



**SANCTUARY WEALTH MANAGEMENT**  
275 SOUTH 5TH AVENUE, STE. 151  
POCATELLO, ID 83201  
PHONE: (208) 233-0080  
FAX: (208)233-0088  
[WWW.SANCTUARYWEALTH.NET](http://WWW.SANCTUARYWEALTH.NET)

*A White Paper on Wealth Management.*



BRETT ROBISON



G. CLAY ESPLIN



TIM FORHAN





## Contents

Executive Summary .....	- 2 -
The Challenges of Stockbrokers and Traditional Investment Advice .....	- 3 -
A Brief History of Investment Advice.....	- 4 -
The Solution: Comprehensive Wealth Management.....	- 5 -
Important Benefits .....	- 6 -
What to Look For in a Wealth Management Firm.....	- 6 -
Final Thoughts.....	- 8 -

### **A Sanctuary for Wealth: What Every Investor Should Know**

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## Executive Summary

For many successful professionals, business owners, and executives, ineffective investment advice and poor planning create a tremendous burden. These people, many of whom face increased demands on their time from their own professional, family, and retirement interests, are often too busy to monitor the performance of their investment portfolios, let alone their investment advisors.

Faced with such challenges, these professionals are often forced to silently question the independence and wisdom of their advisors' recommendations. They question whether the advisor's interests are aligned with theirs and whether the fees they pay are justified given the poor performance, lack of attention and planning their current advisor provides.

Fortunately, a few comprehensive wealth management firms have started filling the void created by this lack of proper planning and ineffective investment advice. By providing the right independent advice, a good wealth management firm can dramatically improve investment strategy and portfolio performance as well as lead the way to a solid wealth management plan that covers wealth preservation through asset allocation, tax efficiency, estate planning, wealth transfer, asset protection, risk mitigation, and college planning.

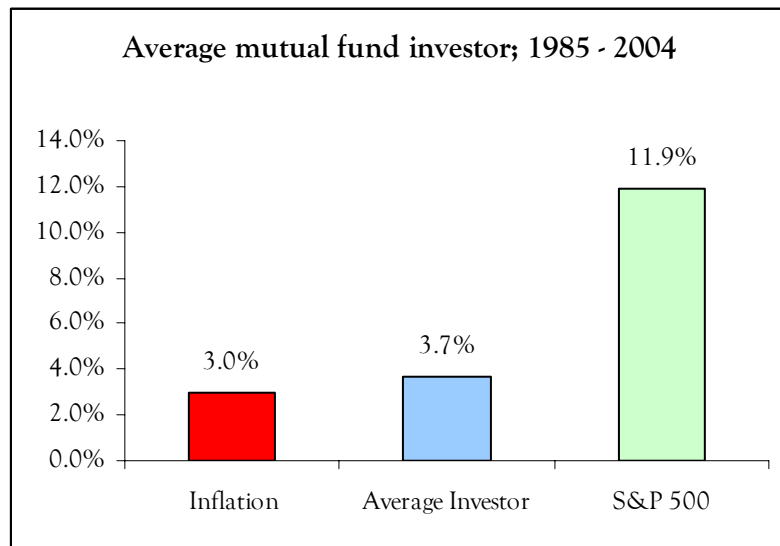
This white paper will explore the challenges of traditional investment and stockbroker advice, how selecting a competent wealth management firm can resolve these constraints, and by which criteria wealth management firms should be chosen.



## The Challenges of Stockbrokers and Traditional Investment Advice

All too frequently, successful people face significant costly challenges when it comes to developing and managing their investment strategy and planning their financial future. Common issues are:

**Repeated Poor Performance:** The goal of many investors is to buy low and sell high. In reality, investors caught in the cycle of chasing the latest high-performing fund or fund manager end up buying high and selling low, a problem exacerbated by the constant flow of generic, ill-fitting advice from the financial media and press. The high costs and poor performance of market timing and stock picking decimate actual portfolio performance and returns over the long run. Unfortunately, many investors experience this pain firsthand, often on the recommendation of a financial advisor.



Source: Dalbar, "Market Chasing Mutual Fund Investors Earn Less Than Inflation"

**Conflict of Interest:** The term "advisor" is often misused. Many "advisors" are actually commission-based salespeople who derive their income from buying and selling products such as stocks, mutual funds, annuities, and insurance. It is therefore natural to question whether your current advisor's recommendations are based on your best interests or on the size of the commission he or she will receive.

**Lack of Transparency:** Similar to the conflict of interest issue above, many prudent investors are wary of all the hidden fees and costs associated with professional money management. Often, fees are difficult to uncover. Many investors either assume that fees will be fair, don't know what reasonable fees should be, or are simply too intimidated to ask their advisor what the *total* costs will be.



**Lack of Time and, Therefore, Attention:** It's not unusual to receive prompt service at the time of sale. However, as time goes on and markets go through gyrations, especially in down markets, many investors become disappointed when their advisors are slow in responding to their requests, don't follow through with their commitments, or simply don't return phone calls. Many advisors have hundreds of clients, which logistically leaves very little time during any given day for each individual client.

**Lack of Coordination:** Many investors notice that their stockbroker or advisor is greatly interested in discussing the investment portion of their financial situation, but provides little or no leadership around other critical financial topics such as asset allocation, tax implications, estate planning, gifting, asset protection, risk management, etc. Very few advisors actually focus on these aspects of a client's financial well-being, and even fewer play a *proactive* role in coordinating among the various required support professionals.

**Lagging Expertise:** Many people have been with their advisor for a long time. These people have gotten used to the transaction-based philosophy of their advisors and they hope and expect that "someone is watching their money." In fact, most advisors have so many clients that they spend the majority of their time reacting to problems. These advisors lack the systems, staff, expertise, and capability to help those they work with create and maintain a working plan. Simultaneously, people become increasingly busy with their own families and business obligations and have less time to pay attention to their investments. In essence, they have outgrown their advisors and may have settled into a costly comfort zone.

Fortunately, new methods of independent, fee-based investment advice and planning are emerging to help financially successful people with their investment strategy and wealth management.

## A Brief History of Investment Advice

Initially, investment advice and products were bought through traditional brokerages. Investors selected a brokerage house, opened an account through the company's salesperson, and purchased all their investments through one carrier.

Eventually some firms separated themselves from single-line offerings and began selling products from several different investment companies. These firms were slightly more independent than those of the previous generation, but because they were still compensated on commission from the products they sold, many investment



recommendations were not necessarily in the best of interest of the client. This sales-driven approach created a negative experience for many investors, and as a result many investors simply became burned out on salespeople and didn't want to hear the latest financial sales pitch.

### **The Solution: Comprehensive Wealth Management**

In response to the above issues, a new method of investment advice and planning is emerging. Independent, fee-based financial advisors have broken away from the commission-driven cycle and no longer have allegiance to one particular company over another. Because the advisor's compensation comes primarily from flat fees based on a percentage of the assets under management, he or she is compensated more for the advice and service provided than the product sold, which aligns the success of the advisor with the success of the account. In this way, it is in the direct interest of the advisor to put the client in the best position, since compensation is no longer tied to transaction volume, commission size, or any other sales incentives that may be in force.

Under this enhanced all-inclusive model, investment strategy, asset allocation, and the coordination of tax planning, estate planning, asset protection, and risk management are covered under one consolidated effort - hence the name *comprehensive wealth management*. And because of the way these advisors are compensated, they can take all aspects of an investor's financial situation under advisement, something that seldom occurred under the previous commission-based model. It is also interesting to note that the total cost to the client under the fee-based model is often lower than the total cost under the commission-based model. Unfortunately, very few advisors calling themselves "wealth managers" truly offer comprehensive wealth management.

Successful business owners, professionals, and executives now have a way to solve their traditional investment advice challenges by retaining a client-centered comprehensive wealth manager. The best wealth managers are those who can see the big picture from a financial point of view and who also have the expertise and staff resources to attend to all the necessary small details. These managers must be mature enough to know what they don't know, and must work closely with other experts to place their clients' interests first in achieving an overall financial plan.



## Important Benefits

Retaining a comprehensive wealth manager has many emotional and practical benefits:

**Probability of Success:** Having a comprehensive asset allocation-based financial plan with active coaching, structure, and monitoring greatly increases the probability that a client's wealth plan will succeed.

**Simplification:** Successful people often accumulate many redundant accounts over the years. A person may have four or five advisors recommending the same investments with slightly different packaging. Untangling and simplifying the chaos created by a lack of planning and discipline can free up time, be an emotional lift, and may significantly improve returns.

**Security:** With the uncertainty of the future, it is more critical now than ever before to ensure that your financial needs during retirement are taken care of well in advance. A comprehensive wealth manager who is currently advising clients in all phases of life - from accumulation to preservation and distribution - will be intimately familiar with the financial values, needs, and goals unique to your situation.

**Better allocation of time:** Some people are excellent medical providers. Some are excellent performing artists. Very few, however, are excellent in both their chosen profession as well as investment strategy and wealth management. The most successful people know how and when to delegate to professionals, they devote their time to what they are good at and what's most important to them. Retaining a comprehensive wealth manager allows you to devote your time and resources to their most valuable use.

**Peace of Mind:** Today's turbulent markets can be nerve-racking. When satisfied clients discuss what they like most about their advisors, some of the most common answers are: "I know it's being taken care of and I can sleep at night." "They take a complex plan and make it simple for me to understand." "I trust them."

## What to Look For in a Wealth Management Firm

When looking for a comprehensive wealth management firm, be sure to consider the following requirements:



**Client-Advisor Alignment:** Seek out an advisor whose practice is based primarily on fees rather than commissions. In this way, the advisor's success is tied to your satisfaction and the positive growth of your portfolio rather than to the number of transactions that occur. Ask the advisor to explain how he or she is compensated to work with you.

**Independence:** Find an advisor who is independent and thus not tied to or incented by one specific investment product over another. An independent advisor has access to many investment options and is completely free to select the investment(s) that are best for the client.

**Investment Philosophy:** A growing mountain of academic research suggests that most fund managers do not beat the market; in fact, over long periods of time, the broad market indices consistently outperform active managers by substantial margins. Investors can obtain an optimal rate of return by matching their risk capacity to an appropriate investment risk. Broad asset allocation supported by a globally diversified portfolio of index funds is the optimal way to accomplish this for most people.

**Comprehensive Service:** Find an advisor who goes far beyond selling stocks or providing advice on investments. Find one who uses an investment policy statement, a written financial plan, an initial investment assessment, a portfolio risk analysis, global asset allocation retirement income, and cash flow planning. The advisor should also coordinate tax mitigation, estate planning, wealth transfer planning, asset protection, risk management alternatives, and education funding with the appropriate professionals.

**Process:** Find an advisor who has a detailed process to uniquely assess your specific financial situation. Ask to see the processes. Typically, the best wealth managers will:

- Conduct an honest assessment of *your* values, goals, needs and concerns, important relationships, and interests.
- Present *you* with a proposal showing where value can be added to *your* situation.
- Keep *you* in charge as the final decision maker while they advise, present you with options, and do the “heavy lifting” associated with implementation and maintenance.
- Keep *you* updated regularly and measure progress with planned progress meetings.



**Established:** Find an advisor who has an established practice. Established advisors will have the professional relationships, staff resources, and systems in place to ensure that there is follow-through and that tasks are completed. Just as important, established advisors will have clients from all walks of life and all stages of wealth accumulation, preservation, or distribution, thus better positioning them to be intimately familiar with the challenges unique to your situation.

**Communication:** Some clients prefer frequent short meetings with their advisor throughout the year. Others prefer a longer meeting only a couple of times a year. Find an advisor who will tailor communication with you to the type and level you desire. Find an advisor who proactively initiates dialogue and promptly returns your phone calls; one who will develop a relationship not only with you, but with the rest of your family and those involved in your estate.

**Comfort Level:** You deserve an advisor who you feel genuinely comfortable with, one who will listen and work with you to find good risk-adjusted investments appropriate for you, and one you can trust to keep all the “moving parts” of your plan working.

**Disclosure:** Find an advisor who fully discloses all fees, allegiances, and background information. Ask for a copy of your advisor’s Agreement for Investment Management Services.

## **Final Thoughts**

At the core, wealth management is all about supporting values with resources. One of the most critical components of wealth management, therefore, is positioning wealth in such a way as to give clients a high probability of achieving their goals. By configuring wealth to support individual and family goals, a competent wealth management firm can provide a way for successful people to align their resources with their personal and professional priorities.

*We are committed to helping you align your wealth with your values and goals. To explore whether or not we can add value to your situation, please call (208) 233-0080.*



## **PARTNERS**

### **Brett Robison**

#### **President and CEO of Sanctuary Wealth Management**

Brett holds a BA degree in business from Utah State University and is responsible for the development and management of Sanctuary's client advisory services.

In 1994, Brett formed Washington Financial Services with the goal of providing clear and objective planning for investment clients. From 1994 through 2006, Brett co-built the firm from the ground level to more than \$60 million in assets under management. During this period, Brett also taught investment courses at Idaho State University, the College of Southern Idaho and Brigham Young University-Idaho. In 2006, the firm's name was changed to Sanctuary Wealth Management to reflect the overall wealth management offering. With a high level of expertise in investments, financial strategy analysis and portfolio implementation, Brett remains driven by the same principles he based the company on - helping others achieve their goals with more certainty, less risk and greater control.

Brett has been married since 1991 and has two children. He and his family reside in Pocatello.

### **G. Clay Esplin**

#### **Vice President, Investments**

Clay earned a degree in finance from Utah State University. After working in accounting for two years, he joined the firm in 1998. He has taught courses on investment and personal financial planning for Idaho State University, BYU-Idaho, the College of Southern Idaho, Bridgerland Applied Technology College and Ogden-Weber Applied Technology College.



He specializes in working with successful business owners who seek to maximize their time and money and is dedicated to helping his clients make smart decisions about their money and achieve their financial goals. "I have seen far too many people who have either followed bad investment advice from 'professionals' or made poor investment choices on their own. Either way, they lose." Clay's investment philosophy is grounded in years of academically based Financial science. "We believe the capital markets are efficient, so we don't try to predict the future. Some risks are quantifiably worth taking and others are not. We don't try to outguess the markets, but rather seek to maximize what they provide.

"Our clients want their financial lives simplified. They would rather focus their time and energy on their passions: families, hobbies, business interests or whatever else they may enjoy. In order for our clients to be able to do that, they need to know that they are taking the proper steps to help ensure their financial security. That's where we come in."

Clay and his wife, Samantha, have been married since 1997 and have four children. They reside in Pocatello.

### **Tim Forhan**

#### **Vice President, Development**

Tim joined Sanctuary Wealth Management in May 2008 after more than 20 years at IBM and nearly six years as senior vice president of quality and reliability systems at AMI Semiconductors in Pocatello. Over his career he has held numerous executive positions, managed budgets exceeding \$30 million and reported directly to the CEO of a publicly traded NASDAQ company.

Tim brings deep financial, managerial and corporate experience to Sanctuary. Prior to joining Sanctuary, he was a client and experienced the benefits of the comprehensive wealth management process firsthand. As a client, Tim found that one of the greatest benefits was completing all the noninvestment aspects of a comprehensive plan. At Sanctuary, he focuses on new business development, business process quality, overall



product offerings and client support. Tim has a BS in ceramic engineering from Alfred University and an MBA from the University of Buffalo, both in New York State.

Tim is married and has four children.



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