is that far too many investors do piecemeal planning. That means they address one concern without considering their larger situation. Then maybe two years later, they address another consider—again without factoring in other aspects of their financial lives.

Often, the result is there's little to no coordination among the various professionals helping them and little to no coordination among the various financial solutions or strategies they implement. Because of the fragmented and disjointed nature of how a plan may have been developed, it isn't set up for potential success nearly as well as it could be.

Stress testing allows individuals and families to look at their situation holistically to see whether their goals and objectives are being addressed and they are using the most appropriate, cost-effective and up-to-date strategies and solutions.

**The good news:** The overall trend of democratization in financial services—which has brought once-exclusive solutions to more investors—is also bringing stress testing to a larger audience.

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## THREE ACTION STEPS

A good time to consider a stress test on your finances is whenever you are not sure you are using the best available wealth management solutions—and, as a result, you are concerned that:



- There may be errors in your wealth plan.
- There may be opportunities to improve your situation that are currently missing from your plan.

By stress testing your plan or specific aspects of it, you can potentially confirm that you are on target—or identify corrections that will put you on the right track toward the end results you most want to achieve.

We suggest the following steps to help ensure a stress test is being done by a high-quality professional.

**1. Seek out professionals who can clearly explain the process of stress testing and its value.** It's a good sign when a financial professional can explain stress testing—the value it can bring and the reasons for doing a stress test in the first place. For starters, stress testing is not about being sold services or products, nor is it going to *always* result in making any changes to the current wealth plan.

Instead, think of stress testing more like an annual physical checkup. You may not have any medical concerns going into the appointment, but you show up because you want to ensure that any unidentified or hidden problems are uncovered. That way, you can take steps before the problems become serious.

**2. Work with professionals who are focused on the human element.** Stress testing is designed to help you see if that strategy is still best suited for you based on your needs, wants and preferences. Therefore, a stress test has to take into account important personal and even emotional traits to be effective. This *human element* is vital in ensuring you are getting the desired wealth management results—and that those results are within the parameters you establish.

That means the professional who does the stress test must have a deep understanding of you—including your goals and values as a person, not just your net worth. Such an understanding takes some time to develop and often relies on individuals sharing their concerns as well as their hopes and wishes. The professionals who employ systematic processes to develop insights into their clients and are able to “connect the dots” based on these insights will be best able to consistently create significant advantages for their clients through stress testing.

**3. Work with professionals who are highly technically proficient.** Although the human element takes center stage, it won't do much good if the person doing the stress test can't expertly evaluate your current wealth solutions or ones that potentially could be a good fit for you.

A highly proficient professional can evaluate sophisticated and complex wealth management solutions to see if they work, are working as expected, and are not in any way skirting laws or regulations. He or she also will be knowledgeable about alternative strategies and products, and be able to bring in specialists if needed to evaluate current strategies and potential alternatives that may be superior.