

STUDY SESSION

10

Private Wealth Management (1)

This study session addresses the process of private wealth management and the construction of an investment policy statement (IPS) for the individual investor. The IPS is a blueprint for investing client assets. The IPS identifies the needs, goals, and risk tolerance of the investor, as well as constraints under which the investment portfolio must operate. The adviser then formulates an investment strategy to tax-efficiently reconcile these potentially conflicting requirements.

Taxes and regulations are important considerations for individual investors. Because taxes and regulations vary from locality to locality, tax-efficient strategies for portfolio construction and wealth transfer are necessarily specific to the locality in which the investor is taxed. The study session focuses on investment strategies applicable across a wide range of localities. Although illustrations of such strategies may be presented from a country-specific perspective, candidates should focus on the underlying investment principles and be able to apply them to other tax settings.

READING ASSIGNMENTS

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| Reading 21 | Overview of Private Wealth Management
by Christopher J. Sidoni, CFP, CFA, and Vineet Vohra, CFA |
| Reading 22 | Topics in Private Wealth Management
by Paul Bouchey, CFA, Helena Eaton, PhD, CFA, and Philip Marcovici |

LEARNING OUTCOMES**READING 21. OVERVIEW OF PRIVATE WEALTH MANAGEMENT**

The candidate should be able to:

- a** contrast private client and institutional client investment concerns;
- b** discuss information needed in advising private clients;
- c** identify tax considerations affecting a private client's investments;
- d** identify and formulate client goals based on client information;
- e** evaluate a private client's risk tolerance;
- f** describe technical and soft skills needed in advising private clients;
- g** evaluate capital sufficiency in relation to client goals;
- h** discuss the principles of retirement planning;
- i** discuss the parts of an investment policy statement (IPS) for a private client;
- j** prepare the investment objectives section of an IPS for a private client;
- k** evaluate and recommend improvements to an IPS for a private client;
- l** recommend and justify portfolio allocations and investments for a private client;
- m** describe effective practices in portfolio reporting and review;
- n** evaluate the success of an investment program for a private client;
- o** discuss ethical and compliance considerations in advising private clients;
- p** discuss how levels of service and range of solutions are related to different private clients.

READING 22. TOPICS IN PRIVATE WEALTH MANAGEMENT

The candidate should be able to:

- a** compare taxation of income, wealth, and wealth transfers;
- b** describe global considerations of jurisdiction that are relevant to taxation;
- c** discuss and analyze the tax efficiency of investments;
- d** analyze the impact of taxes on capital accumulation and decumulation in taxable, tax-exempt, and tax-deferred accounts;
- e** explain portfolio tax management strategies and their application;
- f** discuss risk and tax objectives in managing concentrated single-asset positions;
- g** describe strategies for managing concentrated positions in public equities;
- h** describe strategies for managing concentrated positions in privately owned businesses and real estate;
- i** discuss objectives—tax and non-tax—in planning the transfer of wealth;
- j** discuss strategies for achieving estate, bequest, and lifetime gift objectives in common law and civil law regimes;
- k** describe considerations related to managing wealth across multiple generations.