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How efficient is the balance sheet of the average high net worth individual?

MICHAEL S. SCHWARTZ, CFP®, AEP®

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he proper management of one's balance sheet can be challenging for even the most financially astute high net worth investors. A personal balance sheet is a simple tool in which all assets (left side) and liabilities (right side) are listed. However, high net worth individuals tend to focus on the left side of the balance sheet and often pay less attention to their present and future liabilities.

The current interest-rate environment presents a compelling opportunity to review existing liabilities in the context of asset allocation and investment goals. As a financial advisor, I consistently research and provide insight and opine on some of the following items:

- **Unsecured loans**—credit cards, personal loans;
- **Mortgages and home equity line of credit loans**—residential and commercial real estate;
- **Securities-based loans and advisory fees**—hard and soft costs;

• **Premium expenses**—life, disability, long-term care and homeowners insurance. These items make up the right side of the balance sheet and indirectly affect the left side.

My goal as a financial advisor is to help my clients attain additional returns on their balance sheet without taking additional equity risk premium in the markets.

When speaking with clients, one issue that often flies under the radar of even vigilant investors' attention is inflation. Inflation is a major factor affecting long-term asset value, and high net worth investors face a few key challenges planning for it.

Odds are that you have not heard of CLEWI—the Cost of Living Extremely Well Index, launched by *Forbes* in 1982. The index is based on the selection of 40

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goods and services customarily reserved for very wealthy customers.

The index shows that high net worth individuals particularly want to send their children to preparatory schools and a college like Harvard University; go to the opera on a consistent basis; and purchase a designer handbag(s) for themselves or their significant other.

Historically, the basket of goods tracked by the CLEWI has exceeded inflation by an average of 2.5 percentage points annually.¹ So what does that tell you? Well, it simply highlights the fact that the cost of luxury goods and services is outpacing inflation.

A sound financial plan accounts for, forecasts and models inflation along with, these escalating costs. That is why it is crucial to work with a qualified financial advisor and not just an advisor who manages your money. Even the wealthiest can lose significant asset value over time if their liabilities are not managed properly and they are not following and updating a comprehensive financial plan.

Aligning with the right financial advisor is key to keeping these often-overlooked items in check. He or she will be able to not only look at things on a granular level but also to analyze things holistically on a macro level.

In short: Just because people make a lot of money does not mean that they can afford to overlook the right side of the balance sheet. ●

¹ "Want To Live The 1% Life? Here's How Much It Costs." *Forbes*. 2015.

Michael Schwartz was a partner of Pioneer Financial at Northwestern Mutual Park Avenue at the time of this publication. Since September 15, 2017, Michael Schwartz has served as the CEO of Magnus Financial Group LLC, an SEC registered investment adviser that maintains a principal place of business in New York, NY. Magnus Financial Group provides personalized services to a diverse range of clients including existing and emerging high net worth individuals, families and closely held businesses. The firm utilizes offensive and defensive financial planning approaches, encompassing asset management, risk management, tax planning, retirement income distribution and estate preservation planning. Michael Schwartz was named by the Financial Times to the Top 400 Financial Adviser List in 2017.

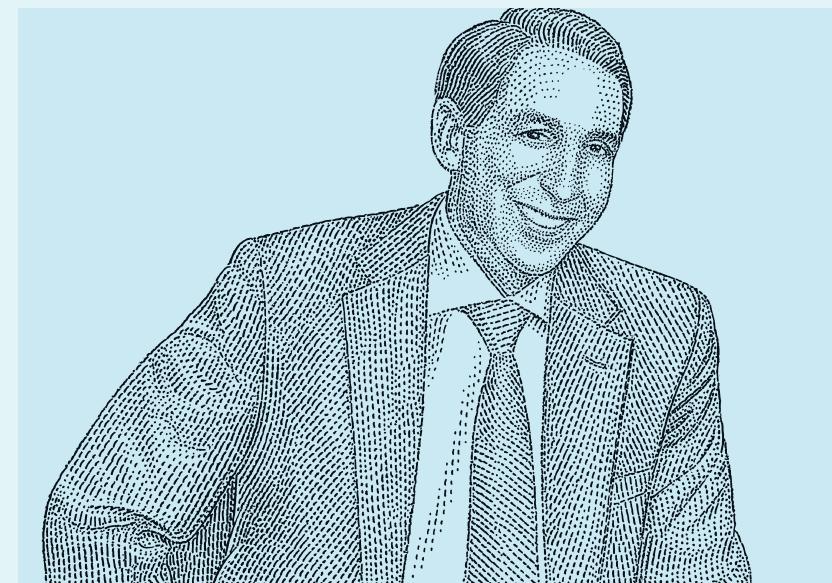
ABOUT MICHAEL S. SCHWARTZ

MICHAEL SCHWARTZ'S UNIQUE SKILL SET HAS MADE HIM RECOGNIZED NATIONALLY

AS A PREMIER WEALTH MANAGEMENT ADVISOR. Michael helps high net worth clients achieve their goals and objectives related to wealth accumulation, protection and distribution by applying a blend of knowledge, experience and skill. He began his career in finance over 19 years ago and has met with thousands of clients since then. Since September 15, 2017, Michael has served as Chief Executive Officer and Wealth Management Advisor of Magnus Financial Group LLC based in New York, NY.

Michael earned his Bachelor of Science in Economics along with a minor in English while attending Fairfield University. While there, he was a student-athlete playing Varsity Baseball all four years and competing at a NCAA Division I Level. His commitment to higher learning has allowed him to not only differentiate himself from his peers but significantly advance his competency, knowledge and skill set. He holds the CERTIFIED FINANCIAL PLANNER™ professional certification, the ACCREDITED ESTATE PLANNER™ designation, his Life/Health Insurance licensing and previously maintained securities Series 6, 7, 63, 66 registrations.

Prior to founding Magnus Financial Group, Michael was a partner and wealth management advisor at Pioneer Financial which was affiliated with the Northwestern Mutual Wealth Management Company. While there, he achieved various professional honors, and was recognized for his consistent top-level performance. In 2017, Michael was named to the Top 400 Financial Adviser List by Financial Times. In 2016, Michael became one of two exclusive financial planners to the National Football League (NFL) Alumni Association and its growing members of current



athletes, former players, coaches and employees. In 2014, Michael was the youngest advisor in Northwestern Mutual's 150+ year history to achieve the "Double-Million" Club where he originated over \$1M in insurance premium and \$1M in investment production in a single year. Michael repeated the "Double-Million" in both 2015 and 2016. Michael was highly sought after to speak at company forums sharing his experience on building and sustaining a comprehensive financial security practice.

In 2014, Michael was recognized by America's PremierExperts as a Wealth Management Advisor. As such, he was featured in the March issue of *Forbes Magazine* discussing the concept of "Systemic Saving" and its effect on financial security. His recent accomplishments have been displayed online by *Bloomberg Businessweek*, *Fortune*, *Money*, *Reuters*, *Seeking Alpha*, *The Wall Street Journal's—Market Watch*, *The Street*, *Yahoo Finance*, and *Worth*. Michael's constitution is exemplified by a recent personal milestone: competing in and completing an IRONMAN 70.3® event.

Michael has a passion for charities focused on children, veterans and athletics. He is a current board member of Positive Coaching Alliance (PCA)—New York Chapter. The PCA develops "better athletes, better people" through resources for youth and high school sports coaches, parents, administrators and student-athletes. PCA has partnered with roughly 3,500 schools and youth sports organizations nationwide to deliver live group workshops, online courses and books by PCA Founder Jim Thompson that help those involved in youth and high school sports create a positive, character-building youth sports culture. Michael has recently donated to various public charities including: Alex's Lemonade Stand Foundation, Autism Speaks, Challenged Athletes Foundation (CAF), Intrepid Fallen Heroes, Michael J. Fox Foundation, National MS Foundation, Pan-Mass Challenge, Save the Children U.S., The Life Raft Group, and the St. Baldrick's Foundation. ●



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