

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

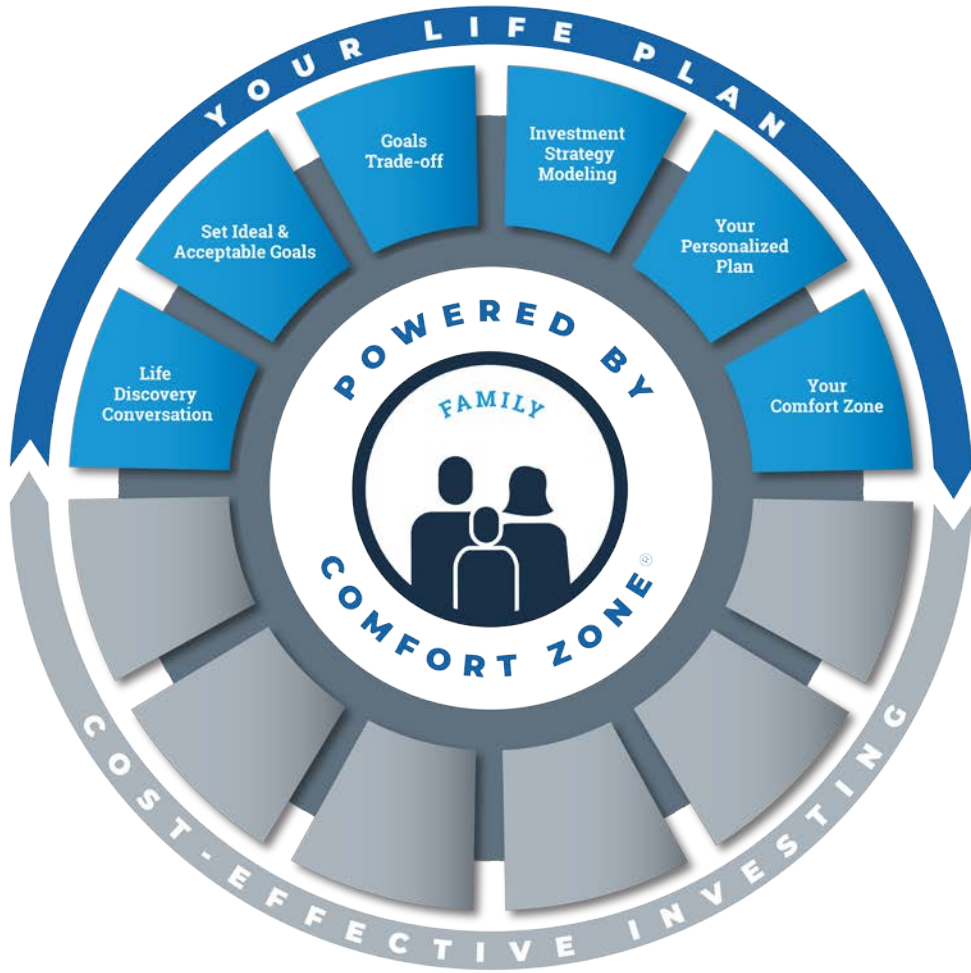
WEALTHCAREGDX[®]

BE A PART OF THE EXPERIENCE

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



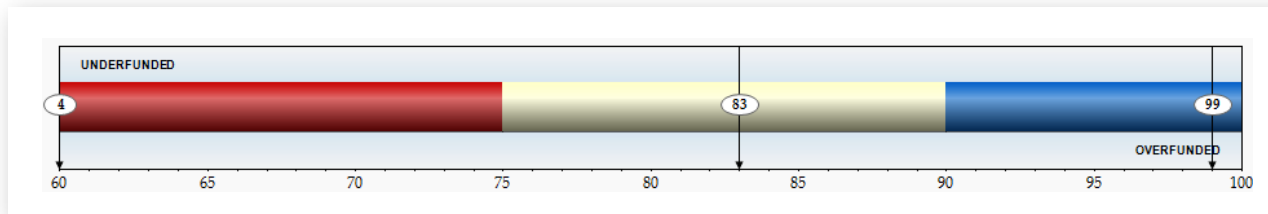
Think of each goal as a range between **Ideal** and **Acceptable**.

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?

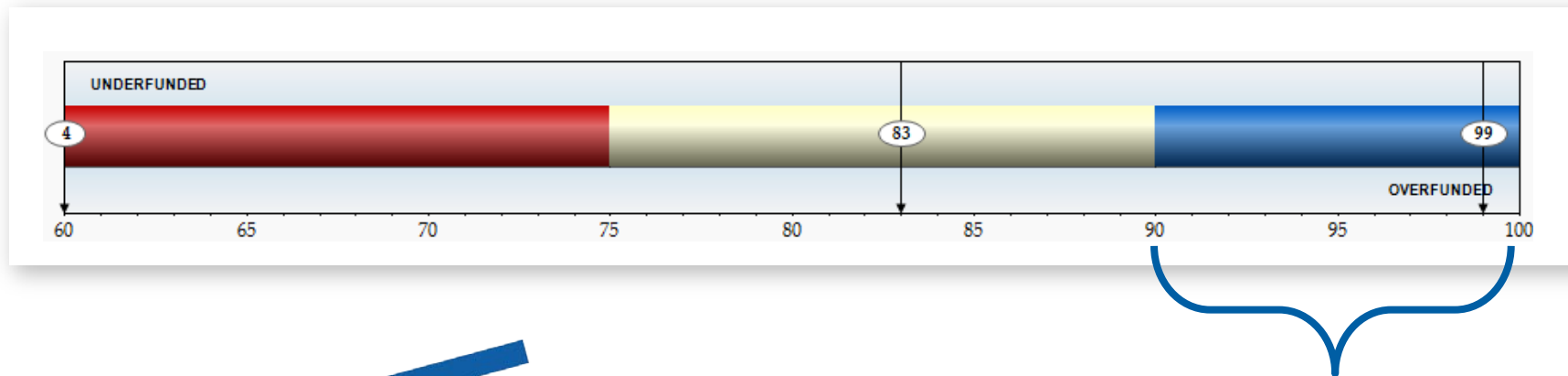
Central to our goals-based approach is the **Comfort Zone**[®] confidence calculation



- > 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**.



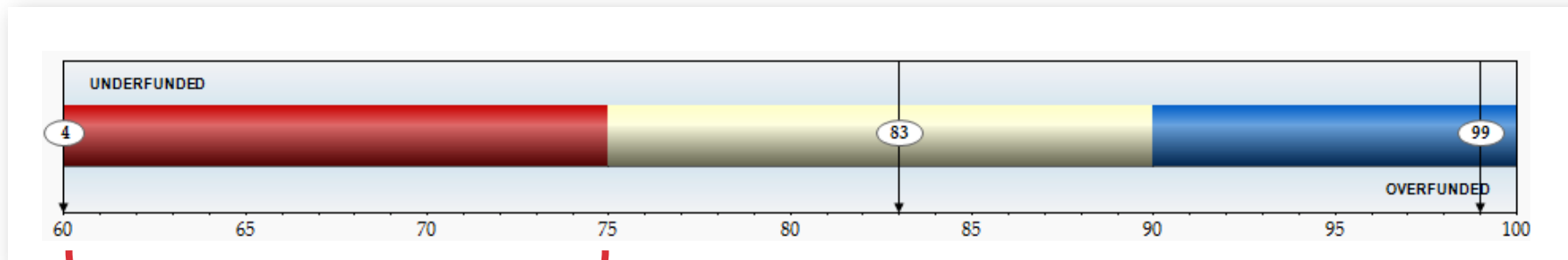
Stress testing for **sacrifice**



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**

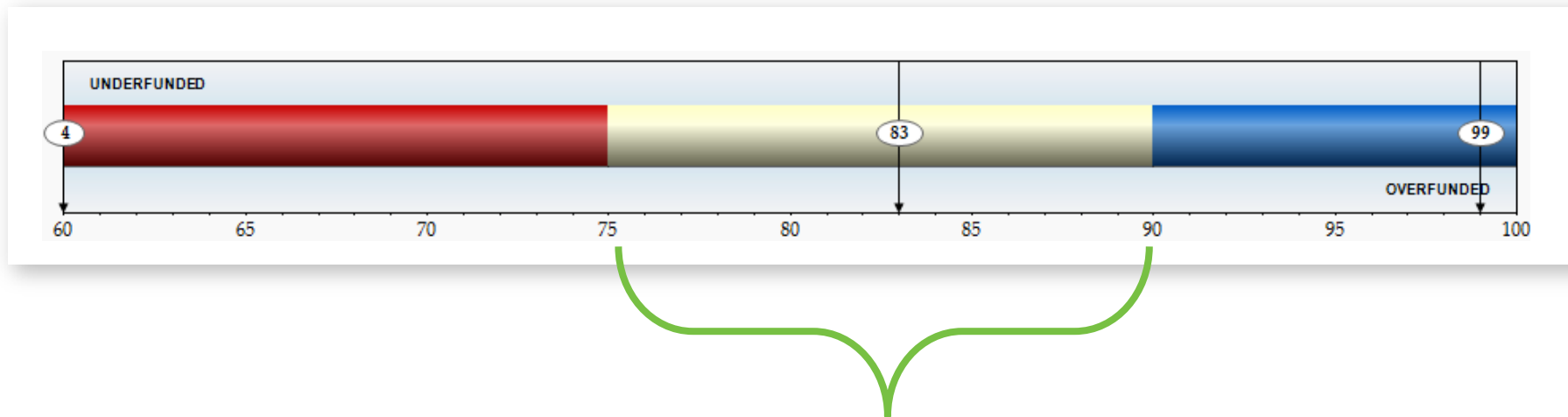


Underfunded < 75%...Uncertain

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**



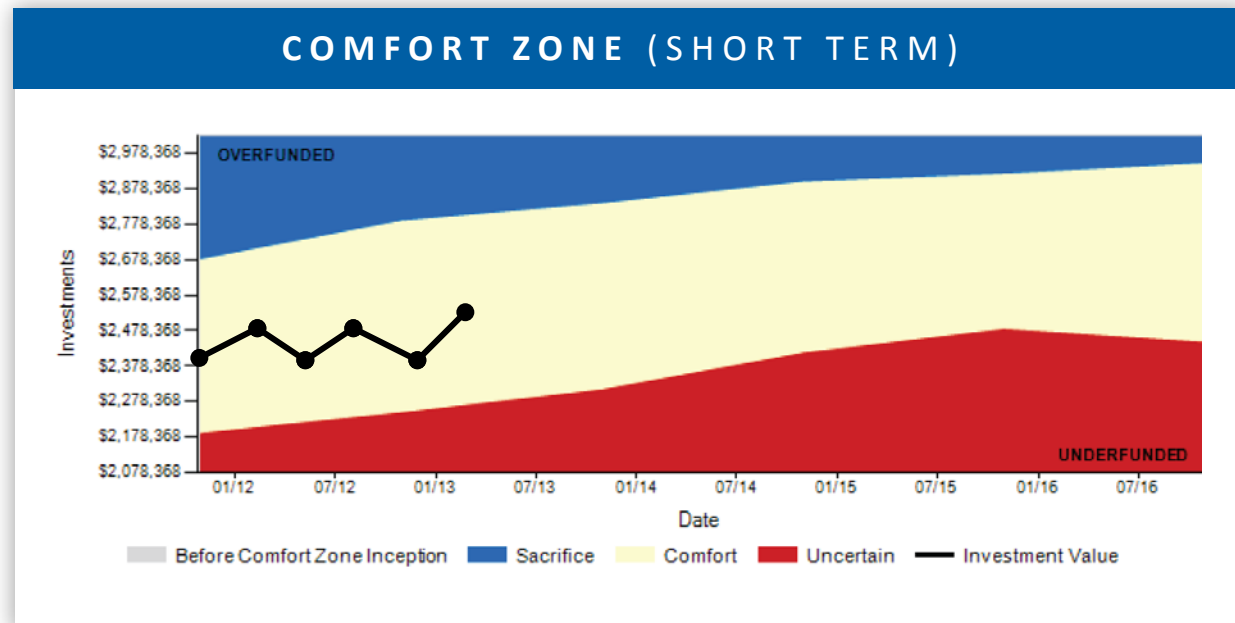
	Ideal	Recommended	Acceptable
Retirement Age:	Both Retire Now	Both Retire at 62	Both Retire at 65
Retirement Spending:	\$175,000	\$175,000	\$160,000
Risk Tolerance:	-5% Annual Downside	-6% Annual Downside	-14% Annual Downside
Estate:	\$2,000,000	\$500,000	\$100,000
Education:	MBA	MBA	Undergraduate
Annual 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.

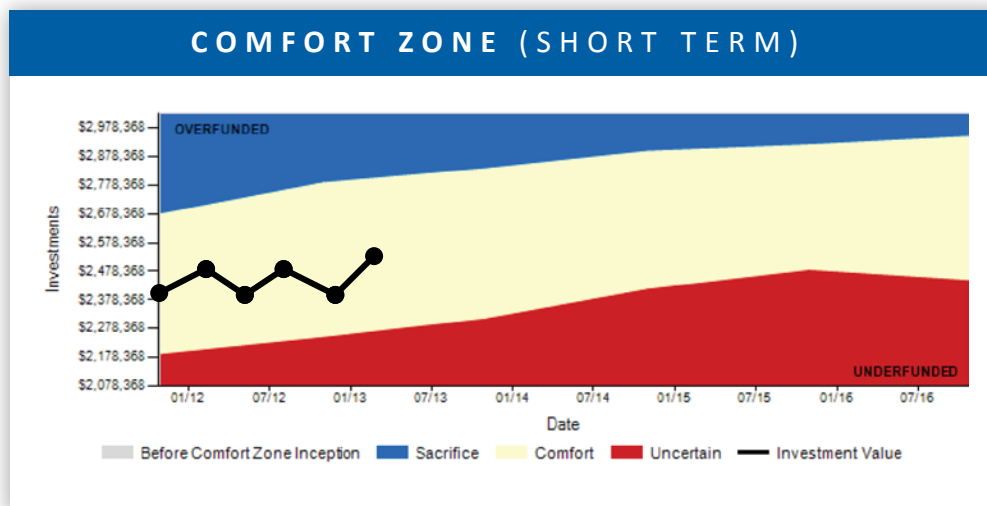
- > Your plan dynamically links your lifestyle goals with your investments.
- > You are free from uncertainty about what to do when confronted by change, expected or otherwise.



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

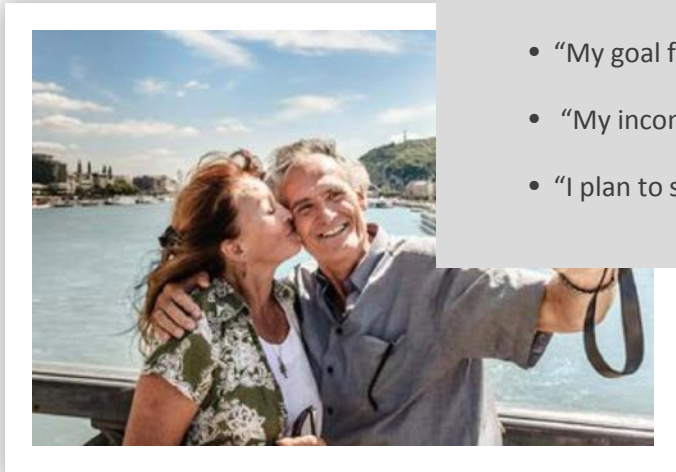
	<u>1 YEAR</u>	<u>3 YEARS</u>	<u>5 YEARS</u>
Sacrifice (Overfunded above)			
Amount	\$2,786,773	\$2,896,522	\$2,948,826
Chance	8.9%	26.6%	38.5%
Uncertain (Underfunded below)			
Amount	\$2,246,098	\$2,414,314	\$2,444,128
Chance	10.8%	24.4%	23.8%
Outside			
Chance	19.7%	51.0%	62.3%

Simple process combining life goals and **investing**

GDX360[®]



Traditional account based portfolio management

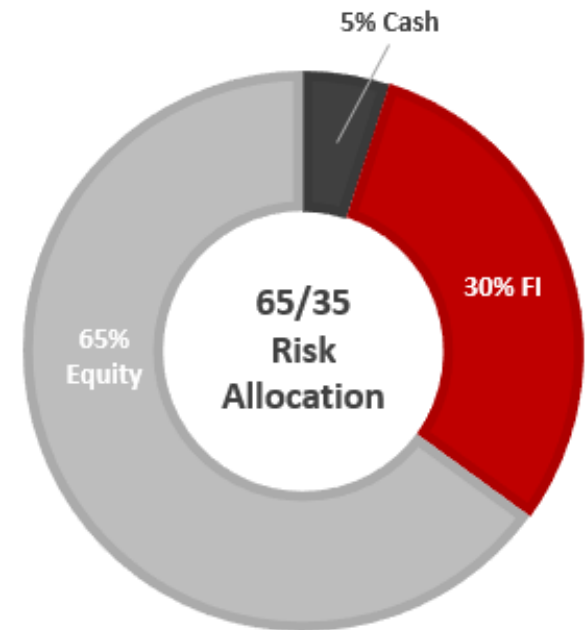
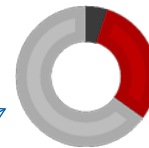


Typical scenario: advisor sets an investment allocation based on a series of risk profile answers.

- “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

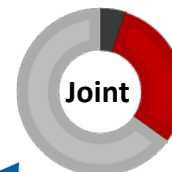
- > Putting tax inefficient holdings in taxable accounts
 - Treasuries, REITs, High Yield FI, Commodities, belong in Tax-Deferred accounts

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



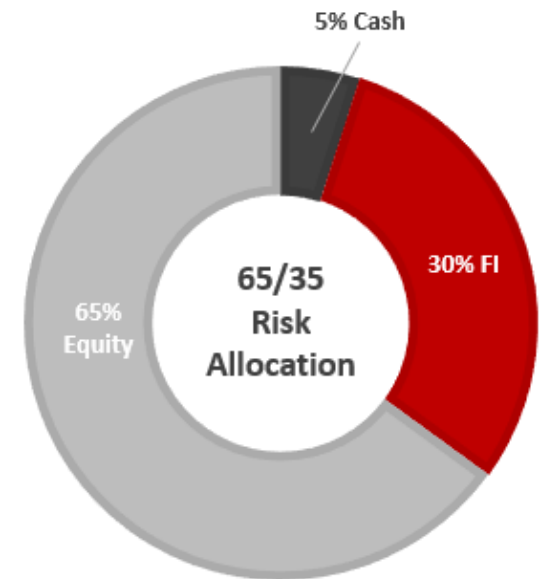
12 Funds



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

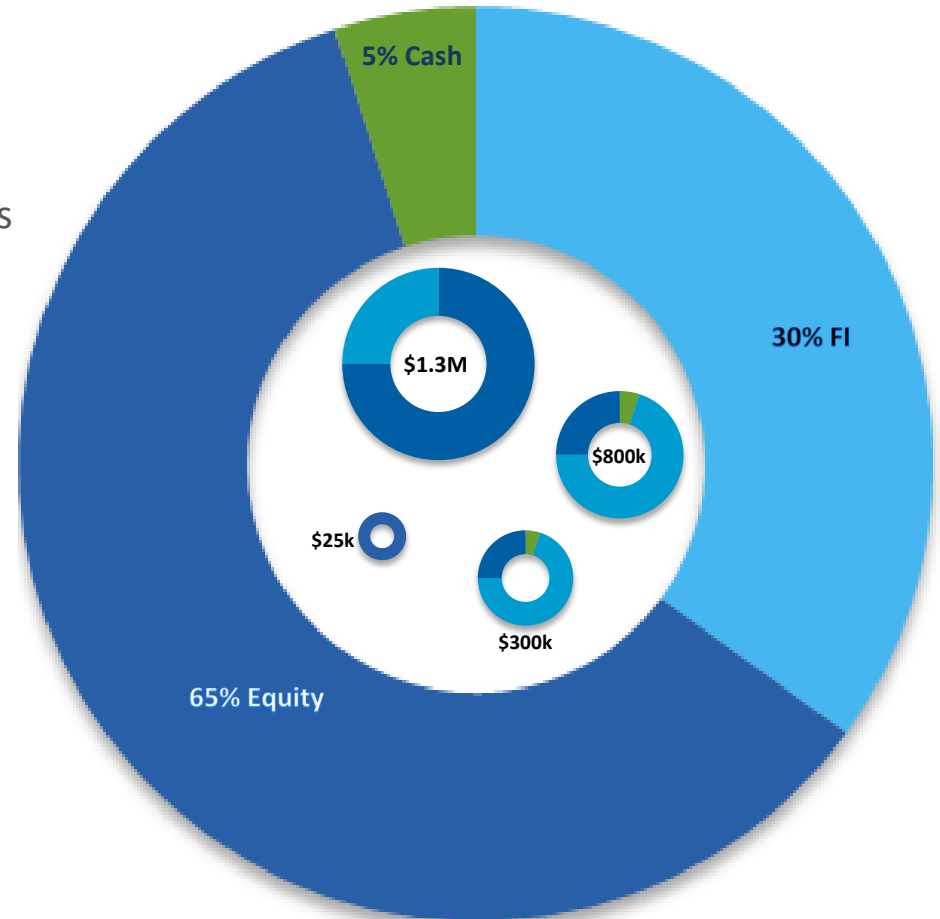
¹Blanchett, Kaplan. August 2013. "Alpha, Beta and Now...Gamma" Journal of Retirement.

Managing portfolios at the **household** level

Efficient Portfolio Construction

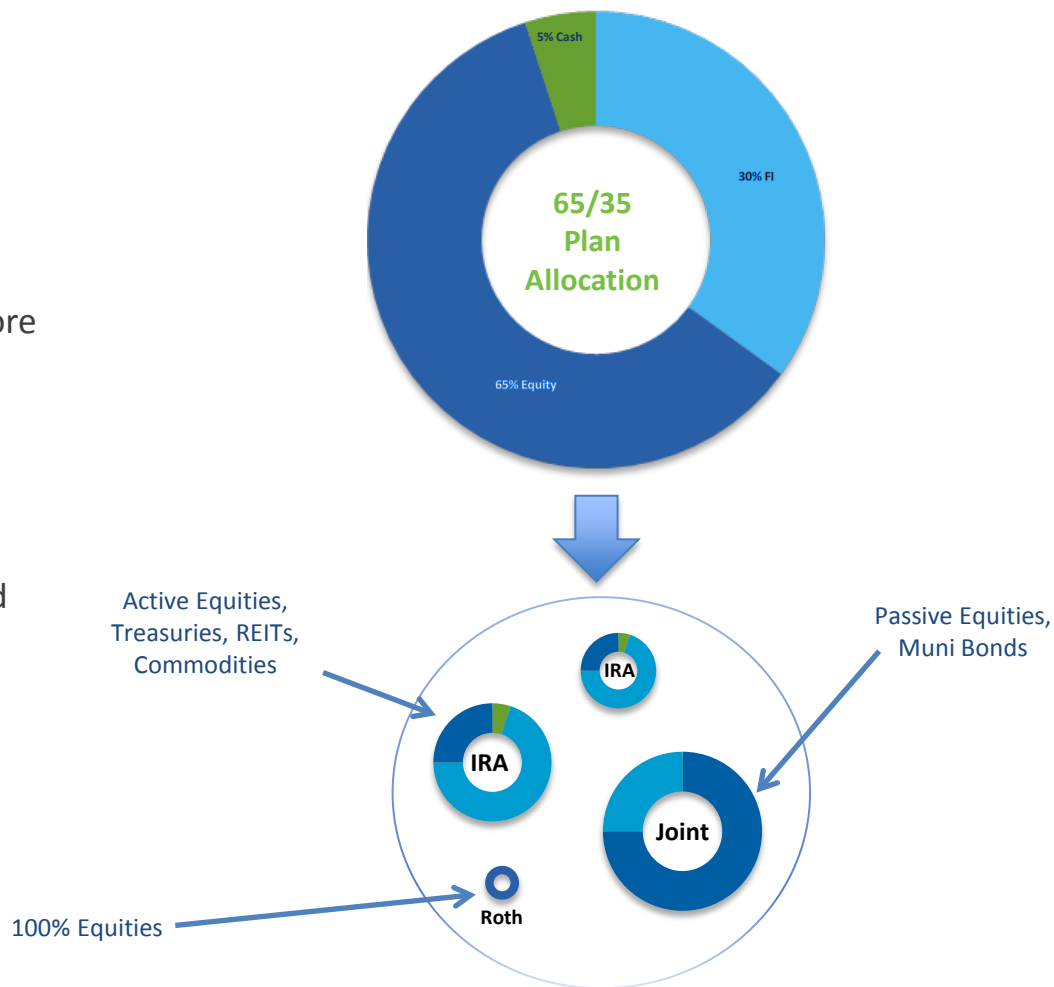
- > Asset location tax management strategies
- > Household-based rebalancing
- > Smart withdrawal sourcing
- > Other tax management services

**65/35
Plan
Allocation**



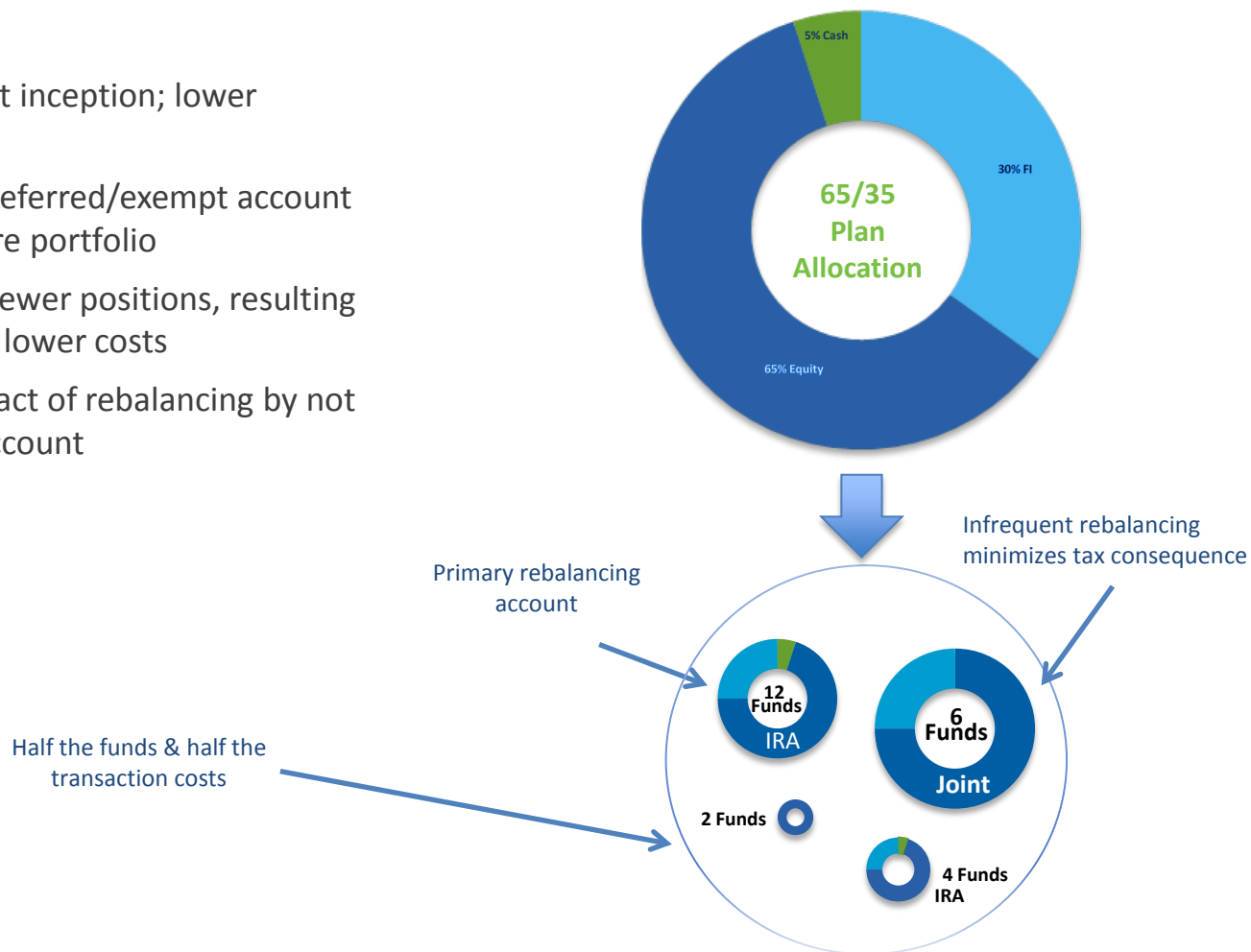
Asset location — tax management strategies

- > 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

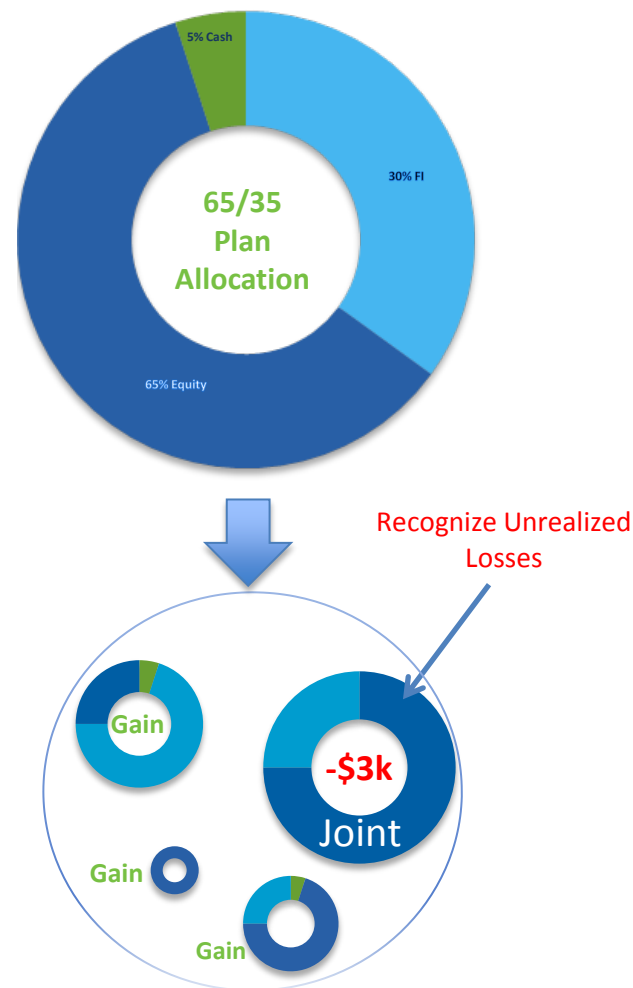
Sample \$145K withdrawal. Done in a tax-efficient manner based on the assets and circumstances of each individual household.

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

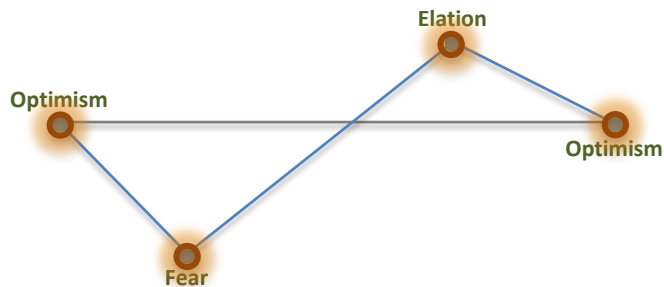
Other tax management strategies

- > 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

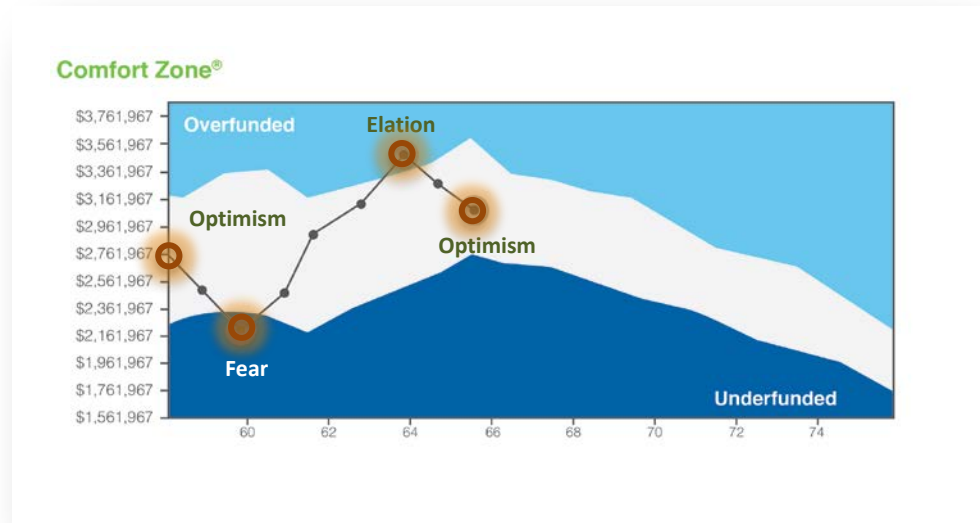


Managing investing **behavior & goals** through Comfort Zone monitoring

“Emotion-Driven Investing”



“Goals-Driven Investing”



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