



STANDARD OF CARE

August 2024



**HADDAM ROAD
ADVISORS**

From the Desk of Brian Kearns

Like it or not, you are your own economic entity and, at a certain age, you become a legal entity. Put economics under a legal structure and 'viola!', you, and the people who are dependent upon you, have now become a financial entity.

This structure bestows great responsibilities on individuals but creates great opportunities to live a truly interesting and fulfilling life. "So how do I manage this financial entity thing so I can live a truly interesting and fulfilling life?", you might ask.

That is our job at Haddam Road; we find financial solutions for the needs, wants, and aspirations of our clients; each client is different, but each solution carries similar themes we can focus upon. We've developed a process to help clients identify specific issues that apply to their life now while modelling their future life and lifestyle. A fundamental part of this process is reviewing our Haddam Road Standard of Care.

My Mom was a Geriatrics Nurse, and I grew up learning about patient care and well-being from an early age. In the medical field, Standards of Care are essential in creating, implementing, and maintaining a patient care plan. We take the essence of that practice and apply it to the Haddam Road Standard of Care. This highlights specific lifestyle, legal, or financial issues that clients may experience over their lifetime. Each element in the Standard of Care highlights issues involved in the larger planning process, and addressing these issues can have a meaningful effect on clients' financial wellbeing in a year, in several decades, or for the next generation.

It is my hope that showing you the elements of the Standard of Care will allow you to identify issues that are meaningful to you in your personal planning process. That is the first step in any planning journey.

There are **6 elements** to the Haddam Road Standard of Care:

Financial Planning

Investment Planning

Retirement Planning

Family/Legal planning

Asset Protection

Business Planning

Sincerely,



Brian Kearns



FINANCIAL PLANNING

This is a widely used yet ill-defined term within the industry, we prefer to focus on basic financial disciplines that can be used to simplify even the most complex situations.

INCOME ANALYSIS

- **Cash Flow Analysis:** Evaluating the inflows and outflows of cash to ensure adequate liquidity and identify potential issues.
- **Income Projection:** Forecasting future income based on current earnings, trends, and potential changes.
- **Variance Analysis:** Comparing projected income to actual income to identify discrepancies and adjust planning as necessary.
- **Job Change/Job Loss:** Assessing financial impacts and planning for transitions related to changes in employment.

EXPENSE ANALYSIS

- **Lifestyle Analysis:** Reviewing current lifestyle expenses to ensure they align with financial goals and priorities.
- **Budgeting:** Creating and maintaining a budget to manage expenses and achieve financial objectives.
- **Pretax vs. After Tax:** Understanding the differences and impacts of pretax and after-tax income on overall financial planning.

ASSET ANALYSIS

- **Portfolio Analysis:** Assessing the performance, risk, and allocation of current investment portfolios.
- **Asset Valuation:** Determining the current value of assets to provide an accurate financial picture.
- **Income Projection:** Forecasting future income from various assets and investments.

LIABILITY ANALYSIS

- **Borrowing Needs:** Evaluating the necessity and conditions for borrowing, including loan terms and repayment strategies.
- **Secured vs. Unsecured:** Comparing the benefits and risks of secured versus unsecured loans.
- **Buy vs. Rent?:** Analyzing the financial implications of buying versus renting property to make informed decisions.



INVESTMENT PLANNING

It has been said the Chinese term for "Risk" combines the words "Danger" and "Opportunity". Money grows over time, that's the fundamental reason for investing, but what are the current dangers and opportunities in financial markets and how can these risks be reconciled with client tolerances?

ECONOMIC ANALYSIS

- **Economy/Business Cycles:** Understanding the phases of economic cycles to make informed investment decisions.
- **Fiscal/Monetary Policy:** Analyzing government fiscal policies and central bank monetary policies to predict their impact on investments.
- **Economic Indicators:** Monitoring key economic indicators (e.g., GDP, inflation, unemployment rates) to assess the economic environment.

INVESTMENT ANALYSIS

- **Domestic vs. International?:** Evaluating the benefits and risks of investing in domestic versus international markets.
- **Asset Allocation:** Strategically distributing investments across various asset classes to balance risk and return.
- **Equity/Fixed Income:** Deciding the proportion of investments in equities versus fixed-income securities based on risk tolerance and investment goals.
- **Commodities/Hedges/Fixed Income:** Commodities and hedges play a critical role in managing investment risk and providing a safeguard against market fluctuations and inflation.

PORTFOLIO CONSTRUCTION

- **Client Mandate/Risk:** Aligning the portfolio with the client's investment mandate and risk tolerance.
- **Growth/Income/Hybrid:** Selecting investments based on their potential for growth, income generation, or a combination of both.
- **Taxable vs. Deferred:** Understanding the tax implications of investments and choosing between taxable and tax-deferred accounts to optimize tax efficiency.

CLIENT SPECIFIC ISSUES

- **Concentrated Stock:** Managing risks associated with holding a large position in a single stock.
- **Employee Stock Plan:** Navigating the complexities of employee stock plans, including stock options and restricted stock units.
- **Stock Option Management:** Strategizing the exercise and sale of stock options to maximize financial benefit while managing tax implications.



RETIREMENT PLANNING

Earning an income is essential for you as a financial entity. When will the surpluses you've created over time give you the option of not actively working for that income? This is a very complex question, and here's some of the issues to consider:

LIFESTYLE REVIEW

- **Scenario Analysis:** Exploring different retirement scenarios to plan for various possibilities and outcomes.
- **Where/When/How?:** Deciding the optimal timing, location, and approach for retirement based on personal goals and financial readiness.

RETIREMENT INCOME

- **Fixed vs. Variable Income:** Understanding the differences and benefits of fixed income sources (e.g., pensions) versus variable income sources (e.g., investment returns) in retirement planning.
- **IRA/401k Distribution Plan:** Developing a strategy for the withdrawal of funds from retirement accounts to maximize income and minimize taxes.
- **Social Security Planning:** Planning the optimal time to begin receiving Social Security benefits to maximize lifetime income.

HEALTHCARE IN RETIREMENT

- **Medicare Strategy:** Understanding Medicare options and costs to choose the best coverage and manage healthcare expenses.
- **Long-term Care Strategy:** Planning for potential long-term care needs, including insurance options and funding strategies.

PORTFOLIO TRANSITION

- **Accumulation to Distribution:** Shifting the investment strategy from asset accumulation to income generation as retirement approaches.
- **Strategy for Transition:** Implementing a plan to gradually transition the investment portfolio to support retirement income needs while managing risk.



FAMILY/LEGAL PLANNING

This vast element could warrant its own table; the subjects here address the core of personal, family, and community health, wealth, and well-being.

WILLS/LEGAL DOCUMENTS

- **Living Will:** A document specifying desired medical treatment in circumstances where an individual is unable to express informed consent.
- **Healthcare POA (Power of Attorney):** Designating someone to make healthcare decisions on behalf of an individual if they become incapacitated.
- **Durable POA:** Assigning someone to handle financial and legal matters if the individual becomes unable to do so themselves.

FAMILY GOVERNANCE

- **Mission Statement:** Creating a family mission statement to guide decisions and preserve family values across generations.
- **Legacy Planning:** Developing a plan to pass on wealth, values, and responsibilities to future generations in a structured and meaningful way.

CHARITABLE PLANNING

- **Charitable Trusts:** Establishing trusts to support charitable causes while providing potential tax benefits.
- **Donor Advised Fund:** Setting up a fund that allows donors to make a charitable contribution, receive an immediate tax benefit, and recommend grants from the fund over time.
- **Stock Gifting:** Donating stock to charities to support causes while potentially receiving tax benefits.

SPECIAL CIRCUMSTANCES

- **Marriage/Divorce:** Addressing the financial and legal implications of marriage or divorce to ensure fair and equitable outcomes.
- **Disability/Illness:** Planning for financial support and care needs in the event of a disability or serious illness.
- **Dependents with Special Needs:** Developing a comprehensive plan to provide for the financial, medical, and personal care of dependents with special needs.



ASSET PROTECTION

Adverse outcomes are a life risk, shifting these risks to another financial entity is a powerful way of protecting your financial well-being. The entire economic system we live in would not exist without a risk-shifting insurance function and corresponding legal system. Quantifying, valuing, and pricing these risks are an integral part of any planning exercise.

CAPITAL NEEDS ANALYSIS

- **Disability:** Evaluating and planning for financial needs in the event of a disability, including disability insurance.
- **Life Insurance:** Assessing the appropriate amount of life insurance to provide for dependents and cover financial obligations.
- **Long-term Care:** Planning for potential long-term care needs, including insurance and savings strategies to cover costs.

PROPERTY PROTECTION

- **Umbrella Liability:** Obtaining umbrella liability insurance to provide additional coverage beyond standard home and auto policies.
- **Practice Liability:** Ensuring sufficient liability coverage for professional practices to protect against lawsuits and claims.
- **Spendthrift Protection:** Implementing strategies to protect assets from being squandered by beneficiaries, often through trusts or legal provisions.

ENTITIES USAGE

- **Limited Liability Entities:** Utilizing entities like LLCs to protect personal assets from business liabilities.
- **Corporation:** Forming a corporation to separate personal and business liabilities, providing asset protection and potential tax benefits.
- **Asset Protection Trust:** Creating trusts specifically designed to protect assets from creditors and lawsuits, while allowing for continued benefit by the trustor.

PERSONAL/FAMILY SECURITY

- **Home/Auto:** Ensuring adequate insurance coverage for home and automobiles to protect against loss, damage, and liability.
- **Identity/Cyber:** Implementing measures to protect against identity theft and cyber threats, including insurance and monitoring services.



BUSINESS PLANNING

A successful business is a magical thing; founding one can be a major lifestyle risk and operating it can be a challenge -

- **Ownership and Control:** Determining the best ownership model given various legal obligations and financial responsibilities.
- **Liquidity:** Forecasting and managing cash flows to ensure normal short-term business operations.
- **Deposit/Treasury:** Enhancing overall business returns by managing and investing excess cash.

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STANDARD OF CARE

There it is, the Haddam Road Standard of Care. This list is by no means comprehensive when it comes to planning issues, and that's the fascinating part. Within this list are real responsibilities that may seem daunting but they are addressable, and addressing issues creates opportunities to meaningfully shape your future.

Haddam Road Advisors

Financial Planning Standard of Care



**HADDAM ROAD
ADVISORS**

Financial Planning

Income Analysis

- CashFlow Analysis
- Income Projection
- Variance Analysis
- Job Change/Job Loss

Expense Analysis

- Lifestyle Analysis
- Budgeting
- Pretax v. After Tax

Asset Analysis

- Portfolio Analysis
- Asset Valuation
- Income Projection

Liability Analysis

- Borrowing needs
- Secured v. Unsecured
- Buy v. Rent?

Investment Planning

Economic Analysis

- Economy/Business
- Fiscal/Monetary Policy
- Economic Indicators
- Business Cycles

Investment Analysis

- Domestic v International?
- Asset Allocation
- Equity/Fixed Income
- Commodities/Hedges

Portfolio Construction

- Client Mandate / Risk
- Growth / Income / Hybrid
- Taxable v Deferred
- 'Down Market' Analysis

Client Specific Issues

- Concentrated Stock
- Employee Stock Plan
- Stock Option Management

Retirement Planning

Lifestyle Review

- Income replacement
- Scenario Analysis
- Where/When/How?

Retirement Income

- Fixed v Variable Income
- IRA/401k distribution plan
- Social Security Planning
- Pension Analysis

Healthcare in Retirement

- Medicare Strategy
- Long-term Care Strategy

Portfolio Transition

- Accumulation to Distribution
- Strategy for Transition

Family/ Legal Planning

Wills / Legal Documents

- Living Will
- Healthcare POA
- Durable POA
- Revocable/Irrevocable Trusts

Family Governance

- Mission Statement
- Legacy Planning
- Grantor Trust
- Annual Gifting

Charitable Planning

- Charitable Trusts
- Donor Advise Fund
- Stock Gifting

Special Circumstances

- Marriage/Divorce
- Disability/Illness
- 'Non-traditional' Families
- Dependents with Special needs

Asset Protection

Capital Needs Analysis

- Disability
- Life Insurance
- Long-term Care

Property Protection

- Umbrella Liability
- Practice Liability
- Spendthrift Protection

Entities Usage

- Limited Liability Entities
- Corporation
- Asset Protection Trust

Personal/Family Security

- Home /Auto
- Identity/Cyber

Business Planning

Business Needs

- Ownership/Control
- Liquidity
- Deposit/Treasury

Retirement/Benefits

- 401 (k)
- Profit Sharing
- Defined Benefit Plans

Risk Management

- Continuity Planning
- Key Employee/Life
- Buy/Sell Agreements

Succession/Exit Planning

- Valuation
- ESOP