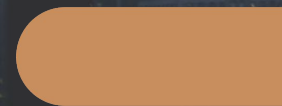


# Introduction to Wealth Management



# CHAPTER 1

# Introduction to Wealth Management

# Introduction to Wealth Management

Wealth management is a holistic approach to financial planning that encompasses a wide range of services designed to help individuals and families grow, preserve, and transfer their wealth



# TWP Dynamic Wealth Management Program Overview



Comprehensive  
financial planning



Investment  
management



Tax  
optimization



Estate  
planning



Risk  
management



# Why Holistic Wealth Management Matters

It addresses all aspects of financial life, ensuring a cohesive strategy for achieving long-term financial goals



## CHAPTER 2

# Core Components of Wealth Management

# Financial Planning



## Goal setting

Defining short-term and long-term financial objectives.



## Budgeting

Creating and adhering to a budget to track income and expenses



## Cash flow analysis

Monitoring and optimizing cash flow to ensure financial stability



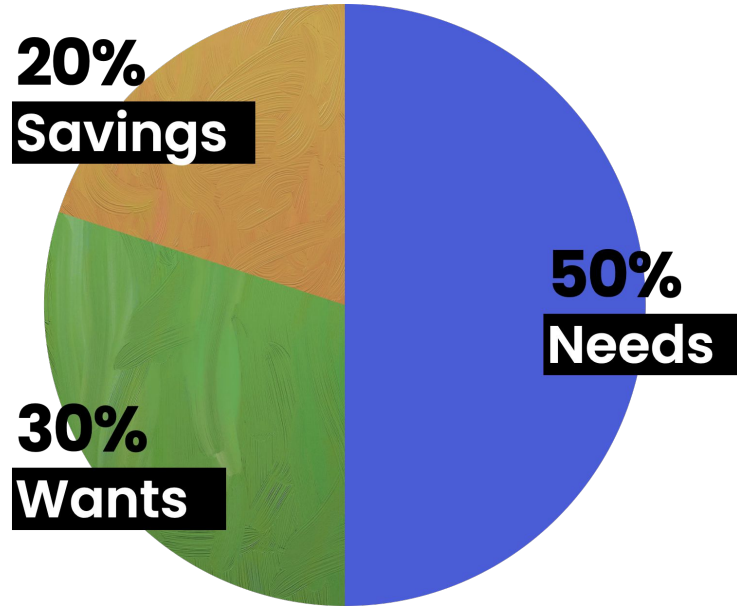
## Risk tolerance assessment

Evaluating an individual's willingness to take on investment risk.



# Effective Budgeting

Prioritize needs over wants,  
use the 50/30/20 rule



# Investment Management



## Portfolio construction

Creating diversified portfolios aligned with investment goals and risk tolerance.



## Asset allocation

Distributing investments across various asset classes.



## Portfolio rebalancing

Adjusting the portfolio to maintain the desired asset allocation.



## Performance monitoring

Tracking the performance of investments and making necessary adjustments.



# Tax Planning



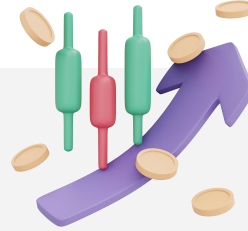
## **Tax-efficient investing**

Utilizing tax-advantaged accounts like IRAs and 401(k)s.



## **Tax minimization strategies**

Implementing strategies to reduce tax liability.



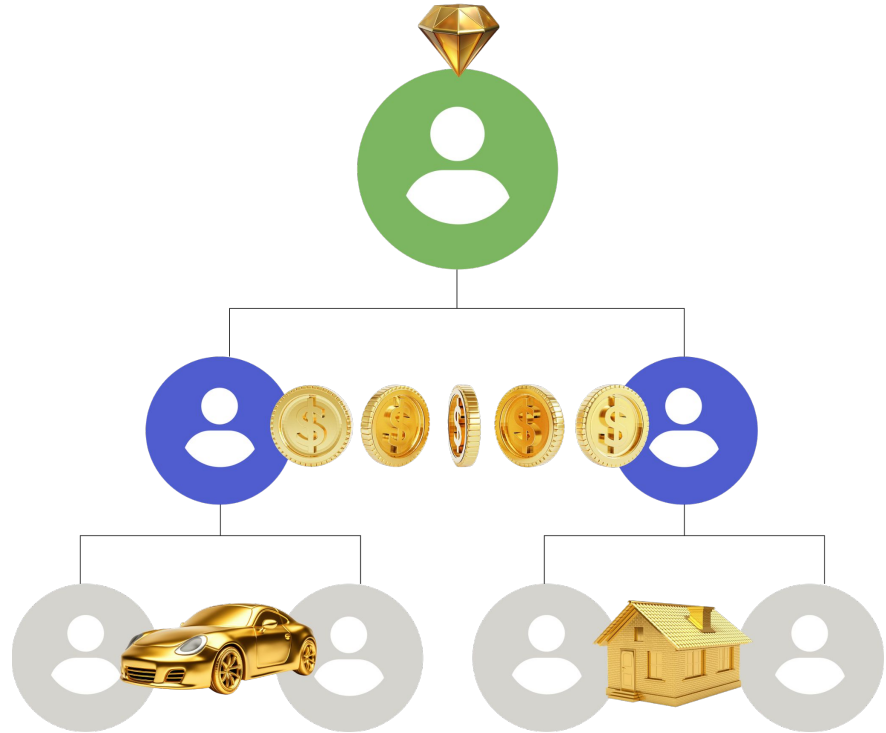
## **Tax-loss harvesting**

Selling underperforming investments to offset capital gains.



# Estate Planning

- ✔ **Will preparation:**  
Creating a legal document outlining how assets will be distributed upon death.
- ✔ **Trust creation:**  
Establishing trusts to manage assets and minimize estate taxes.
- ✔ **Probate avoidance:**  
Implementing strategies to avoid the probate process.
- ✔ **Gift planning:**  
Making charitable donations to reduce taxable estate value.



# Risk Management

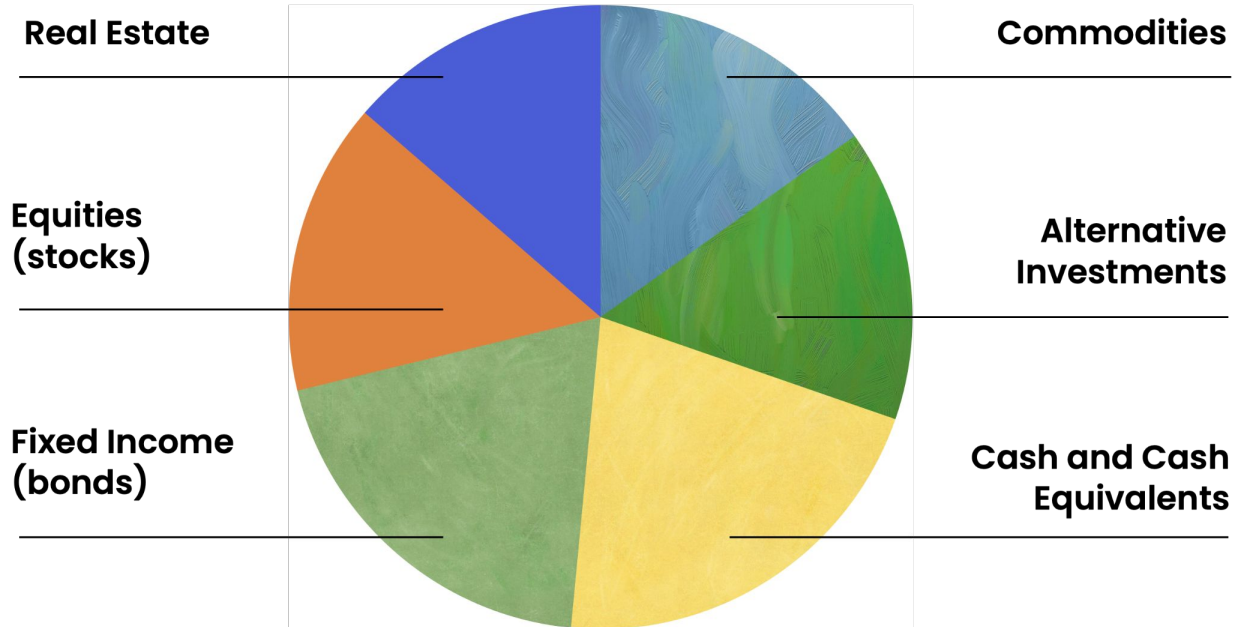
- ✓ **Insurance planning:**  
Assessing insurance needs, such as life, health, disability, and property insurance.
- ✓ **Risk mitigation strategies:**  
Implementing strategies to protect assets from various risks.



## CHAPTER 3

# Asset Classes

# Asset Classes



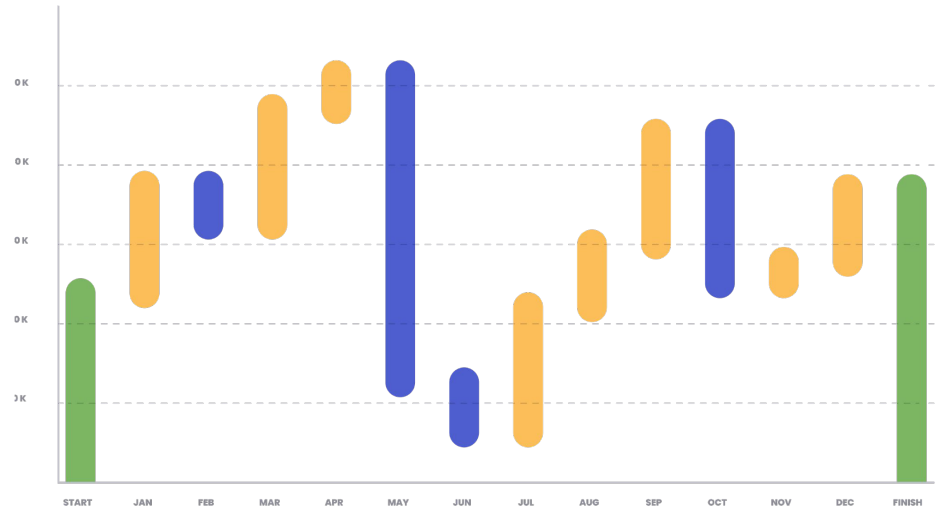
# Equities (Stocks)



Represent ownership in a company. Potential for high returns but also higher risk

## Examples:

Individual stocks, exchange-traded funds (ETFs), and mutual funds.



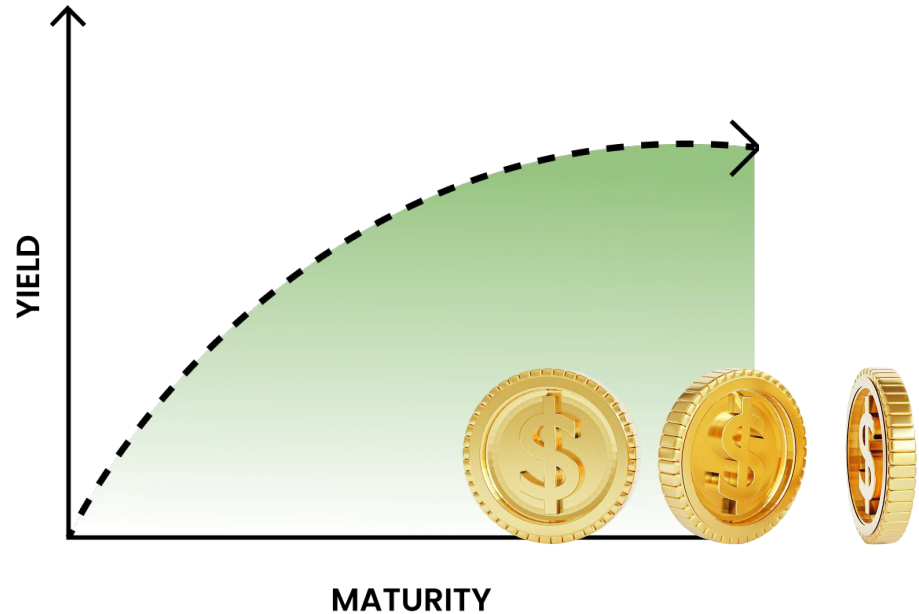
# Fixed Income (Bonds)



Debt securities issued by governments or corporations. Typically offer lower returns but lower risk than stocks.

## Examples:

Government bonds, corporate bonds, municipal bonds.



# Cash and Cash Equivalents



Low-risk investments that can be easily converted to cash.

**Examples:**

Savings accounts, money market funds, and certificates of deposit (CDs).



# Real Estate



Tangible assets like land and buildings. Can provide income through rental properties and potential appreciation

**Examples:**

Residential real estate, commercial real estate, real estate investment trusts (REITs).



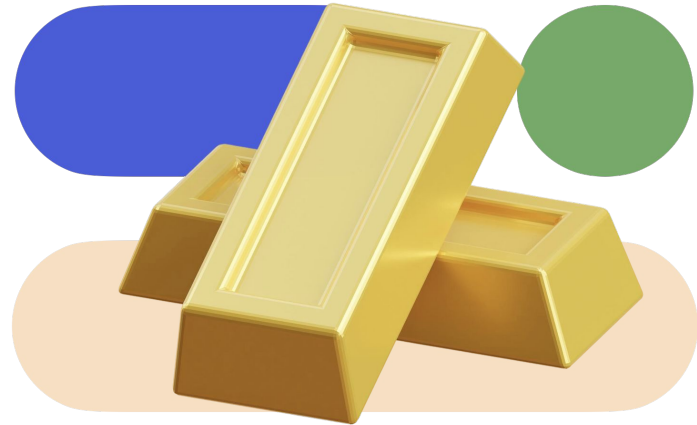
# Commodities



Raw materials like gold, oil, and agricultural products. Can be used as a hedge against inflation.

**Examples:**

Futures contracts, commodity ETFs



# Alternative Investments



Less traditional investments with unique characteristics.



## **CHAPTER 4**

# **Common Pitfalls in Wealth Management**

# Behavioral Biases



## Overconfidence

Overestimating one's abilities can lead to risky investment decisions.



## Loss aversion

The tendency to avoid losses can prevent timely selling of underperforming investments.



## Herding

Following the crowd without due diligence can lead to poor investment choices



## Anchoring

Relying too heavily on past performance can hinder decision-making.



# Behavioral Biases



## Impulsive spending

Unplanned spending can erode wealth



## High-fee investments

Excessive fees can significantly reduce long-term returns



## Debt accumulation

High-interest debt can drain financial resources.



## Tax inefficiency

Failing to optimize tax strategies can reduce overall wealth.



## CHAPTER 5

# Retirement Planning Tools

# Qualified Retirement Accounts

## Tax advantages

Contributions are made with pre-tax dollars, and earnings grow tax-deferred.

## IRS and ERISA regulations

Governed by specific rules to protect participants.

## Employer sponsorship

Often offered through employers

## Examples:

401(k) plans, 403(b) plans, pension plans.



# Common Types of Qualified Retirement Accounts



**401(k) Plans**

**403(b) Plans**

**Pension Plans  
(Defined Benefit Plans)**

**Profit-Sharing Plans**

**Employee Stock Ownership Plans (ESOPs)**



# Defined Contribution Plans

Feature	401(k)	403(b)	401(a)	457	SIMPLE IRA
Eligible Employers	Private Companies	Public Schools, Nonprofits	Government, Nonprofits	Government, Nonprofits	Small Businesses
Who Contributes?	Employee + Employer	Employee + Employer	Mostly Employer	Employee + Employer	Employee + Employer
Contribution Limits	\$23,000 (2025)*	\$23,000 (2025)*	Set by Employer	\$23,000 (plus 457 catch-up)	\$16,000 (2025)*
Employer Match?	✅ Common	✅ Common	✅ Sometimes	❌ Rare	✅ Required
Vesting Schedule	Varies	Varies	Often Immediate	Often Immediate	Immediate
Tax Benefits	Pre-tax / Roth	Pre-tax / Roth	Pre-tax	Pre-tax / Roth	Pre-tax



Retirement plans sponsored by an employer, where both the employee and/or employer contribute to the employee's individual account

## Examples:

401(k), 403(b), 401(a), 457, SIMPLE IRA.



# Self-Directed IRAs



Individual Retirement Accounts (IRAs) that allow for a broader range of investment options than traditional IRAs.

**Examples:**

Traditional or Roth IRAs.

A 3D-rendered golden safe with a circular dial and a handle. A blue horizontal bar passes behind the safe. A black rectangular box is overlaid on the safe with the text "Traditional / Roth IRA" in white.

Traditional / Roth IRA

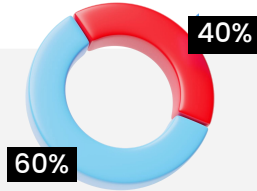


# IRC 1256 Products



## Mark-to-market

Contracts are treated as if sold at their fair market value on the last business day of the tax year.



## 60/40 rule

Gains and losses are taxed as 60% long-term capital gains and 40% short-term capital gains.



## Types of contracts

Regulated futures contracts, foreign currency contracts, non-equity options.



# One Year Plus One Day Strategy



Maximizing tax savings by ensuring assets qualify for long-term capital gains tax rates



## CHAPTER 6

# Strategic Asset Allocation (SAA) and Dynamic Portfolio Management

# Strategic Asset Allocation (SAA)



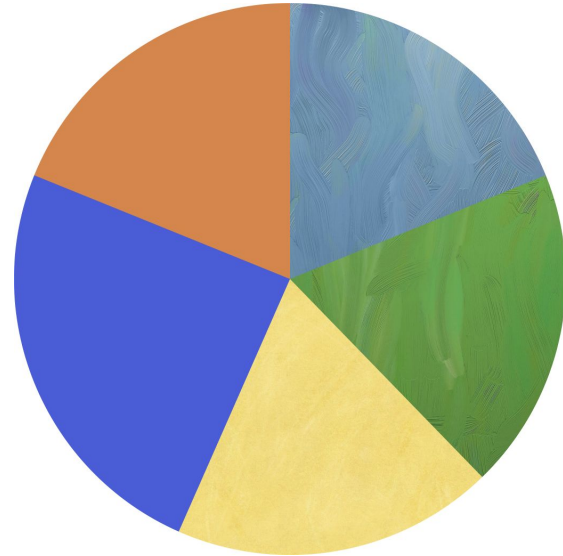
Long-term focus, diversification across asset classes to balance risk and return.

## Key considerations:

Risk tolerance

Time horizon

Financial goals



# The 3 Buckets Approach



## Short-Term **Liquidity Bucket**

Cash, short-term CDs,  
treasury bills.



## Mid-Term **Income Bucket**

Bonds, dividend-paying  
stocks, balanced mutual  
funds.



## Long-Term **Growth Bucket**

Stocks, growth-oriented  
mutual funds, real estate.



# Understanding Retirement Income Needs



Retirement income needs vary based on lifestyle, expenses, and financial goals. It's crucial to estimate these needs accurately to ensure a sustainable retirement



Housing



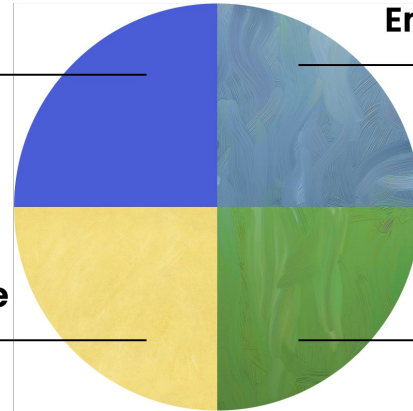
Entertainment



Healthcare

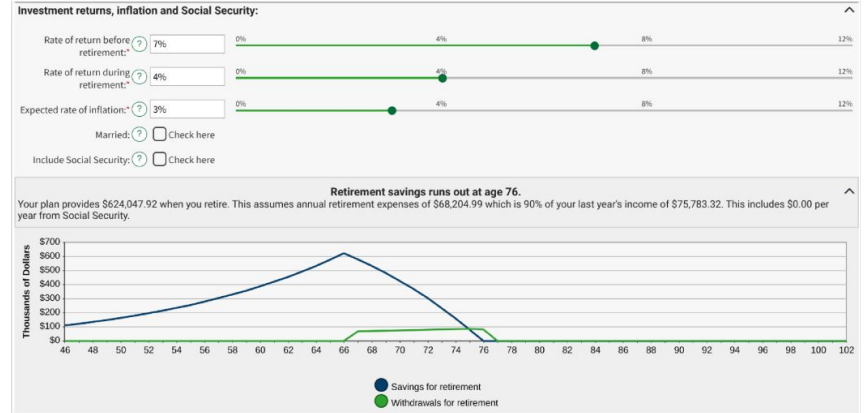
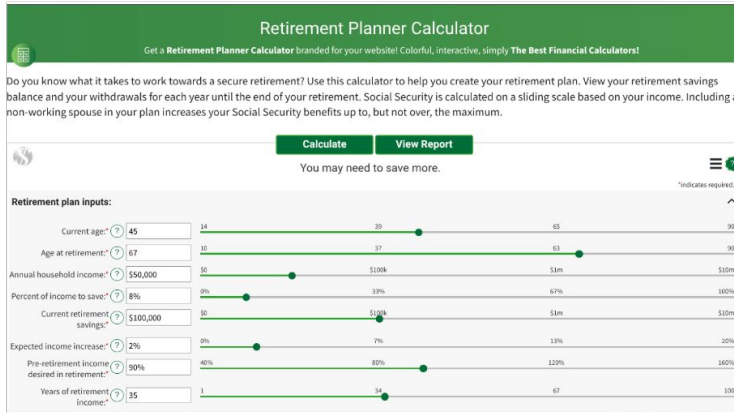


Food



# Calculating the Required Rate of Return (ROR)

Using financial calculators to determine the necessary ROR for retirement goals



## CHAPTER 7

# Implementing the TWP Dynamic Wealth Management Program

# Dynamic Portfolio Management



## Dynamic 401(k) management

Using moving averages to assess market trends.



## Dynamic ETF portfolio

Utilizing covered calls and cash-secured puts for income generation



## Yield-Powered Option Position (YPOP) strategy

Leveraging bond income to purchase options.



## Downside portfolio protection

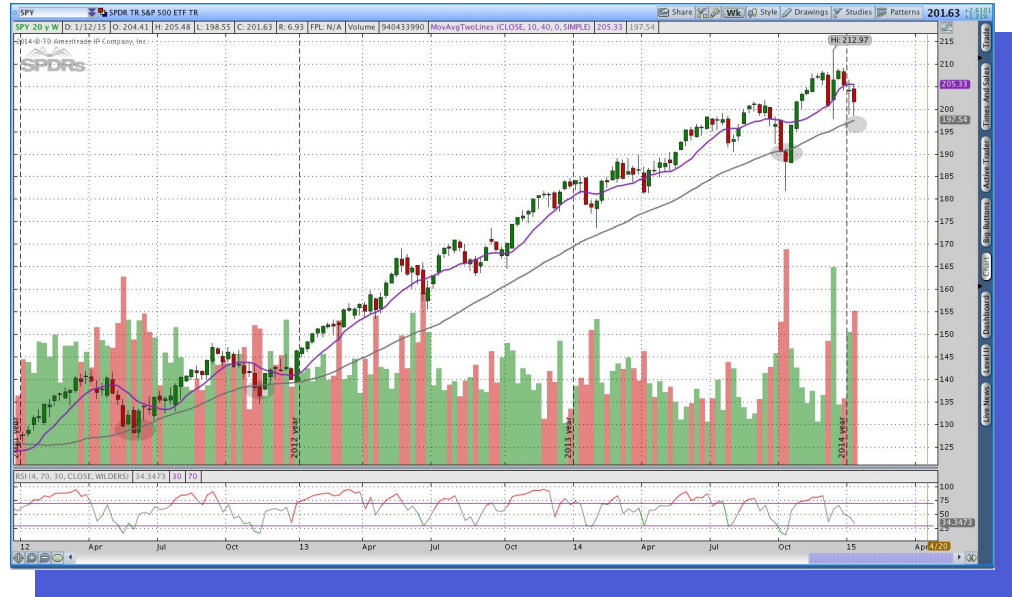
Strategies like put options, collars, and stop-loss orders to mitigate losses.



# Dynamic 401(k) Management



Using moving averages to  
assess market trends and  
allocate capital between equity  
and bond funds



SPDR S&P 500 ETF TRUST · 1M · NYSE Arca ● ≈ 0596.18 H597.34 L549.68 C562.08 -32.10 (-5.40%)

562.08  
SELL

0.02

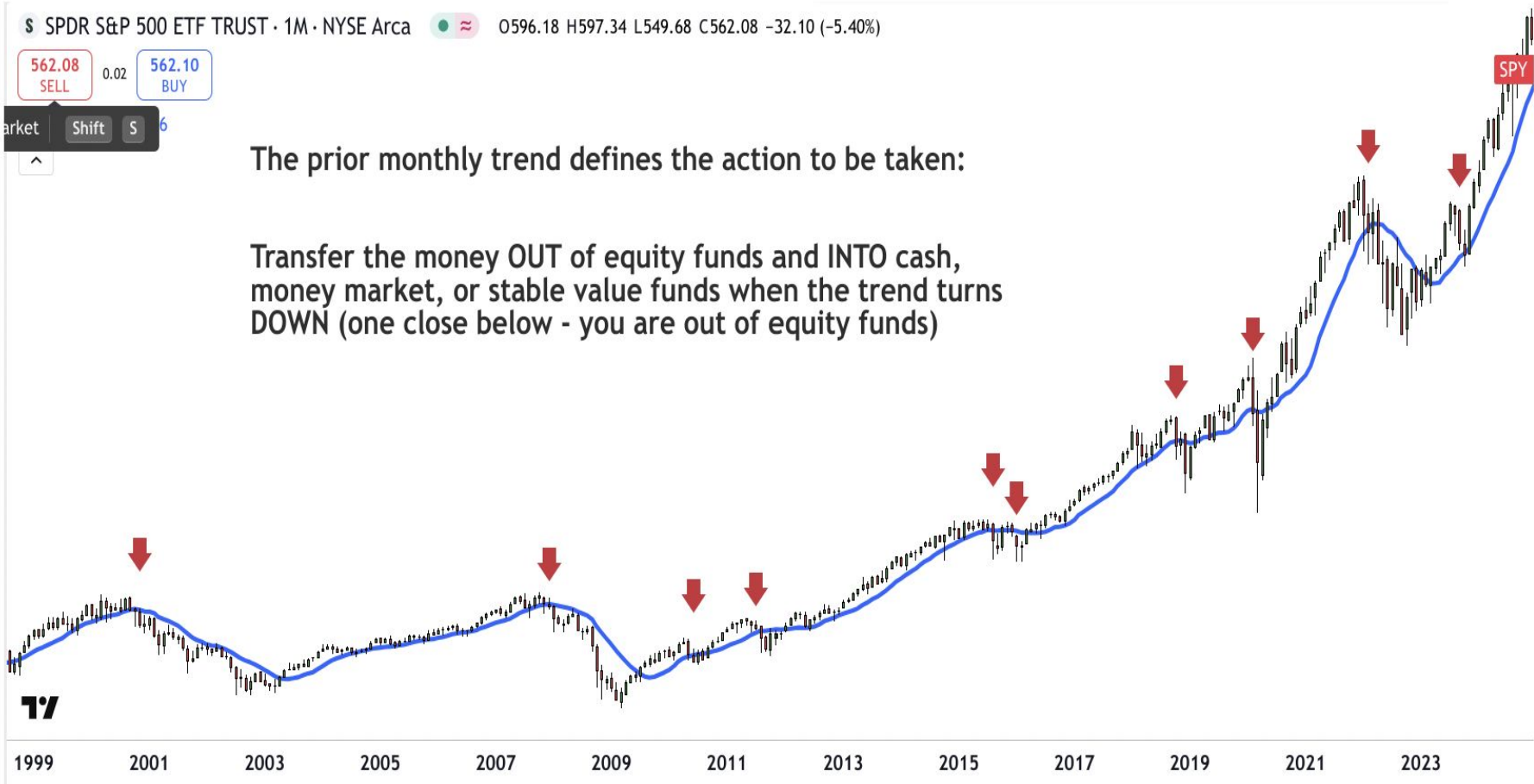
562.10  
BUY

arket   Shift   S   6

^

The prior monthly trend defines the action to be taken:

Transfer the money OUT of equity funds and INTO cash,  
money market, or stable value funds when the trend turns  
DOWN (one close below - you are out of equity funds)



SPDR S&P 500 ETF TRUST · 1M · NYSE Arca ● ≈ 0596.18 H597.34 L549.68 C562.66 -31.52 (-5.30%)

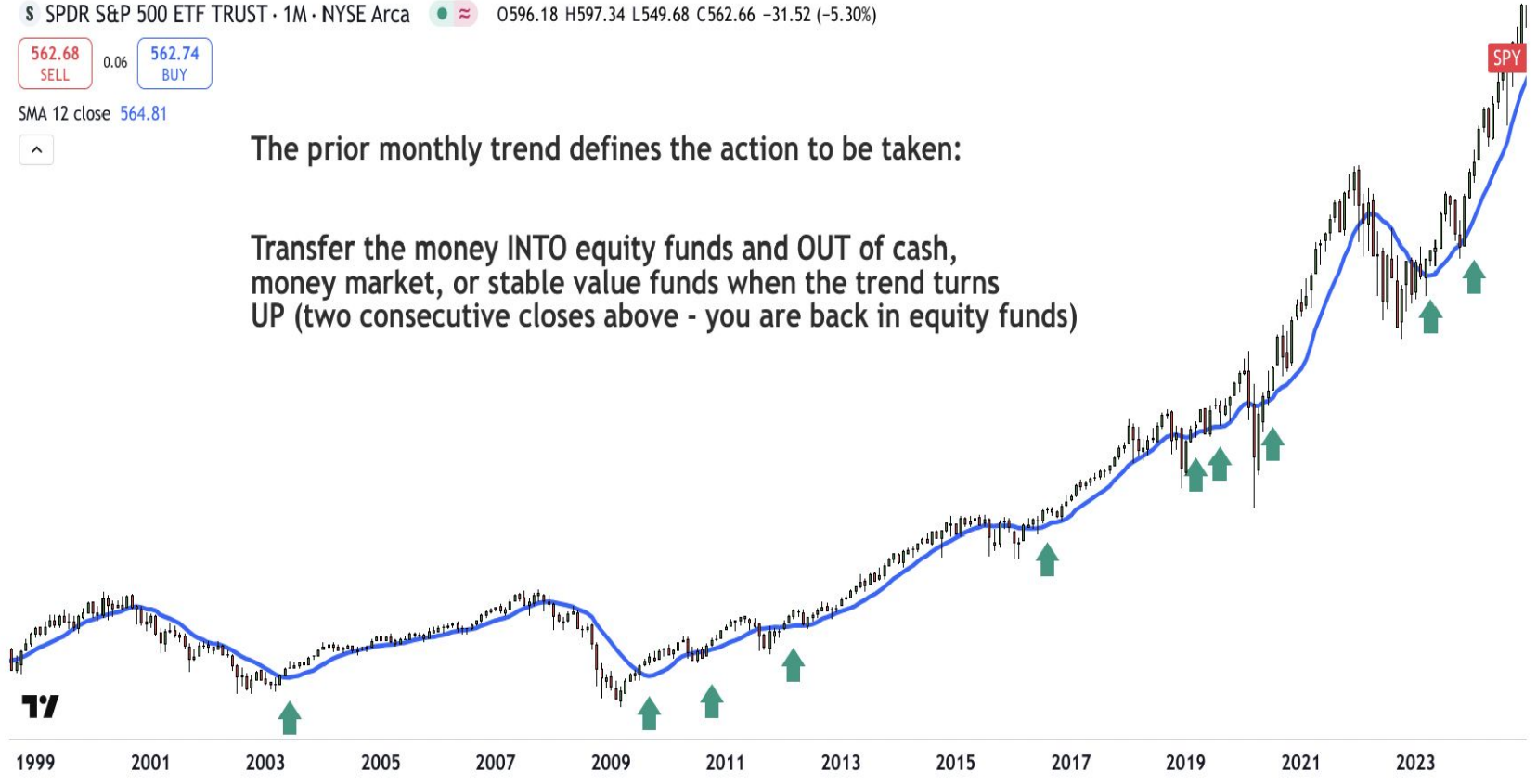
562.68 SELL 0.06 562.74 BUY

SMA 12 close 564.81



The prior monthly trend defines the action to be taken:

Transfer the money INTO equity funds and OUT of cash, money market, or stable value funds when the trend turns UP (two consecutive closes above - you are back in equity funds)



# Designing Strategic Asset Allocation (SAA)



Creating a diversified portfolio aligned with investment goals and risk tolerance



# Strategic Asset Allocation Tools

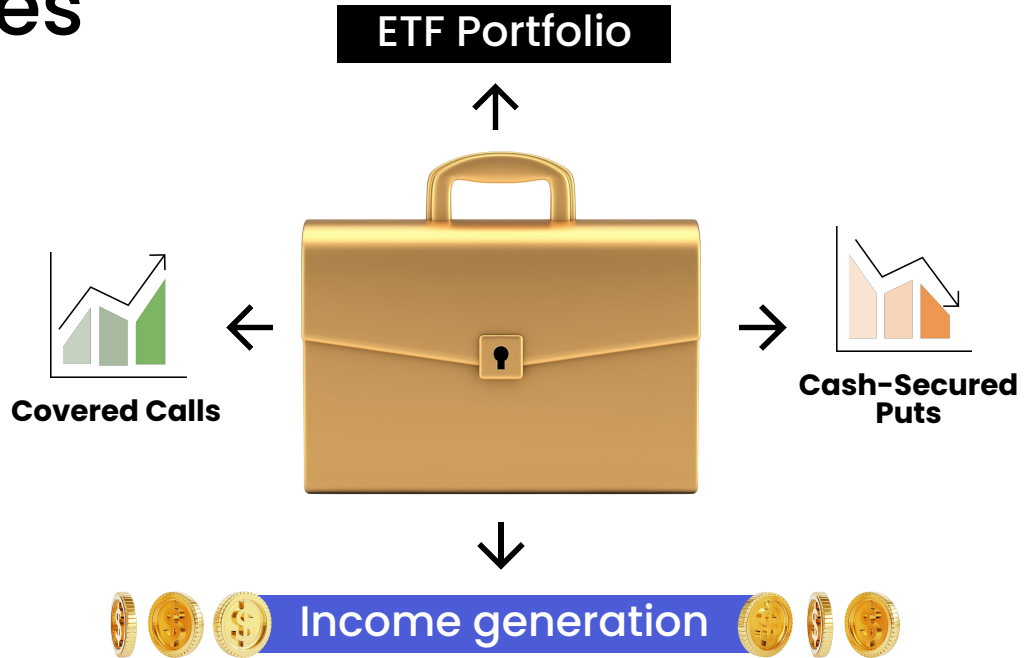
\$250,000 ACCOUNT	CAPITAL ALLOCATION	PERCENTAGE OF CAP ALLO	ETF STRIKE	SHARES	OPTION CONTRACTS	MONTHLY TREND	TRADING MODE	RATE OF RETURN
** FOR EDUCATIONAL PURPOSES ONLY **								
DIA	\$34,300	13.76%	343	100	1	UP	UP	
GLD	\$53,700	21.54%	179	300	3	UP	UP	
EFA	\$28,400	11.39%	71	400	4	UP	UP	
XHB	\$37,500	15.04%	75	500	5	UP	UP	
SMH	\$28,000	11.23%	140	200	2	UP	UP	
XLE	\$35,200	14.12%	88	400	4	UP	UP	
XLK	\$32,200	12.92%	161	200	2	UP	UP	



# Operating Rate of Return Strategies



Implementing strategies to achieve the desired ROR



# Understanding Options



## **Calls**

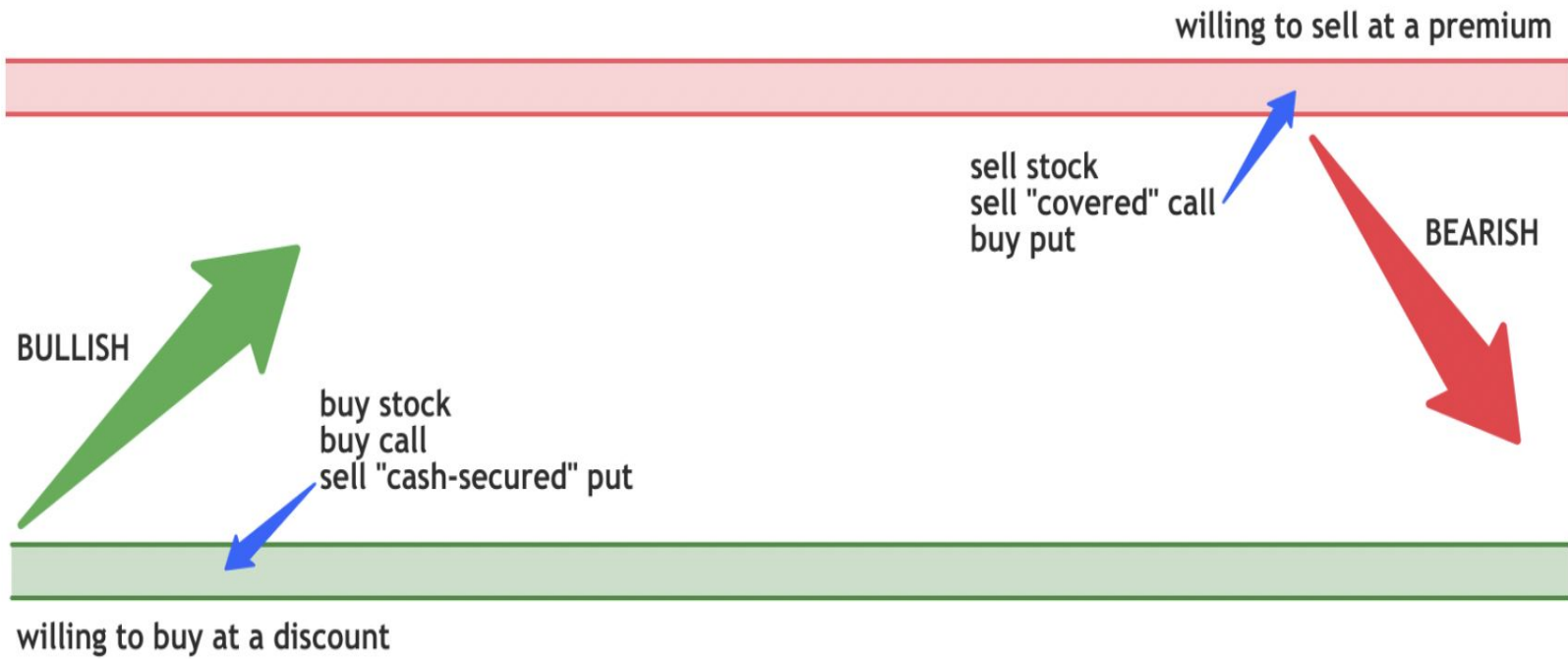
Implementing strategies to achieve the desired ROR



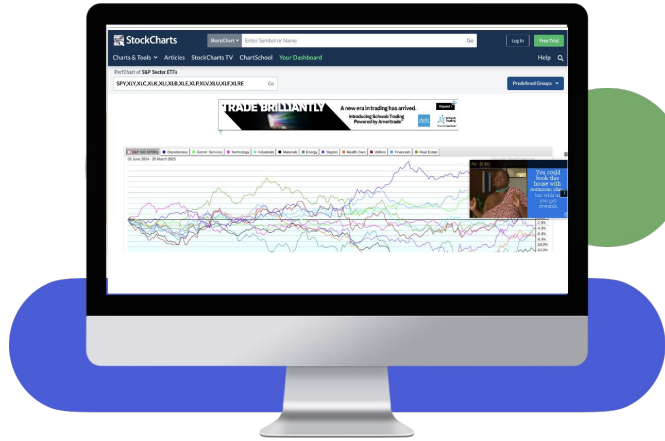
## **Puts**

Right to sell an underlying asset.



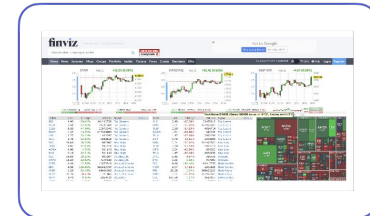
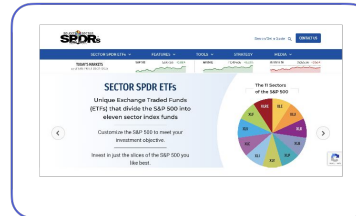
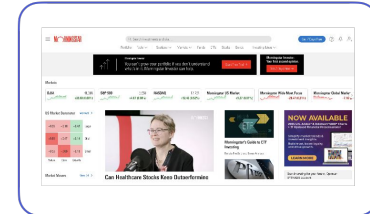
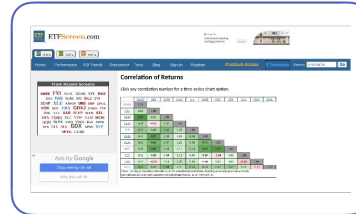


# Strategic Asset Allocation Tools

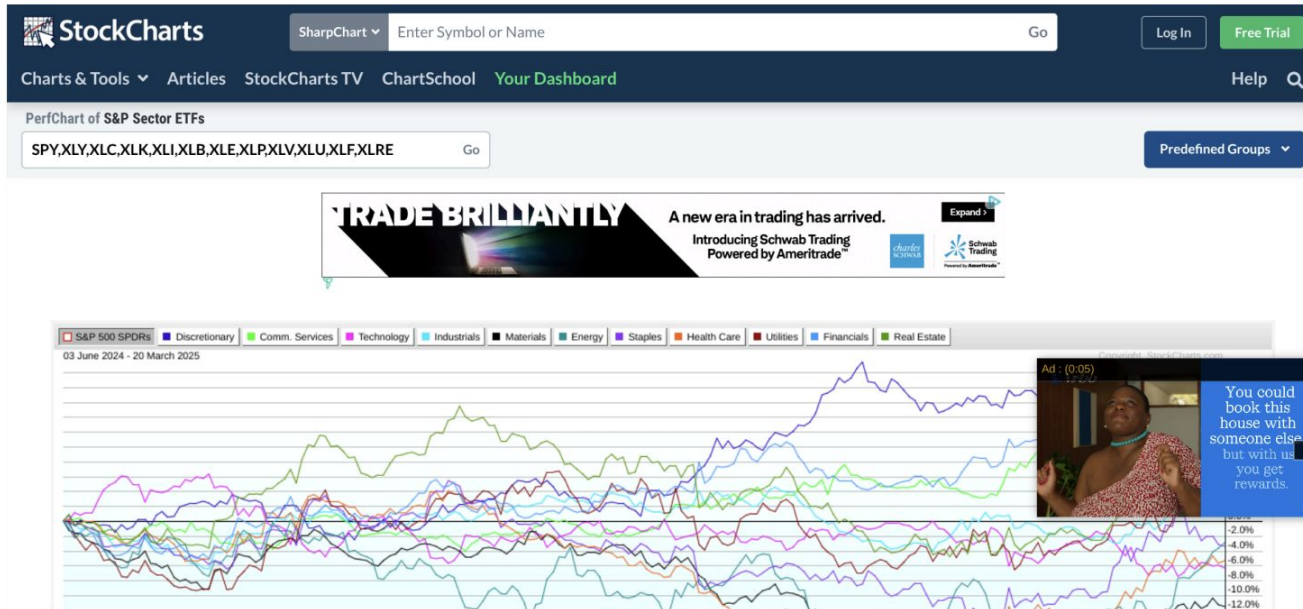


Using tools like **DINKYTOWN.NET** to plan retirement

\$250,000 ACCOUNT	CAPITAL ALLOCATION	PERCENTAGE OF CAP ALLO	ETF STRIKE	SHARES	OPTION CONTRACTS	MONTHLY TREND	TRADING MODE	RATE OF RETURN
** FOR EDUCATIONAL PURPOSES ONLY **								
DIA	\$34,300	13.76%	343	100	1	UP	UP	
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# Strategic Asset Allocation Tools



# Strategic Asset Allocation Tools

ETFScreen.com

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### From Recent Screens

KWEB FXI SGOL SCHO XTL EWZ  
DIA FAS XLRE IXG SILJ IYG  
SCHP XLU ARKW UNG D6P EPOL  
VGK IBIT ERX GDXJ FNGS TIP  
TBIL XLF XAR SLVP SIVR SIL  
EFA CQQQ XLC VTIP GLD MCHI  
QQQ MLPX SMH VWO IGV SPDN  
HYS IAU SLV GDX SPMO XLE  
SPYG CURE

### Correlation of Returns

Click any correlation number for a time-series chart option.

	AAXJ	DIA	EEM	GLD	IFL	IWM	QQQ	SPY	TLT	USO	VGK
AAXJ	1.00										
DIA	0.26	1.00									
EEM	-0.99	0.31	1.00								
GLD	0.38	-0.02	0.41	1.00							
IFL	0.52	0.40	0.62	0.29	1.00						
IWM	0.33	0.87	0.38	0.08	0.46	1.00					
QQQ	0.42	0.69	0.47	0.20	0.38	0.71	1.00				
SPY	0.38	0.86	0.44	0.15	0.43	0.83	0.95	1.00			
TLT	0.02	0.08	0.04	0.13	0.05	0.10	-0.04	0.03	1.00		
USO	0.15	-0.03	0.14	0.26	0.18	-0.00	0.07	0.03	-0.18	1.00	
VGK	0.64	0.45	0.68	0.31	0.54	0.43	0.47	0.51	0.24	-0.12	1.00

These 126 day (6 month) correlations can be considered short term, focusing on recent price movements. Correlations are only calculated for actively traded funds. As of: 2025-03-14.

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**Markets**

<b>DJIA</b> 41,985 +32.03 (0.08%)	<b>S&amp;P 500</b> 5,668 +4.67 (0.08%)	<b>NASDAQ</b> 17,784 +92.43 (0.52%)	<b>Morningstar US Market</b> +9.27 (0.07%)	<b>Morningstar Wide Moat Focus</b> -28.47 (0.21%)	<b>Morningstar Global Market</b> -7.16
---	--	---	---	--	---

**US Market Barometer** Markets >

-0.35	-0.18	+0.42	Large
-0.66	-0.47	+0.14	Mid
-0.59	-0.66	-0.10	Small
Value	Core	Growth	

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**Can Healthcare Stocks Keep Outperforming**

**Morningstar's Guide to ETF Investing**  
Emelia Fredrick and Bryan Armour

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# Strategic Asset Allocation Tools

**SELECT SECTOR SPDRs**

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**TODAY'S MARKETS**  
as of 6:05 PM ET 03/21/2025

<b>S&amp;P 500</b>	5,667.56	+0.08%
<b>NASDAQ</b>	17,784.05	+0.52%
<b>RUSSELL 2K</b>	2,056.98	-0.56%

## SECTOR SPDR ETFs

Unique Exchange Traded Funds (ETFs) that divide the S&P 500 into eleven sector index funds

Customize the S&P 500 to meet your investment objective.

Invest in just the slices of the S&P 500 you like best.

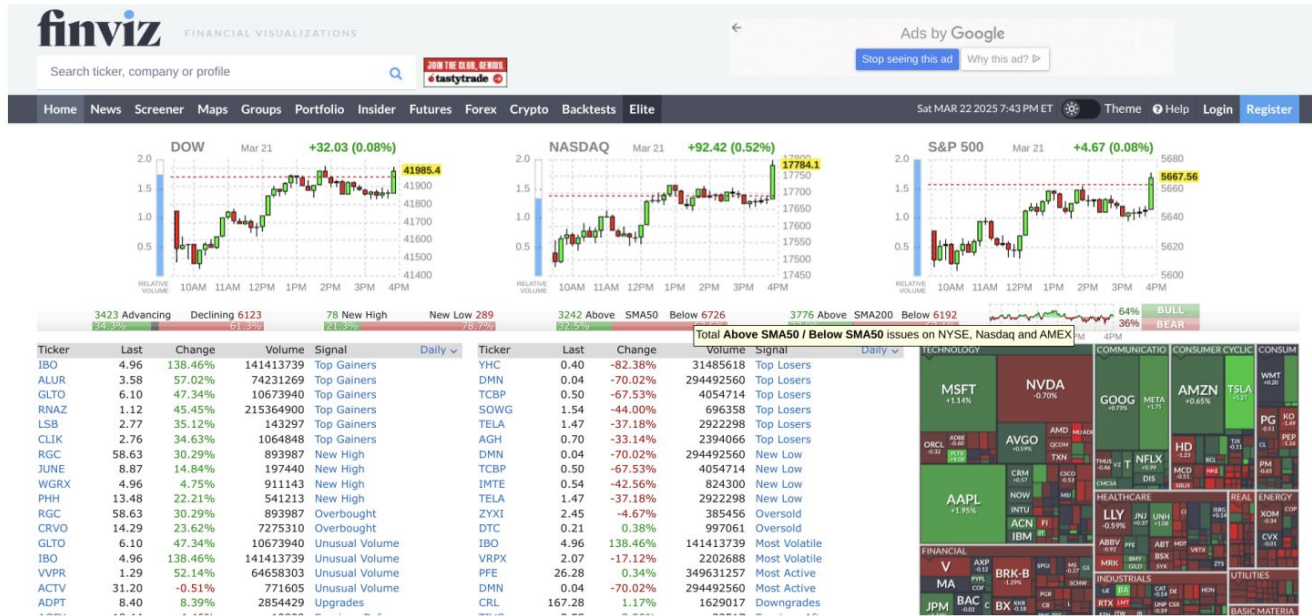
The 11 Sectors of the S&P 500

XLRE XLE XLU XLK XLB XLP XLY XLI XLC XLV XLF

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# Strategic Asset Allocation Tools



# Dynamic ETF Portfolio



Utilizing covered calls and  
cash-secured puts for income  
generation

Feature	Call Option 	Put Option 
Definition	Right to <b>Buy</b> the underlying asset.	Right to <b>Sell</b> the underlying asset.
Contract Buyer's Outlook	<b>Bullish</b> (expects price to rise).	<b>Bearish</b> (expects price to fall).
Market Correlation	<b>Positive</b> — Benefits from price increases.	<b>Negative</b> — Benefits from price decreases.
Profit Scenario	Profit if the underlying asset price rises above the strike price.	Profit if the underlying asset price falls below the strike price.
Risk of Buyer	Risk is limited to the <b>premium paid</b> for the option.	Risk is limited to the <b>premium paid</b> for the option.
Potential Loss	Limited to the premium paid.	Limited to the premium paid.
Potential Profit	Unlimited if the underlying asset price rises significantly.	Profit can be substantial as the underlying asset price falls.
Example Use Case	Buying a call on a stock you believe will go up (e.g., stock XYZ will rise above \$100).	Buying a put on a stock you believe will fall (e.g., stock XYZ will drop below \$100).



\$ SPDR S&P 500 ETF TRUST · 1M · NYSE Arca   O127.76 H133.40 L126.43 C131.32 +5.82 (+4.64%)

564.42

SELL

0.06

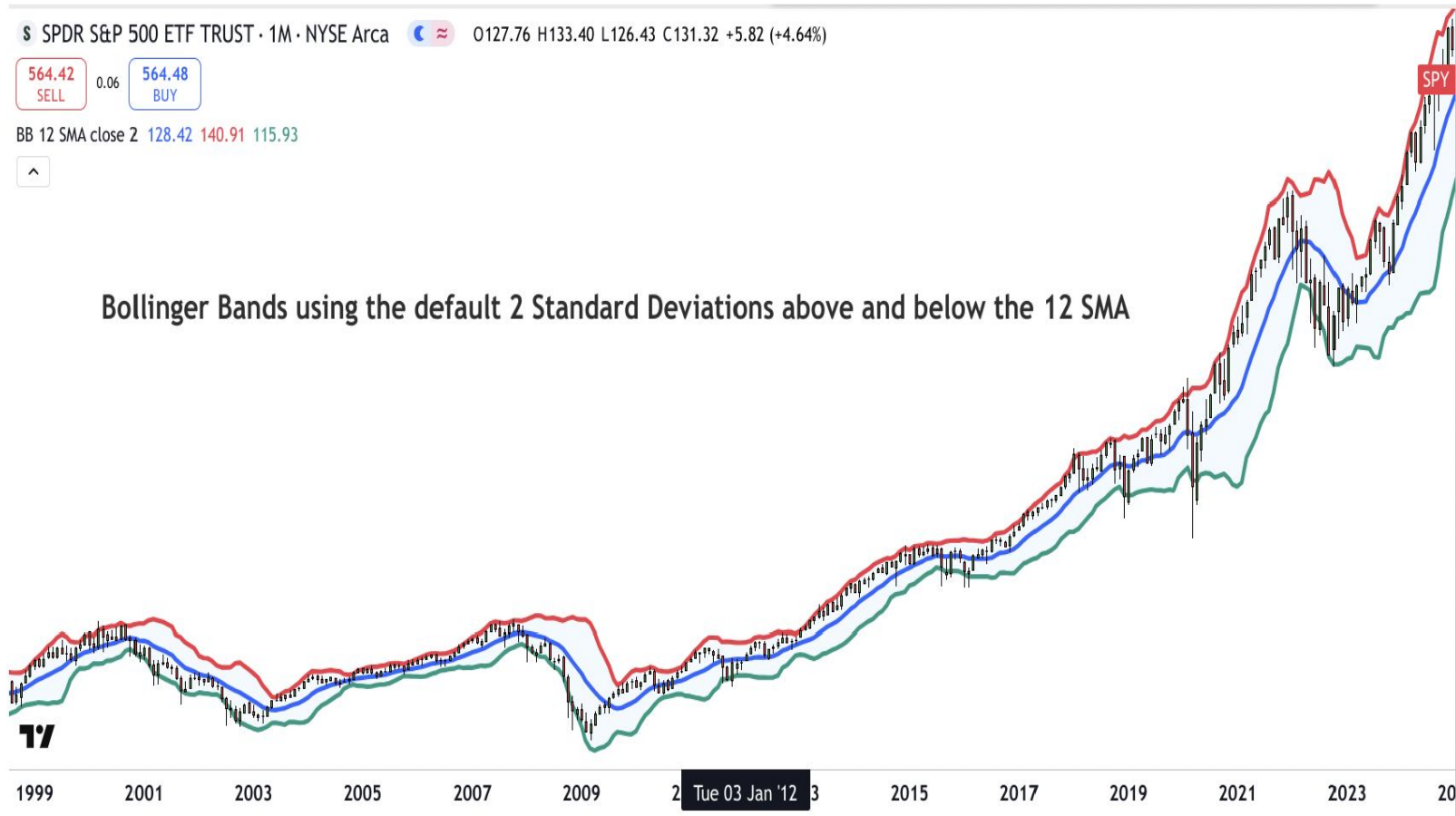
564.48

BUY

BB 12 SMA close 2 128.42 140.91 115.93

^

Bollinger Bands using the default 2 Standard Deviations above and below the 12 SMA



\$ SPDR S&P 500 ETF TRUST · 1M · NYSE Arca   O137.31 H141.83 L134.36 C140.81 +3.79 (+2.77%)

564.46  
SELL

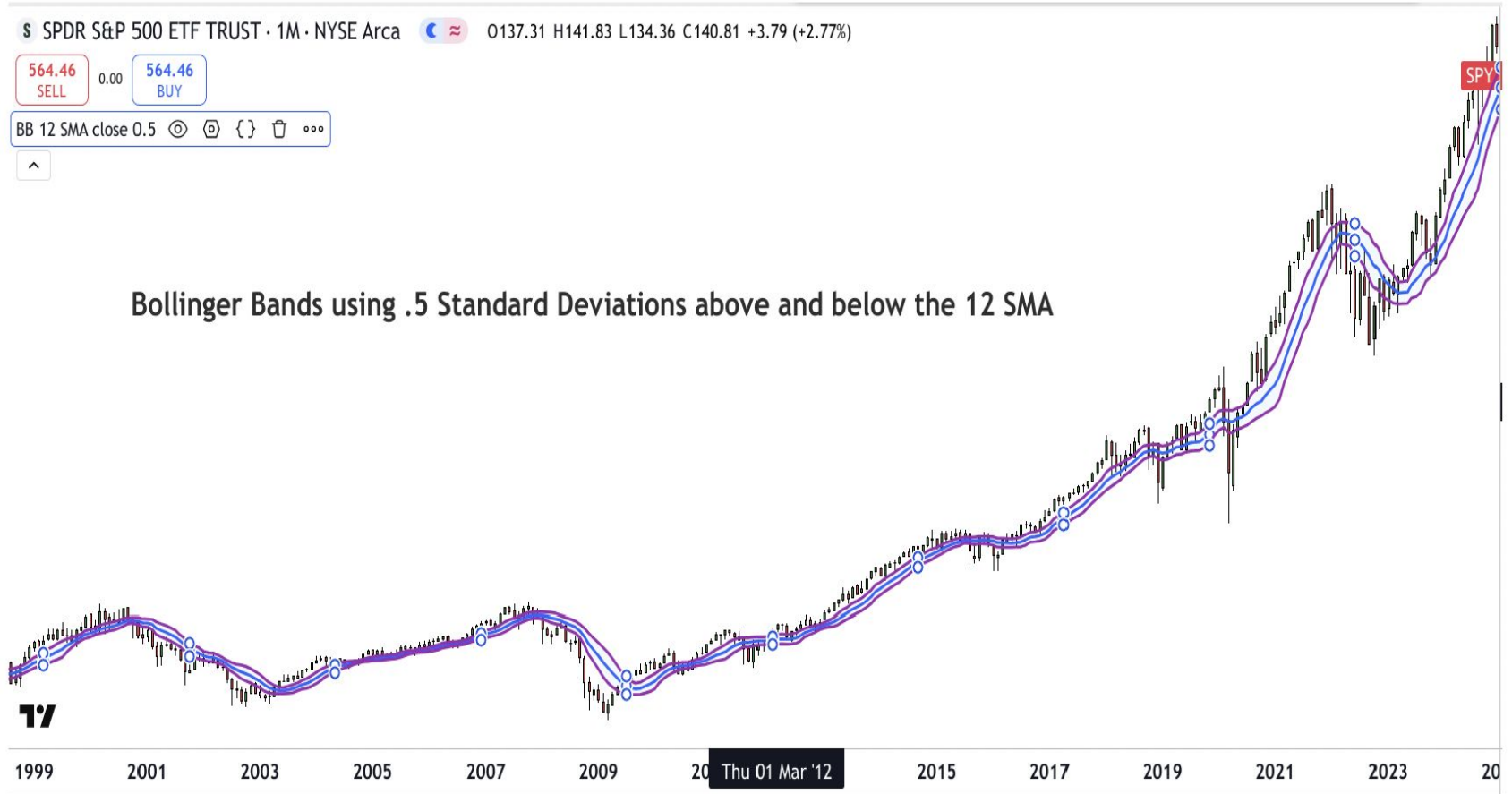
0.00

564.46  
BUY

BB 12 SMA close 0.5     

^

## Bollinger Bands using .5 Standard Deviations above and below the 12 SMA



\$ SPDR S&P 500 ETF TRUST · 1M · NYSE Arca   0137.31 H141.83 L134.36 C140.81 +3.79 (+2.77%)

564.67  
SELL

0.01

564.68  
BUY

BB 12 SMA close 0.5 129.43 133.09 125.77

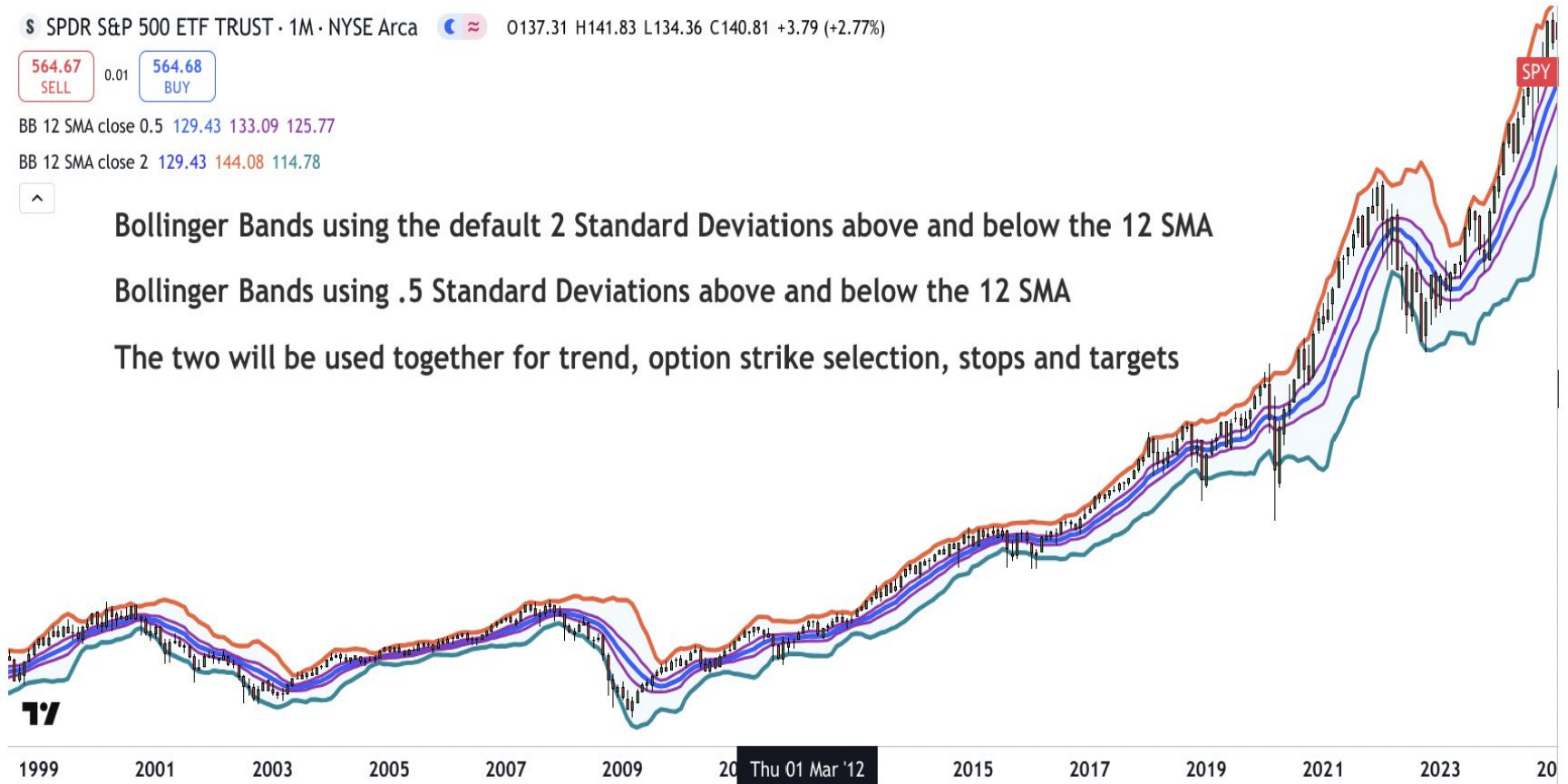
BB 12 SMA close 2 129.43 144.08 114.78



Bollinger Bands using the default 2 Standard Deviations above and below the 12 SMA

Bollinger Bands using .5 Standard Deviations above and below the 12 SMA

The two will be used together for trend, option strike selection, stops and targets



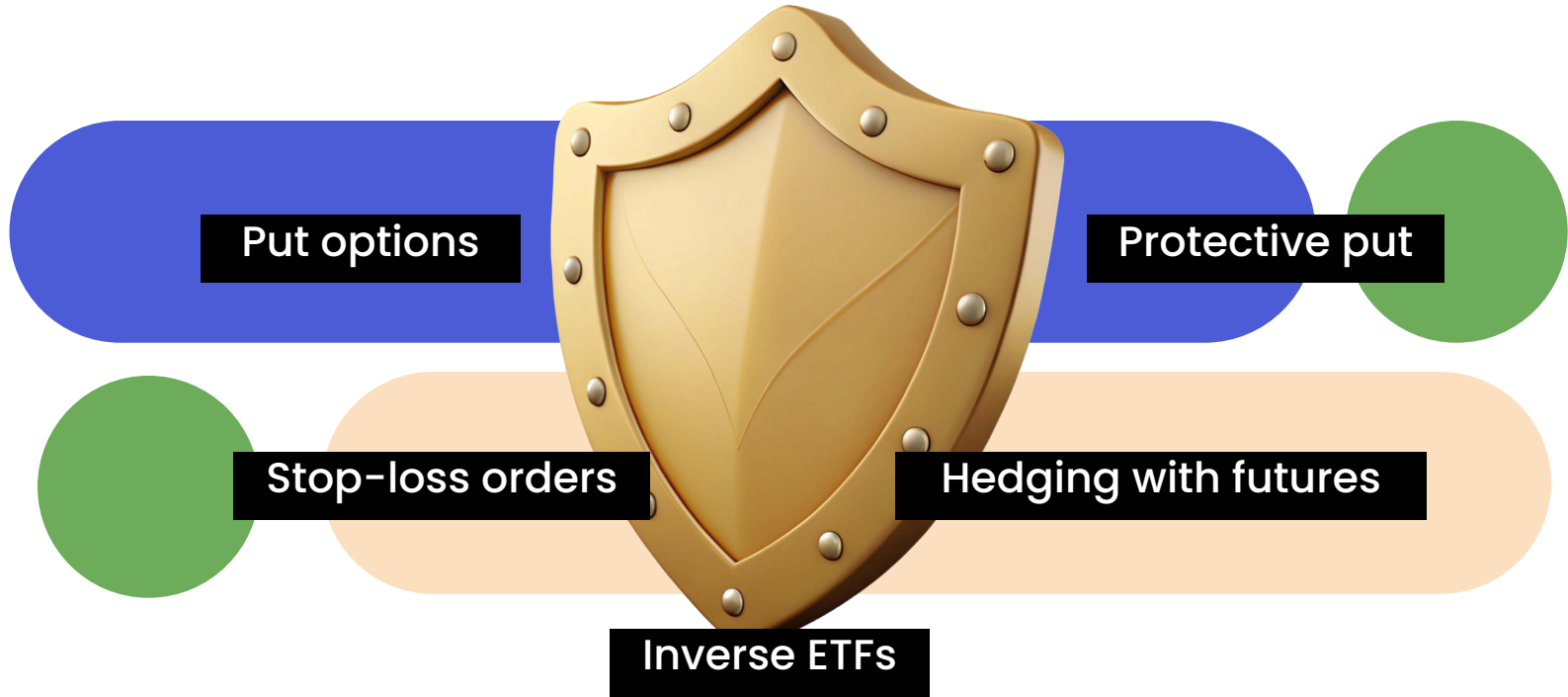
# Yield-Powered Option Position (YPOP) Strategy



Using bond yield payments to fund option purchases.



# Downside Portfolio Protection Strategies



# Options Collars



Combining a long put and a short call to provide downside protection while limiting upside

**Long Stock Position**



**Sell Call @ Higher Strike**

Caps profit



**Buy Put @ Lower Strike**

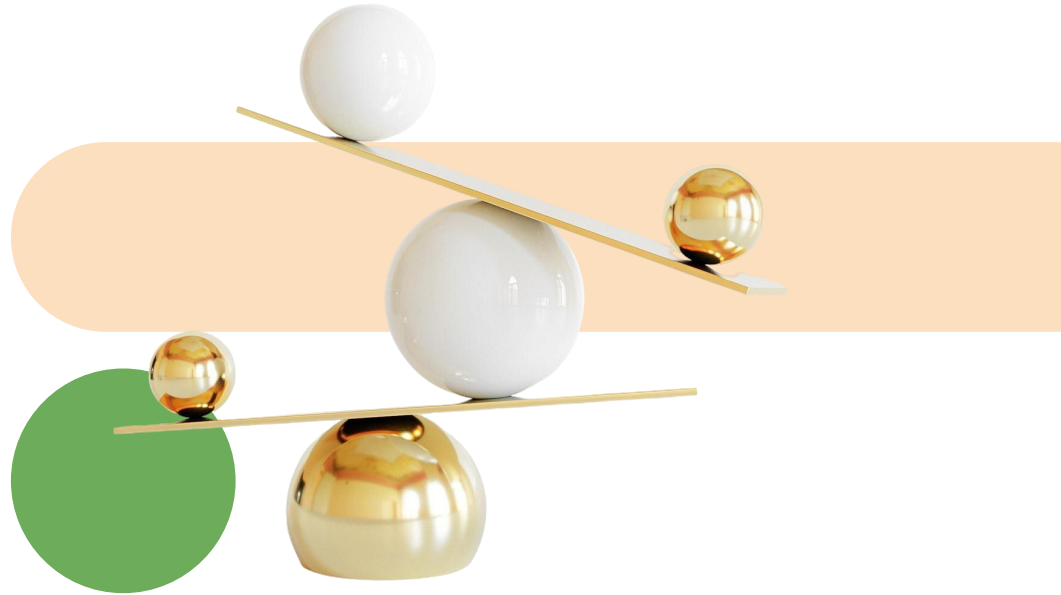
Protects downside



# Put Backspreads Strategy



Selling put options at a higher strike and buying more at a lower strike



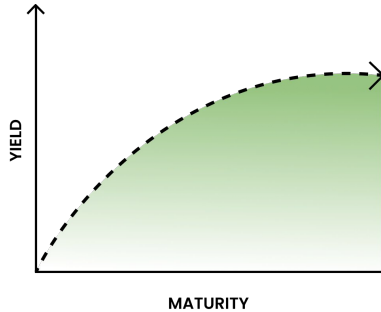
# Understanding the Dynamic Yield Curve



A graph plotting yields of bonds with different maturity dates.

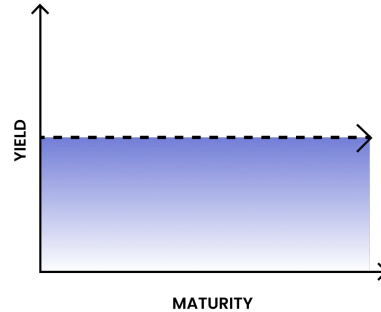


# Yield Curve Shapes and Their Implications



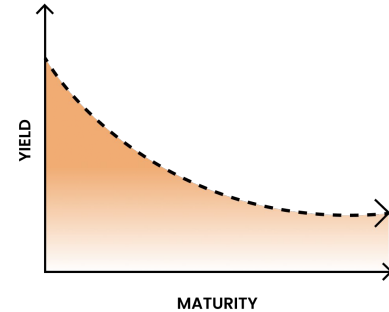
## **Normal (Steepening)**

Indicates economic growth.



## **Flat**

Suggests economic uncertainty.



## **Inverted**

Often predicts a recession



# Important Metrics in Wealth Management

**AUM (Assets Under Management)**

**Compounding**

**ROI (Return on Investment)**

**ROR (Rate of Return)**

**VIX (Volatility Index)**

**Expenses and Fees**



# The Impact of Fees on Investment Returns



High fees can significantly reduce long-term returns.



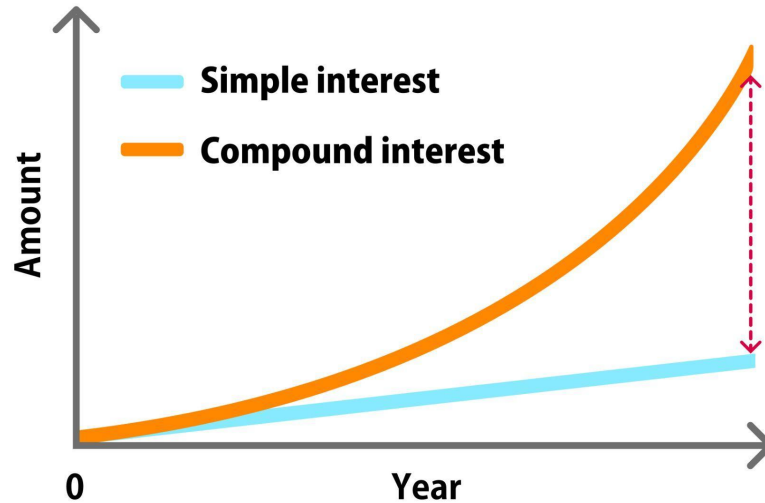
# The Power of Compounding



How consistent returns can grow wealth over time

## THE POWER OF COMPOUNDING

Compound interest VS Simple interest



# Conclusion:

## Implementing the TWP Dynamic Wealth Management Program



By integrating comprehensive financial planning, strategic asset allocation, and dynamic portfolio management, individuals can achieve their long-term financial goals

