

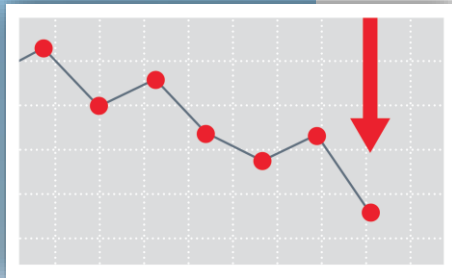
Wealthcare Overview

WEALTHCAREGDX®

BE A PART OF THE EXPERIENCE

wealthcareGDX.com

Meet Steve



Adverse Trends Transforming Steve's Industry

▪ Fiduciary (SEC) rulings

"Even if blocked at the eleventh hour, the rule's spirit will live on." –*Bloomberg*

▪ New tech savvy & "on-demand" client demographic

"Consumers have changed in both what they value and what they are willing to pay for." –*Financial Advisor Magazine*

▪ Fee Compression

"Though a lot of clients and prospects are asking about fees, what they're actually willing to pay comes down to the adviser's value proposition beyond investments." –*InvestmentNews*

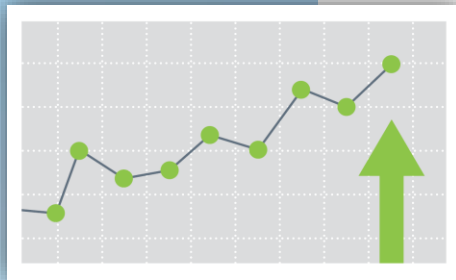
▪ Robo-Squeeze

"Estimates for the future Robo-Advisory market predict between \$2.2 trillion and \$3.7 trillion in assets to be managed with the support of Robo-Advisory services in 2020. By the year 2025, this figure is expected to rise to over \$16 trillion AUM." –*Deloitte Consulting*

▪ Solo Practitioner Extinction

"As advisors of the baby boomer generation age, more of them are looking to bring on a successor. This is spawning multi-advisor offices, since those advisors must bring on their successors long before they transition out of their jobs." –*Financial Advisor Magazine*

Meet Steve



Trend Toward Personalized Experiences

■ The Rise of Goals-Driven Investing

“Goals-based wealth management is likely to become the industry norm across more wealth tiers.” –*Deloitte Consulting*

■ Creating a Better Experience

“More and more, an advisor’s differentiation and value will be tied to the overall client experience, and to being an effective behavioral coach who helps people execute their plans.” –*PriceWaterhouseCoopers*

■ Clients Expect a Personalized Approach

“Today’s investors expect a unique, customized experience and holistic goal oriented advice, requiring advisors to be specialized, flexible, agile and digitally enabled.” –*Accenture*

■ Riding the Digital Wave

“By encouraging customers to share their consumption data, companies can enable the outcomes different demographics want, creating highly personalized value. This leads to greater customer engagement and loyalty, and via goals-based video games, new customer relationships.” –*PwC*

■ Innovation Drives Experiences

“Investor demands and regulations are encouraging new business models in the wealth management industry that focus on providing better customer experiences and value add.” –*Capgemini*

Financial advisor technology landscape

FINANCIAL PLANNING



RISK PROFILING



DATA AGGREGATION / COLLECTION



PORTFOLIO ACCOUNTING



INVESTMENT MGMT / AUTOMATION



CRM



DOCUMENT MANAGEMENT



ANALYTICS



Our technology



Planning

- Planning Platform
- Risk Profiling
- Data Aggregation
- Simulation Engine
- Goals Management
- Document Management
- Client Relationship Management

Investing

- Investment Mgmt./Automation
- Portfolio Accounting
- Trading/Rebalancing
- Fiduciary Compliance
- Investment Policy Statements
- Household-Based Portfolio Mgmt.
- Asset Location (Tax Management)
- Tax Loss Harvesting
- Model Management



Technology & workflow **simplified**

A WAY OF SERVING CLIENTS

WEALTHCAREGDX®



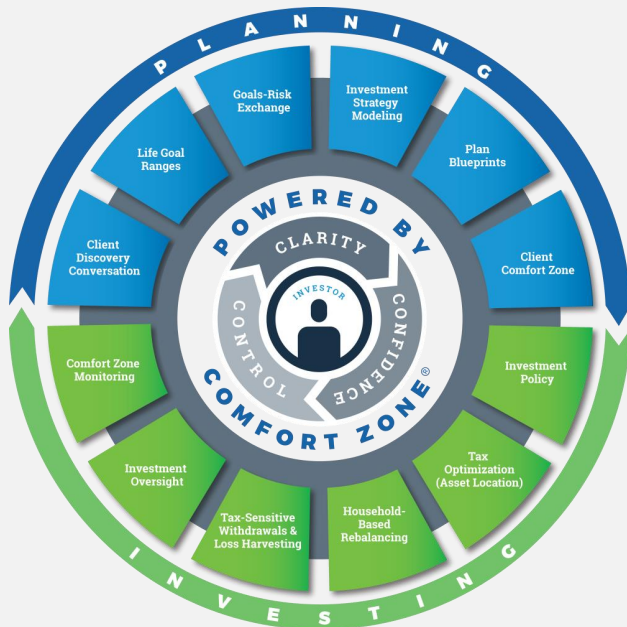
PLATFORM & RESOURCES



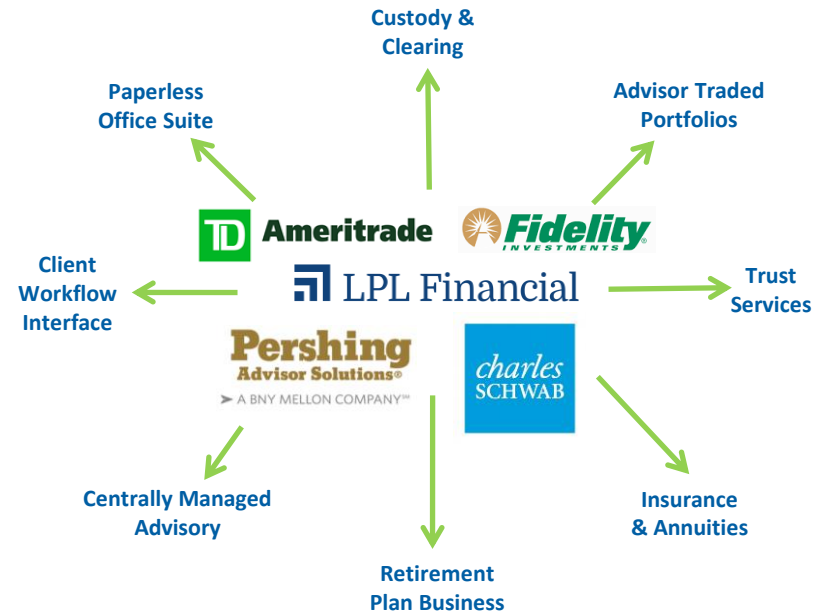
Technology & workflow **diversified**

A WAY OF SERVING CLIENTS

WEALTHCAREGDX®



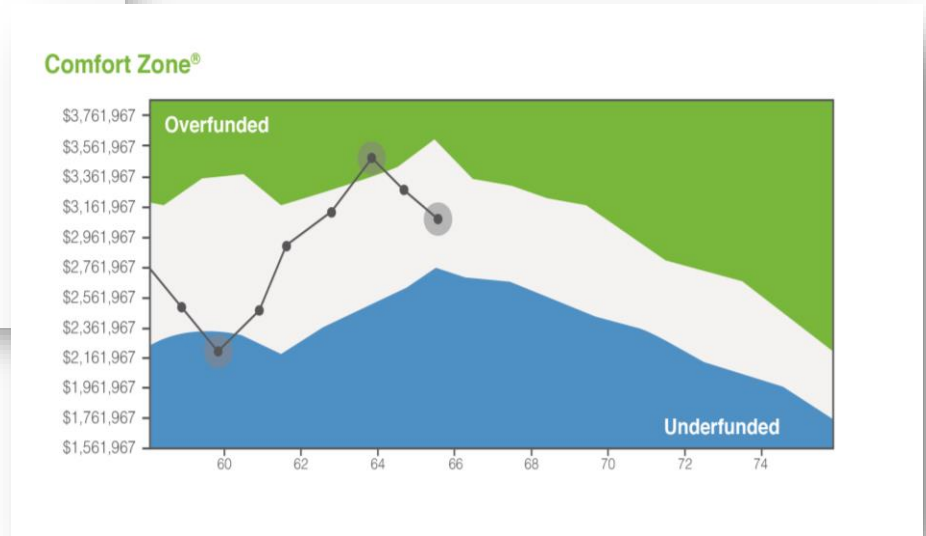
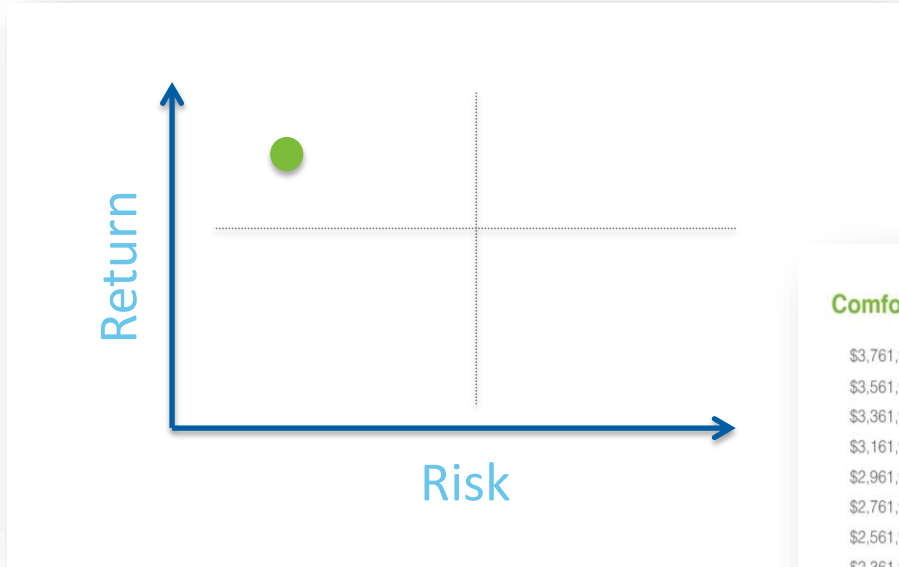
PLATFORM & RESOURCES¹



¹ Service offerings may vary by custodian.

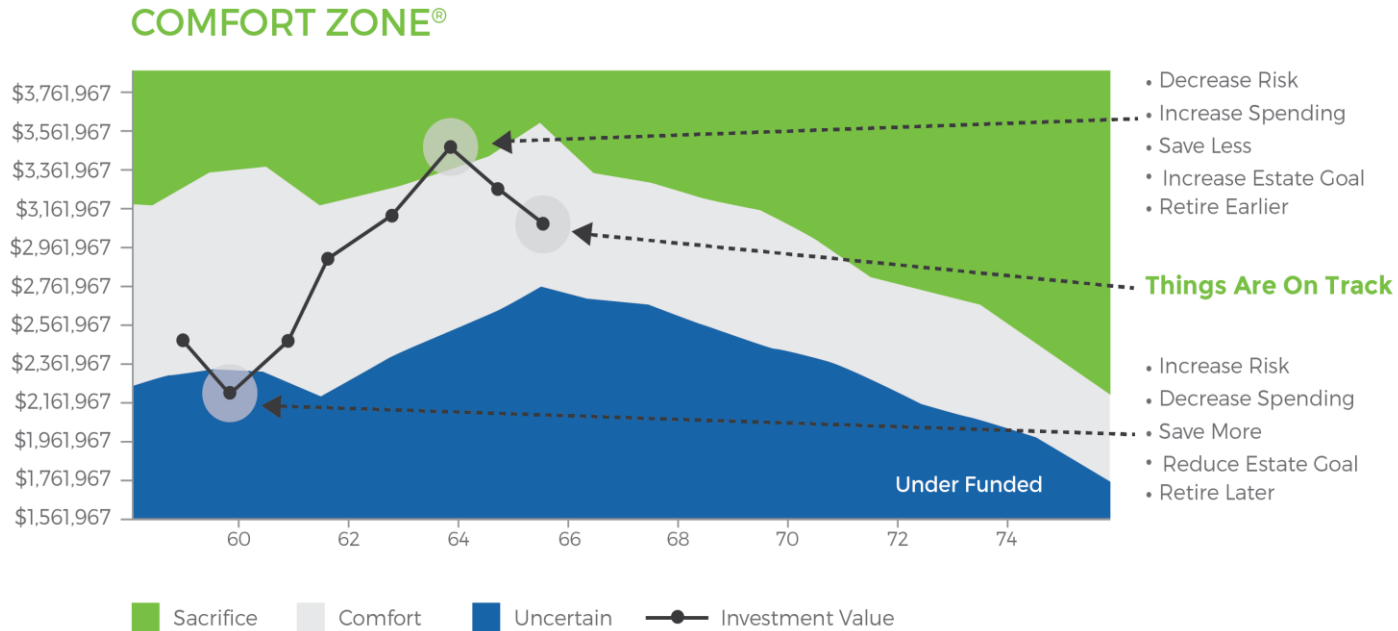
Where's Your Dot?

Where's your dot?



The center of the client **experience**

Comfort Zone[®] enables advisors to visually demonstrate a client's financial positioning in relation to achieving their goals. Clients gain a clear, relevant picture of their financial health over time.



Who **we** are

A Look Inside

- Corporate offices in Richmond, VA and West Chester, PA
- 31 corporate employees
- Professional designations: CFA[®], CFP[®], ChFC[®], CASL[®], CPA, AIFA[®], RPA
- Full back office support: marketing, operations, trading, planning, billing, and compliance
- Numerous custodian options including Fidelity, Pershing, LPL, Schwab & TD
- Investment framework with 40 programs & 400 portfolios
- Over \$2B combined Assets Under Management across both RIAs
- 12 patents registered

Introducing the Wealthcare Experience to Clients (Advisor Name/Title)

WEALTHCARE**GDX**[®]

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wealthcareGDX.com

Simple process combining **life goals** and investing



Meet Alex and Amy

CLIENT EXAMPLE



Note: Your age, asset size, and goals may be different. Your financial plan will be customized to fit your life.

- > Both 58 years old
- > One son, 19 years old
- > Combined income: **\$395,000**
- > Love to travel
- > **Priorities:**
 - Reduce amount saved annually (to travel more now)
 - Educate son through graduate school
 - Retirement spending
 - Retirement travel budget (Cayman Islands!)
- > **Current Assets:**
 - Joint**
 - Taxable account: \$1,300,000
 - Alex**
 - IRA \$800,000
 - Roth IRA \$25,000
 - Amy**
 - IRA \$300,000

Proper planning requires the proper **approach**



- What's your story?
- What are your values and beliefs?
- What do you want to accomplish with the rest of your life?
- What lifestyle do you want now and in the future?



- Examine current and future resources available to satisfy the needs of your life plan.



- Determine the best way to invest your current and future resources to accomplish your life plan.
- Construct a portfolio that will give you a higher probability of achieving your goals.

The WEALTHCAREGDX[®] approach

Wealthcare's goals-driven planning approach allows you to live well **AND** invest well.

- ✓ Shows how to make smart tradeoffs among your different, and often competing goals and priorities
- ✓ Provides confidence in achieving your financial needs and aspirations
- ✓ Avoids undue sacrifice to your lifestyle and unnecessary investment risk



It's **YOU**-driven, not market-driven.

Goals are not data points



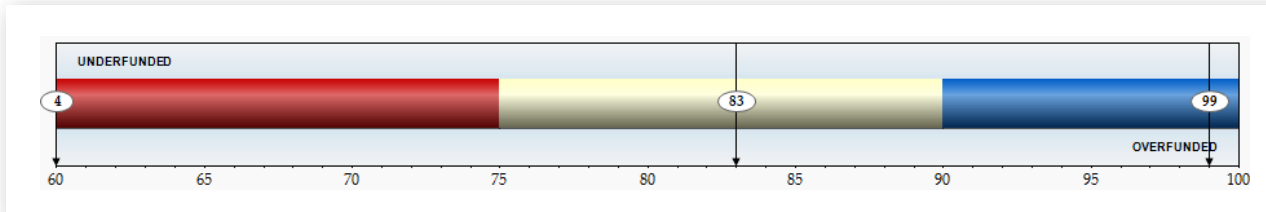
Think of each goal as a range between **Ideal** and **Acceptable**.

Ideal represents your greatest aspiration. **Acceptable**, a lesser but still satisfying result.

| | Ideal | Acceptable |
|----------------------------------|---------------------|----------------------|
| Retirement Age Goal: | Both Retire Now | Both Retire at 65 |
| Retirement Spending Goal: | \$175,000 | \$160,000 |
| Risk Tolerance Goal: | -5% Annual Downside | -14% Annual Downside |
| Estate Goal: | \$2,000,000 | \$100,000 |
| Annual Saving Goal: | Reduce by \$10,000 | Increase by \$15,000 |
| Education for Son: | MBA | Undergraduate |
| Cayman Islands Travel: | \$25,000 | \$10,000 |

How does **stress testing** work?

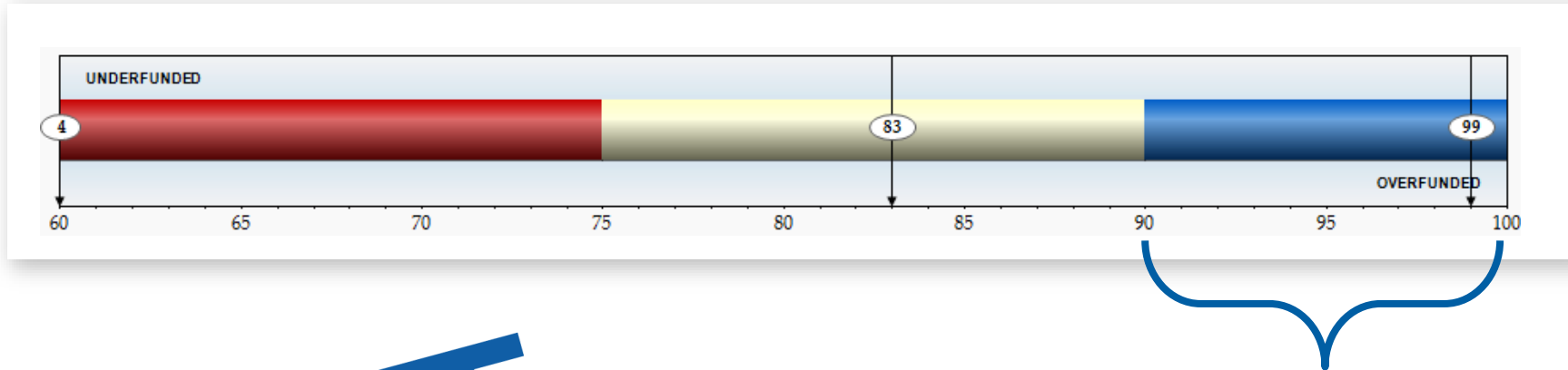
Central to our goals-based approach is the **Comfort Zone®** confidence calculation



- > This analysis **simultaneously evaluates your goals, your investment allocation, and your assets** to determine how confident you can be that you will exceed your goals.
- > Wealthcare's approach subjects your goals and investments strategy to a sophisticated “**stress testing**” process which **simulates 1,000 market environments**, both good and bad. Your confidence (comfort) is the percentage of the 1,000 simulations that exceed your goals.
- > For example, if you **exceeded your goals** in 830 of 1,000 tests, your confidence level is **83%**. Said another way, there would be an **83% probability** that the goals of your financial plan would not only be met, but **would be exceeded**.



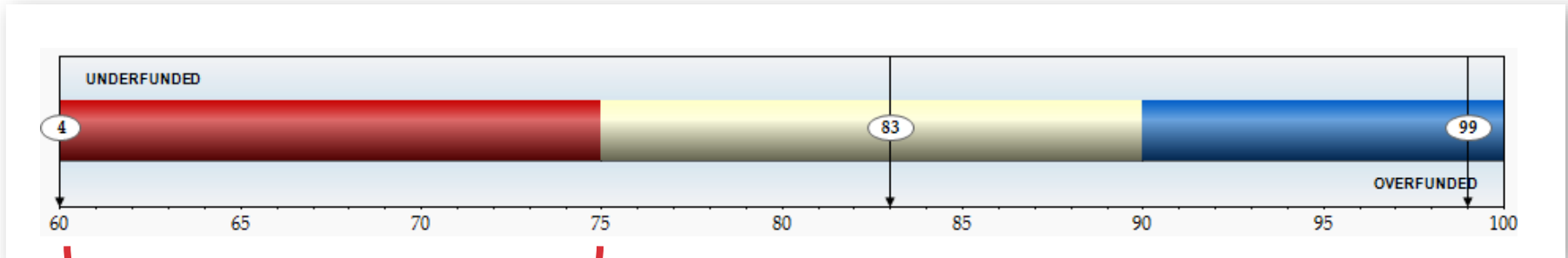
Stress testing for **sacrifice**



Overfunded > 90%...Sacrifice

You are **needlessly sacrificing your lifestyle**. You could take **less investment risk, achieve larger or more goals sooner** and still maintain confidence in your financial future.

Stress testing for **uncertainty**

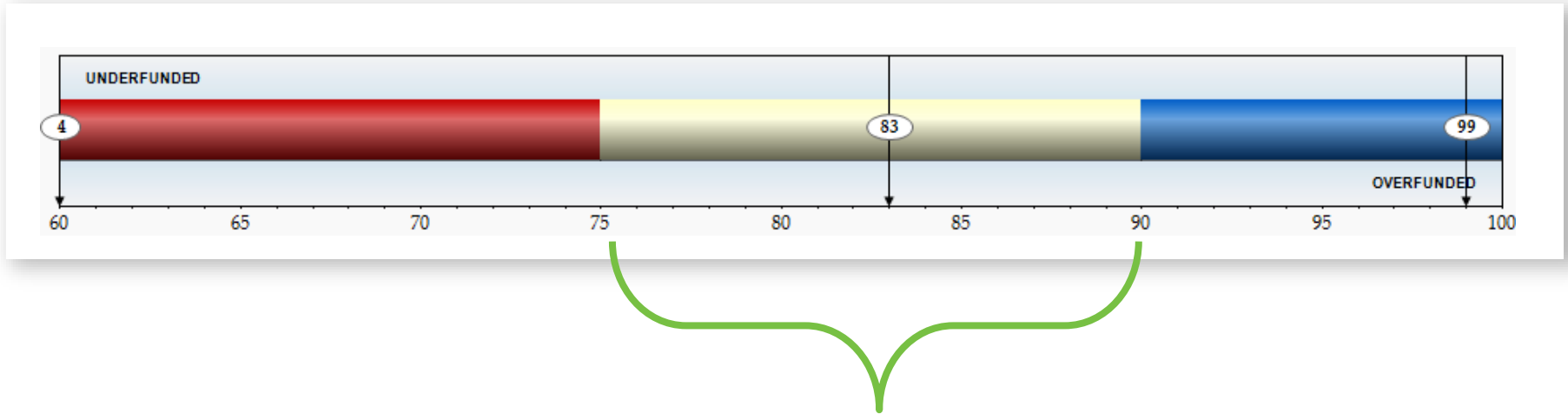


Underfunded < 75%...Uncertain

There is too high of a chance you may not exceed your goals.
Adjustments need to be made.



Stress testing to find **balance**



Confidence and Comfort in Balance - Funded



A confidence level between 75% and 90% should give you **confidence that you can exceed your goals**. This reading indicates a set of goals that is manageable and avoids unnecessary investment risk and/or sacrifice.

Sample client **recommendation**



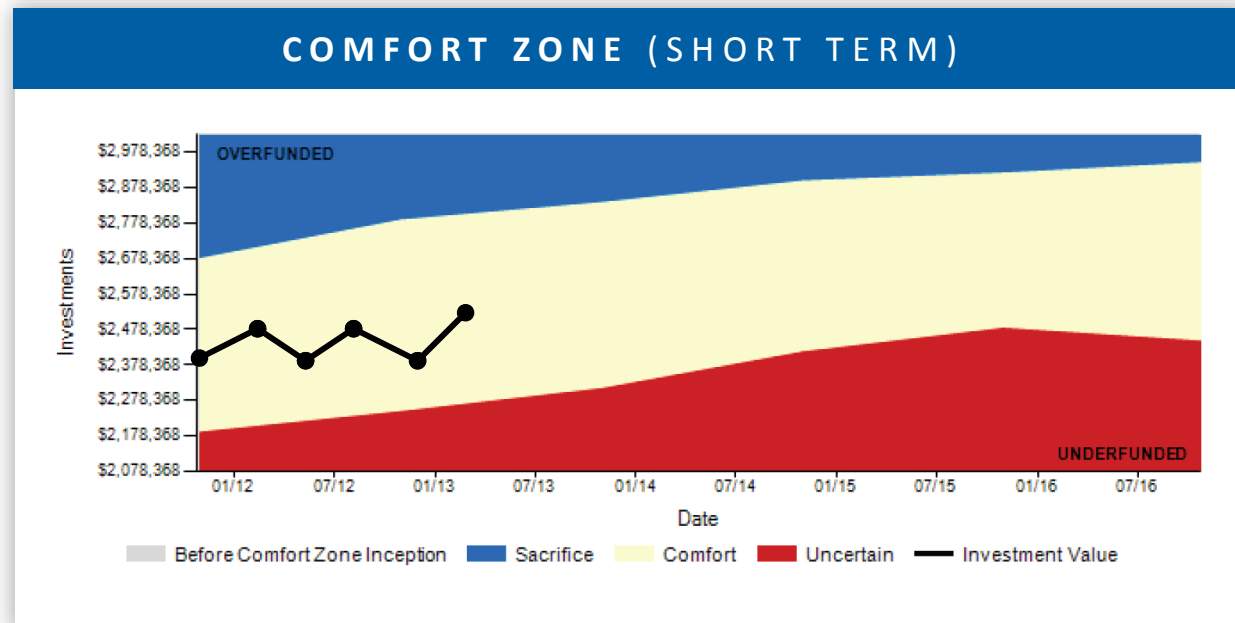
| | Ideal | Recommended | Acceptable |
|-----------------------------|---------------------|---------------------|----------------------|
| Retirement Age: | Both Retire Now | Both Retire at 62 | Both Retire at 65 |
| Retirement Spending: | \$175,000 | \$175,000 | \$160,000 |
| Risk Tolerance: | -5% Annual Downside | -6% Annual Downside | -14% Annual Downside |
| Estate: | \$2,000,000 | \$500,000 | \$100,000 |
| Education: | MBA | MBA | Undergraduate |
| Annual Saving: | -\$15,000 | -\$10,000 | +\$10,000 |
| Cayman Travel: | \$25,000 | \$25,000 | \$10,000 |
| Comfort Level: | 4% | 83% | 99% |



Monitoring **progress** toward goals

Wealthcare's **GDX360**[®] Status Reports can be automatically generated every quarter.

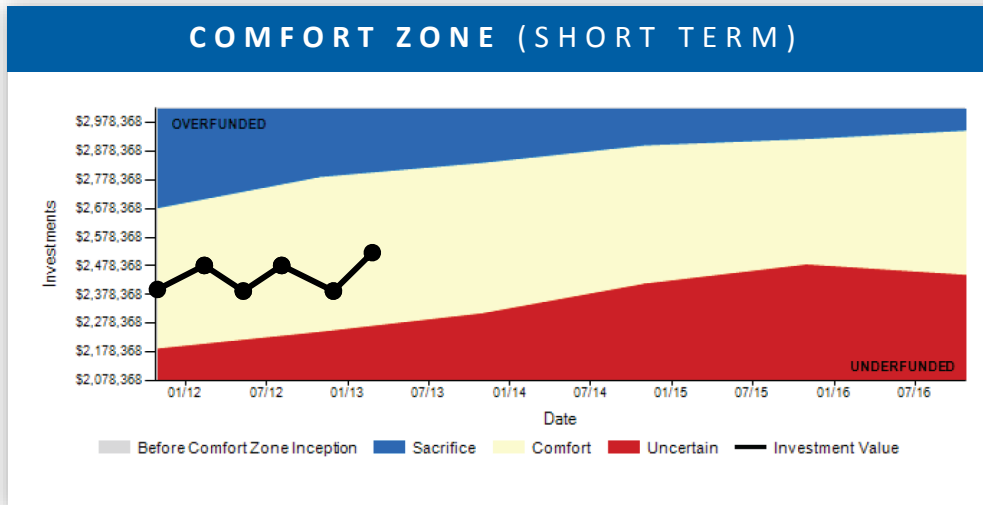
- > Your plan dynamically links your lifestyle goals with your investments.
- > You are free from uncertainty about what to do when confronted by change, expected or otherwise.



Your Wealthcare plan will evolve as your life does, proactively adapting to life's changes along with you.

Knowing what to do...and **when**

The **Comfort Zone**[®] acts as an “early warning system” notifying you if you need to make adjustments



Chance of Falling Outside of the Comfort Zone

| | <u>1 YEAR</u> | <u>3 YEARS</u> | <u>5 YEARS</u> |
|--------------------------------------|---------------|----------------|----------------|
| Sacrifice (Overfunded above) | | | |
| Amount | \$2,786,773 | \$2,896,522 | \$2,948,826 |
| Chance | 8.9% | 26.6% | 38.5% |
| Uncertain (Underfunded below) | | | |
| Amount | \$2,246,098 | \$2,414,314 | \$2,444,128 |
| Chance | 10.8% | 24.4% | 23.8% |
| Outside | | | |
| Chance | 19.7% | 51.0% | 62.3% |

Simple process combining life goals and investing

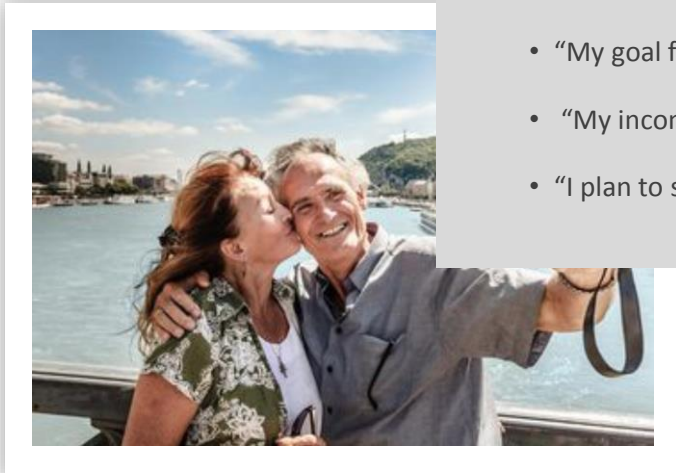
GDX360[®]



Traditional account based portfolio management

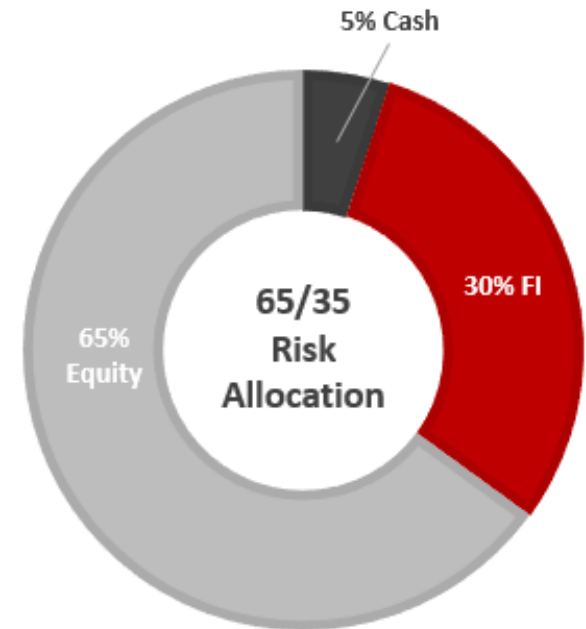
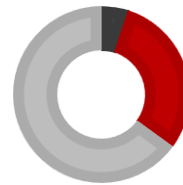
Typical scenario: advisor sets an investment allocation based on a series of risk profile answers.

- “My goal for this investment is to grow (aggressively, moderately or cautiously).”
- “My income sources are _____ (stable/unstable).”
- “I plan to start taking money from my investments in _____ years.”



Current Assets (4 accounts):

| | | |
|---------------|--------------|-------------|
| JOINT: | Taxable Acct | \$1,300,000 |
| ALEX: | IRA | \$800,000 |
| | Roth IRA | \$25,000 |
| AMY: | IRA | \$300,000 |



Pitfalls of account-based portfolio management

Account-based shortcomings:

1. Costs

- > Larger number of holdings at inception (4 x 12= 48 transactions)
- > More positions equals more costs

2. Taxes

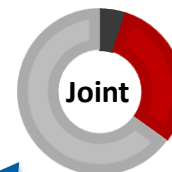
- > Putting tax inefficient holdings in taxable accounts
 - Treasuries, REITs, High Yield FI, Commodities, belong in Tax- Deferred accounts

3. Rebalancing

- > Each account rebalanced separately
 - Greatly increases transaction costs
- > Rebalancing in taxable account creates a tax consequence

Treasuries, Commodities, REITS, High Yield

48 Total Holdings



12 Funds



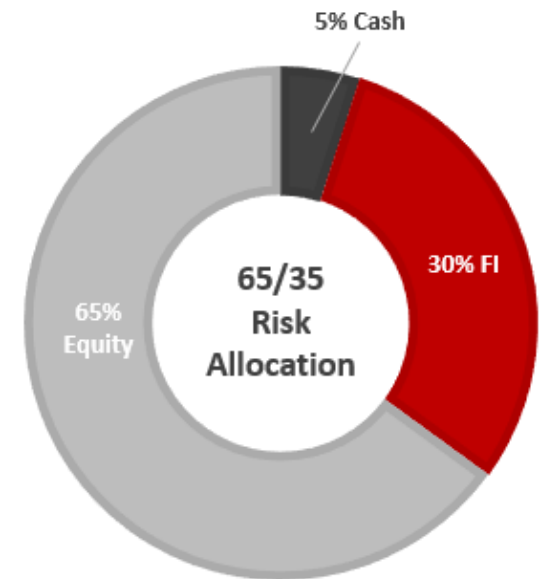
12 Funds



12 Funds



12 Funds



Controlling the **controllable**

Wealthcare invests differently

Two guiding principles drive our investment philosophy:

- > **Cost Effective:** Managing cost through Household-Based Portfolio Management
- > **Goals Connected:** Managing your investing **behavior & goals** through Comfort Zone monitoring

For over a decade, we have helped investors pursue and strive to achieve their goals using a dynamic and disciplined approach that seamlessly integrates your financial plan with your investments.

Non-traditional advisor **alpha**– Morningstar¹ gamma



| APPROACH | VALUE ADDED (BPS) |
|------------------------------------|-------------------|
| Total Wealth Framework | 38 |
| Dynamic Withdrawals | 54 |
| Asset Location/Withdrawal Sourcing | 52 |
| Total | 144 |

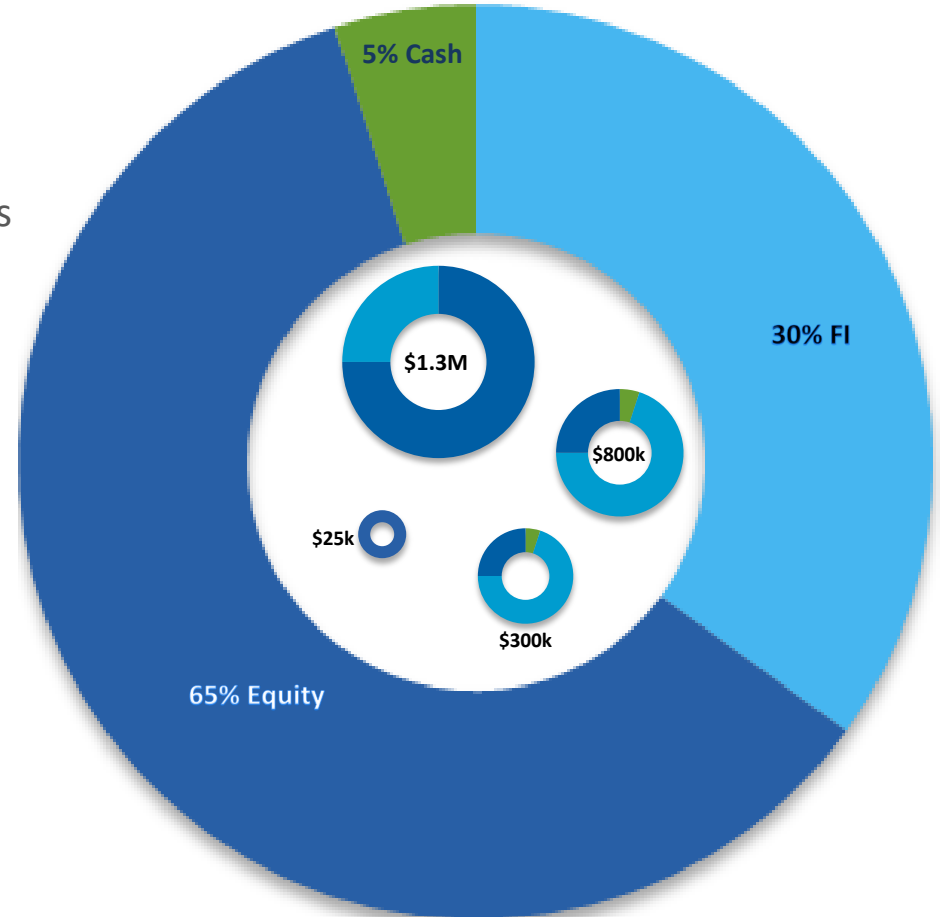
¹Blanchett, Kaplan. August 2013. "Alpha, Beta and Now...Gamma" Journal of Retirement.

Managing portfolios at the **household** level

Efficient Portfolio Construction

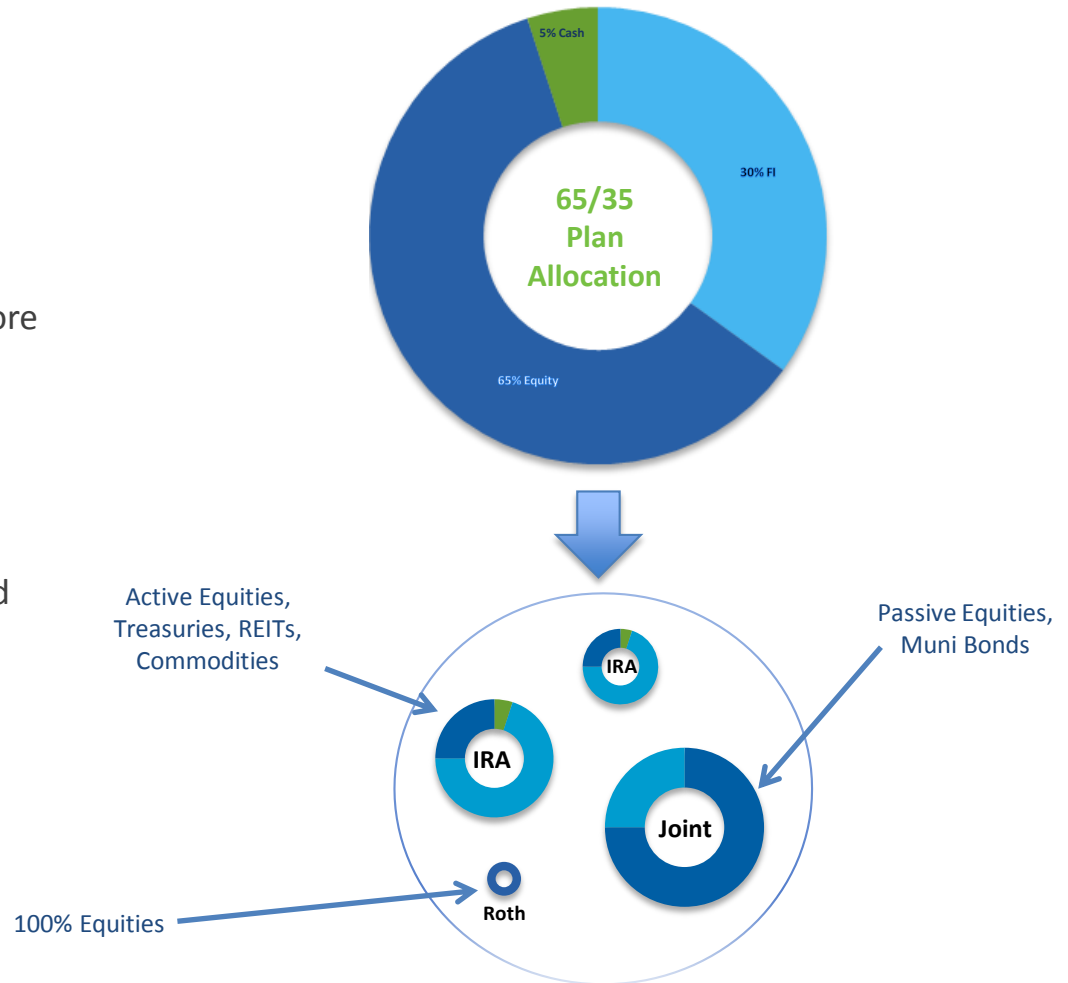
- > Asset location tax management strategies
- > Household-based rebalancing
- > Smart withdrawal sourcing
- > Other tax management services

**65/35
Plan
Allocation**



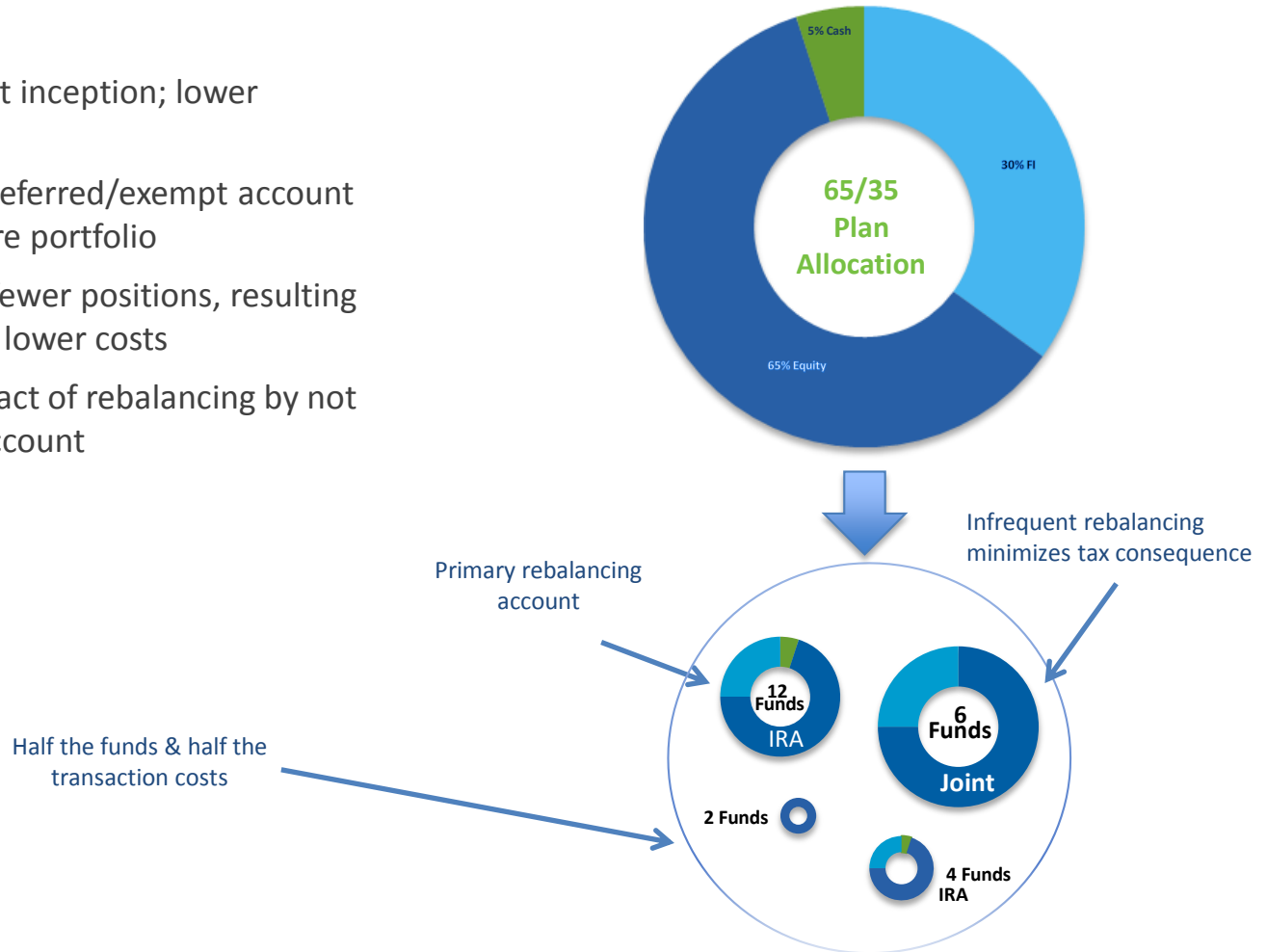
Asset location — tax management strategies

- > Place high turnover holdings in tax-deferred/exempt accounts **FIRST** to maximize after-tax wealth
- > Put low turnover holdings in taxable accounts **FIRST** to take advantage of more favorable long-term capital gains rates
- > Place high-yielding holdings in tax-deferred accounts
- > Put muni bonds in taxable accounts and taxable bonds in tax-deferred accounts



Household-based trading & rebalancing

- > Fewer positions at inception; lower trading costs
- > Use a single tax-deferred/exempt account to rebalance entire portfolio
- > Rebalance using fewer positions, resulting in fewer trades & lower costs
- > Minimize tax impact of rebalancing by not using a taxable account



Smart withdrawal strategies

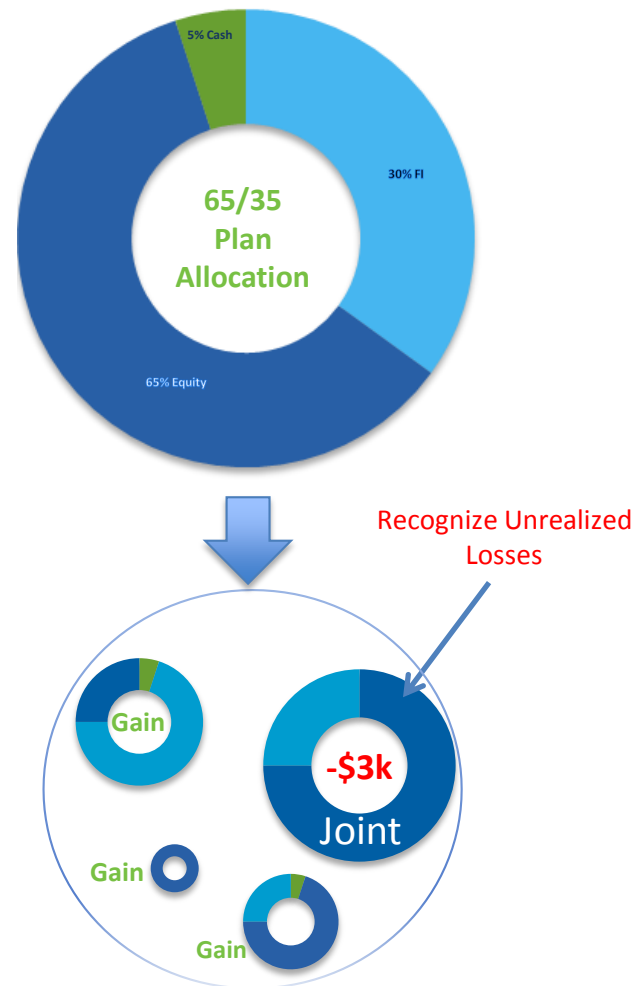
Sample \$145K withdrawal. Done in a tax-efficient manner based on the assets and circumstances of each individual household.

| Household | MV(\$) | % | Unrealized Gains | Typical | | Wealthcare | |
|----------------------------|------------------|------|------------------|----------|-----------------------|------------|----------------------|
| | | | | Trades | Tax Effect (\$) | Trades | Tax Effect (\$) |
| Domestic Equity (VTI) | 1,355,575 | 56% | | | | | |
| International Equity (VEU) | 220,675 | 9% | | | | | |
| Fixed Income (IEF) | 800,250 | 33% | | | | | |
| Cash | 48,500 | 2% | | | | | |
| | <u>2,425,000</u> | 100% | | | | | |
| Tax Deferred (IRAs) | | | | | | | |
| Domestic Equity (VTI) | 246,907 | | | | | (72,500) | |
| International Equity (VEU) | 220,675 | | | | | | |
| Fixed Income (IEF) | 609,513 | | | | | 72,500 | |
| Cash | 22,906 | | | | | | |
| Tax Exempt (Roth) | | | | | | | |
| Domestic Equity (VTI) | 25,000 | | | | | | |
| Taxable Account | | | | | | | |
| Domestic Equity (VTI) | 1,083,668 | | 671,874 | (72,500) | (8,990) | | 0 |
| International Equity (VEU) | 0 | | 0 | | | | |
| Fixed Income (MUB) | 190,737 | | 15,137 | (72,500) | (1,151) | (145,000) | (2,301) |
| Cash | 25,594 | | 0 | | | | |
| | | | | | (10,141) ¹ | | (2,301) ¹ |
| | | | | | -0.42% | | -0.09% |

¹Note: tax effect calculated by applying 20% tax rate on realized gains

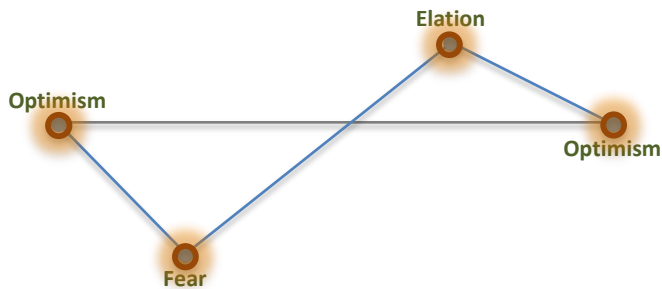
Other tax management strategies

- > Monitor timing of when unrealized gains or losses change from short-term to long-term
- > Tax-loss harvesting services
- > Consider unrealized status of positions and carry forward losses prior to trading of taxable accounts



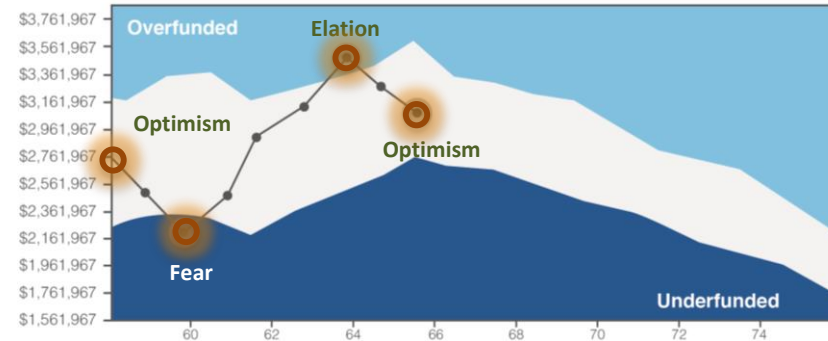
Managing investing **behavior & goals** through Comfort Zone monitoring

“Emotion-Driven Investing”



“Goals-Driven Investing”

Comfort Zone®



WEALTHCAREGDX®

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U.S. Patent Nos. 6,947,904, 7,562,040, 7,650,303, 7,765,138, and 7,991,675