



Becoming Financially Wiser

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Introductions

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Danielle is a Partner at Ocean Heights and heads the firm's financial planning services. She specializes in working with high-net-worth families and individuals to create comprehensive financial plans that serve to protect and grow multigenerational wealth.

Background

Danielle has over 10 years of experience in the financial services industry. Prior to joining Ocean Heights, Danielle worked at Green Street Advisors, consulting to family offices and institutional clients on real estate investing. Previously, Danielle worked at Morgan Stanley Private Wealth Management, where she developed strategic investment solutions for ultra-high-net-worth families.

Danielle is involved in local and global philanthropy, including the Orange County Jewish Federation.

Qualifications

Danielle received her MBA with Honors from the University of Chicago Booth School of Business and her B.A. from Lake Forest College where she was Phi Beta Kappa. She holds the CERTIFIED FINANCIAL PLANNER™ certification and the North American Securities Administrators Association (NASAA) Series 66 license.

Some Interesting Facts about Danielle ...

- She launched a piano teaching business when she was 15 and had over 30 clients by the time she graduated high school
- She started a Private Wealth Management Group at the University of Chicago Booth School of Business
- Danielle is fluent in Russian

Ocean Heights Advisors Story and Background

Our Story

Ocean Heights' roots stretch back years in a story that explains the unique aspects of the value proposition we offer our clients.

Our firm's story begins with the founding of Palo Capital in 2005. After a successful career in the healthcare and tech industries, Kevin O'Grady turned his talents to investing, and attracted the attention of Barron's, a national financial publication. In 2005, he launched Palo Capital from his home in the Ocean Heights neighborhood of Newport Beach to manage assets for family and friends. Over the years, the team has added Nella Webster, CFP® (2009), Kara Devar (2014), Kevin Barlow, CFA® (2015) and Danielle Bronner, CFP® (2020) as partners.

From two initial clients and meetings at a kitchen table, our team has evolved to comprise highly credentialed investment professionals who advise high-net-worth families, executives, and entrepreneurs across the country in all areas of their financial life.

The formula for our team's success has broadened over the years. As fiduciaries, we take an independent, holistic approach to providing customized investment solutions and personalized financial planning to grow and protect our clients' wealth. But in doing so, we have always sought to retain the high level of client service and "friends and family" feel with which we began.

In 2022, Ocean Heights Advisors launched as an employee-owned firm and partnered with Mariner Platform Solutions to expand the range of services we offer our clients.

9 Easy Strategies to Put into Practice

#1: Know Where You Come From and Dive Into Your Story

What has been your financial story?

- How have you approached finances with your family and career? Do you have any training or education when it comes to money management?
- Are you a spender or a saver?
- Have you been able to reach your financial goals successfully?
- Have you been open with your spouse and family members to help them steward their wealth and be educated, or have you kept it to yourself?
- Have you ever worked with a professional to guide your decision-making and help you feel more comfortable with your financial plan and relationship?

Your mindset affects your financial success no matter if you want to believe it or not. Getting clear about your financial history and story should allow you to uncover what your mindset is – embrace the positive attitudes and work on/improve the negative areas that may be affecting your independence and ability to achieve your goals.

#2 Create Meaningful Financial Goals

What would you like your money to do for you and your family?

- What brings you joy and fulfillment in life? (Travel, taking care of grandchildren, take care of wellbeing and healthcare, etc.)
- Do you have legacy goals?
- How would you make a difference for your family and/or community?

Find the ways that you want to use your money to build your life. Identify strategic goals and create a financial planning roadmap to help accomplish them. Become inspired to invest and accomplish your goals.



Tactical Tips for Financial Goal Setting

1. Review your portfolio and investments – are the investment accounts aligned with your tax status, cash flow needs, risk tolerance, objectives, and time horizon?
2. Review your cash management strategy – are your investments able to supplement your lifestyle needs, RMDs, etc.? How does it fit into your overall plan for your family and the next generation?
3. Review your goals and accounts every quarter
4. Surround yourself with professionals who can help structure a plan to help you stay on track

#3: Know Your Current Financial Picture and Net Worth

Take inventory of your current financial situation:

Start by building a balance sheet and income statement --

- Cash & Bank Accounts (checking/savings)
- Investment Accounts (Trust, Individual, etc.)
- Retirement Accounts (401k, IRAs, etc.)
- Real Estate Portfolio (personal residence and investment properties)
- Income (salary, pension, social security, etc.)
- Expenses (living, mortgage, debt, travel, education, gifting, one-time, etc.)

Organize your other financial documents and goals --

- Trust & Estate Documents
- Tax Strategy
- Insurance Policies
- Inheritance/Other

Gathering this information across all areas of your financial life should be beneficial to guiding and optimizing decision-making to help ensure you meet your short- and long-term goals. Take the time to figure out where you stand.

#3: Organizing Your Financial Information and Goals – Your Portfolio is Just One Piece of the Puzzle

Balance Sheet: Summary of All Assets & Liabilities

Net Worth Statement As of January 24, 2023

Web Print Generate

ASSETS	Sample	Spouse	Joint	Total
NON-QUALIFIED ASSETS				
<i>Cash Alternatives</i>				
Checking Account	\$2,401,160	—	—	\$2,401,160
<i>Taxable Investments</i>				
Trust	\$6,585,841	—	—	\$6,585,841
Total Non-Qualified Assets	\$8,987,001	—	—	\$8,987,001
RETIREMENT ASSETS				
<i>Qualified Retirement</i>				
401k	\$76,799	—	—	\$76,799
IRA	\$596,063	—	—	\$596,063
Total Retirement Assets	\$672,862	—	—	\$672,862
Total Liquid Assets	\$9,659,863	—	—	\$9,659,863
REAL ESTATE ASSETS				
Primary House	\$2,800,000	—	—	\$2,800,000
Vacation Home (Joint Residential Trust)	—	—	\$1,100,000	\$1,100,000
Total Real Estate Assets	\$2,800,000	—	\$1,100,000	\$3,900,000
PERSONAL ASSETS				
Jewelry	\$30,000	—	—	\$30,000
Total Personal Assets	\$30,000	—	—	\$30,000
Total Assets	\$12,489,863	—	\$1,100,000	\$13,589,863

LIABILITIES	Sample	Spouse	Joint	Total
LONG TERM LIABILITIES				
Primary House Mortgage	(\$1,035,000)	—	—	(\$1,035,000)
Vacation Home Mortgage (Joint Residential Trust)	—	—	(\$545,000)	(\$545,000)
Total Long Term Liabilities	(\$1,035,000)	\$0	(\$545,000)	(\$1,580,000)
Total Liabilities	(\$1,035,000)	\$0	(\$545,000)	(\$1,580,000)
Total Net Worth	\$11,454,863	\$0	\$555,000	\$12,009,863

Total Net Worth \$12,009,863

Cash Flow Management: Summary of All Current Income & Expenses:

Income

Add

Salary & Bonus	Starts	Annual Amount
Sample Bonus	Active	\$250,000
Sample Salary	Active	\$250,000

#4: Manage Cash Flow and Identify Spending Behavior

- Do you keep track or have a cash flow budget created?
 - *A rule-of-thumb for a cash cushion is to keep 3-6 months of savings and to distribute no more than 5% of your total portfolio annually.*
 - *Now, CDs, Money Markets, and 6-month Treasuries pay roughly 5%+, so do not forget to maximize savings!**
- What is your social security, pension, or other income?
- How much income do you need to support your current and future lifestyle?
- Calculate the impact of any anticipated inheritances
- Include one-time expenses, gifting, charitable planning, educational costs, etc.

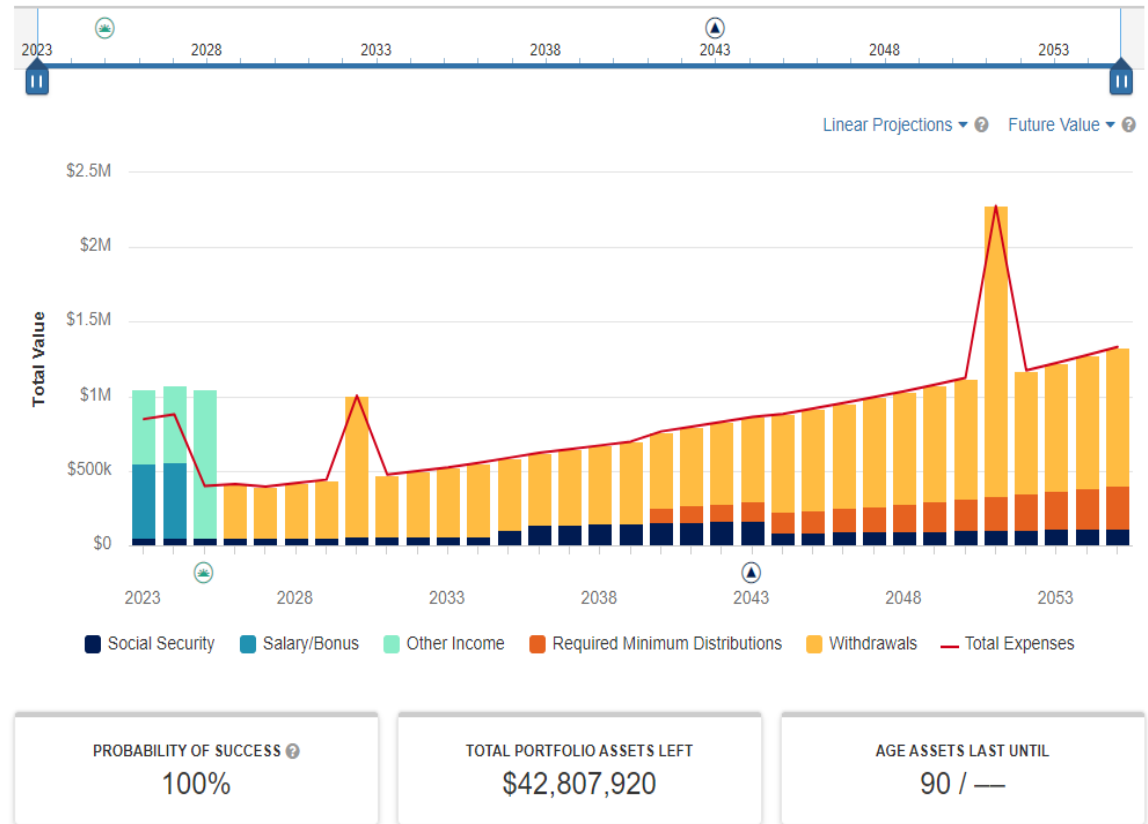
Make smart, conscious decisions and adjust as needed to help reach those goals. Living within your means is crucial to achieving financial success long-term and not outliving your portfolio. Spend less than you earn.

#4: “What If” Analyses and Cash Planning Strategies for a Wide Range of Life’s Mileposts

Spending Analysis

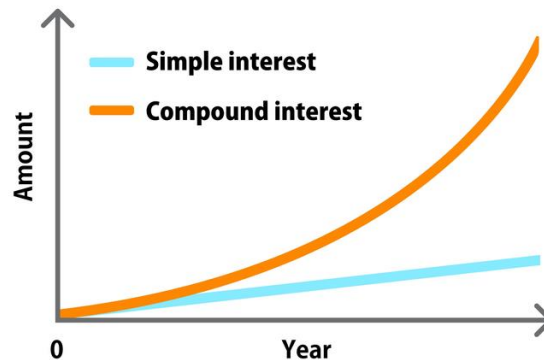
Living Expenses	\$335,216
441 Property Tax (est.)	\$20,000
467 (Insurance, Tax, Water, Other)	\$23,124
Aerial	\$1,720
Auto	\$51,595
Avocados	\$703
Cash	\$19,631
Charity	\$800
Dry Cleaning	\$568
Dues	\$40
Education	\$480
Gardening	\$4,386
Health and Fitness	\$50
Home	\$485
Home Repair	\$2,362
Insurance	\$9,370
Misc.	\$14,086
Music	\$200
Pool	\$3,108
Tahoe	\$3,000
Telephone	\$5,007
Utilities	\$14,727
Visa	\$159,776
Mortgage Payments	\$80,112
441 Mortgage	\$34,704
467 Mortgage	\$45,408
Total Spending	\$415,328

Projected Lifetime Estate with Cash Flow Details



#5: Make Investing a Top Priority

- Take advantage of compounding interest to help create the amount of wealth you need to support your lifestyle
- Build a strategy for each type of account (risk tolerance, time horizon, tax status, liquidity needs) so that your finances are aligned with your goals
- Can utilize individual stocks, bonds, or funds such as ETFs and Mutual Funds



Tips:

- Consider hiring a financial planner to teach you the basics and design a plan
- Get educated on various investment strategies – active vs. passive, value vs. growth, dividend growth vs. capital appreciation, etc.
- Invest for the long-term and stay the course - try your best to remove emotion from investing.

#5: A Disciplined, Research-Based Investment Process

Our investing is grounded in a disciplined process using both internal and third-party research.



A top-down & bottom-up process. Our investment process includes a “top-down” study of factors such as the economy and fiscal and monetary policies. Our process is also “bottom-up” in that security selection across asset classes is based on analysis of fundamental data.



Quantitative, proprietary research. Over our history, we have developed a quantitative process for developing portfolios with attractive risk-reward profiles using the financial data of individual companies and our proprietary algorithms.



Removing emotion from investing. Many investors have disappointing results because they fall prey to popular narratives and/or their emotions. One of the most important things we do for our clients is to help them avoid having the day’s headlines or emotion drive investing. Our strong reliance on letting data drive our decisions helps us achieve this goal.



Third-party data and research. Our internal strengths are buttressed by data from leading financial data providers and by research from prominent investment research firms.



Access to third-party managers. While we differentiate ourselves by conducting our own research and managing the majority of the firm’s assets in-house, we also have access to best-in-class managers in nontraditional asset classes that can meet specific portfolio needs.

#6: Raise Your Tax Knowledge

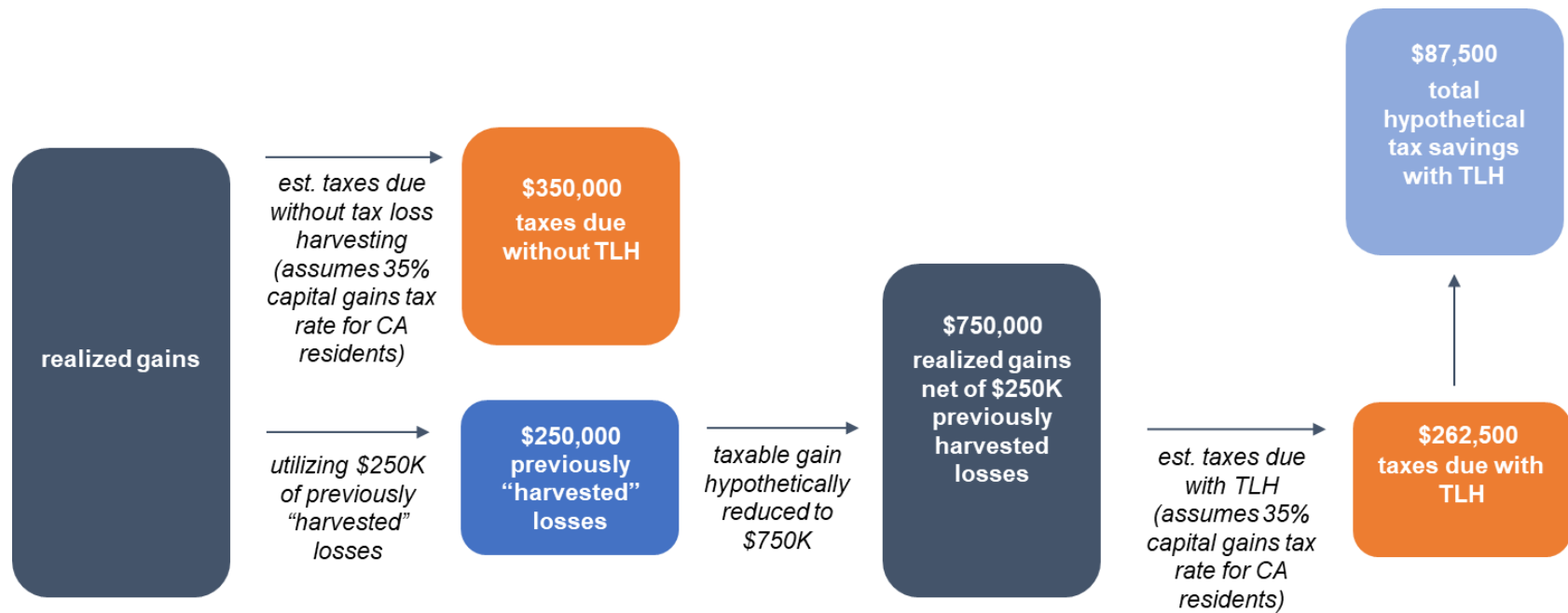
- Understand how are dollars taxed today and in the future, and what can you implement to diversify/balance to give more flexibility to stay proactive
- Each type of investment account has a specific tax status and it is important to understand the implications of each:
 - Retirement (Pre- vs. Post-tax) vs. Taxable (Cash, Stocks, Bonds, Real Estate)
 - Ownership of accounts (Individual, joint, trust, etc.)



#6: Additional Tax Planning

- Tax Loss Harvesting
- Maximize Retirement Savings
- Qualified Charitable Distributions from your IRA
- Donor-Advised-Funds or Charitable Trusts
- Roth Conversions (tax rates could increase in 2025)
- Tax budget planning (especially with Inherited IRAs)

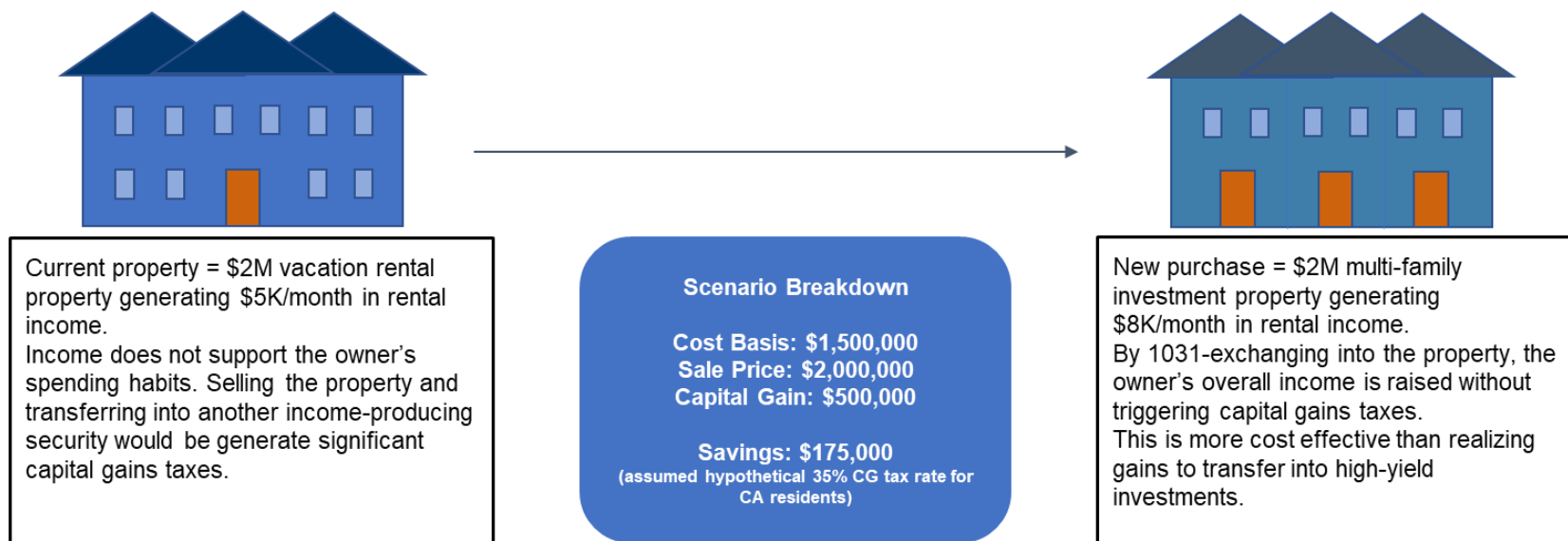
#6: Tax Loss Harvesting Example



Tax loss harvesting can potentially allow an investor to reduce their taxes each year while maintaining consistent exposure to the underlying securities.

- ETFs work well with this strategy as many track the same indices and hold similar underlying securities.
- The tax loss harvesting process involves two steps:
 - 1) Selling a position with unrealized losses (i.e. "harvesting" the loss)
 - 2) Buying a similar position and holding it for at least 30 days (to maintain the overall allocation)
- After selling a security and not buying back in for 30 days, the investor may use the realized loss to offset realized gains, investment income, and up to \$3,000 of earned income
- **Over time the savings can compound potentially allowing the portfolio to grow more rapidly.**

#6: Real Estate Tax Strategy Example



A 1031 exchange allows a real estate owner to sell a property (without realizing taxable gains at the sale) by reinvesting in another property.

- Both the new property price and the new loan must be of equal or greater value in order to defer all capital gains.
- There are qualifications that each property must meet in order to qualify:
 - The properties must be like-kind; meaning they are both real estate investments.
 - Both properties must be for business or investment purposes; 1031 exchanges with personal primary residences are not allowed.
 - The owner has 45 days from close to identify the new property and 180 days to close the new deal.
- Because of the broad like-kind definition, real estate investors may potentially trade a vacation rental in New York for a multi-family apartment complex in California.
 - These kinds of exchanges can potentially generate more income than the original property was producing.

The information provided here is for general informational purposes only and should not be considered individualized tax or investment advice. The example is provided for illustrative purposes only and is not intended to be reflective of the results any client can expect to achieve. 1031 Exchanges are highly complex, and failure to comply with the stringent requirements may result in a complete loss of the desired tax deferral. Investors should carefully consult with independent tax and legal counsel before initiating a tax-deferred exchange.

#7: Trust & Estate Planning

- Do you have a Trust, Healthcare/Financial directives, and a Will established?
- Are your beneficiaries up-to-date?
- Management during lifetime and determine distributions upon death
- Transfer wealth efficiently through freezing assets, gifting, and ultimately reducing estate & death taxes
- Help to avoid potential conflicts by appointing fiduciaries as successor trustees

Consider Philanthropy and Charitable Planning:

- Annual gifting of appreciated stock
- Qualified Charitable Donations from the IRA (up to \$100K/person)
- Donor-Advised-Funds (can be set up during lifetime or a beneficiary of a Trust)
- Advanced planning strategies

#7: Trust & Estate Planning Tips

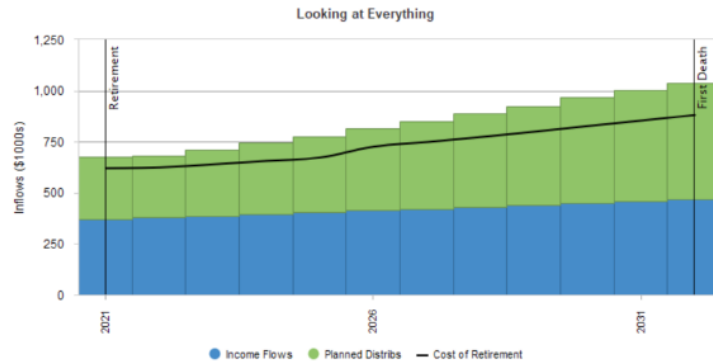
- \$18,000 Annual Gift Exclusion; Married couples can gift each person up to \$36,000 for 2024
- Applicable Estate & Gift Tax Exclusion Amount is \$13.61 million (\$27.22 million per married couple). This is scheduled to sunset in 2026.
- Highest federal estate tax rate = 40%

#7: Trust & Estate Strategies for Multi-Generational Planning

Scenario Modeling To Develop a Customized Roadmap for Multiple Generations

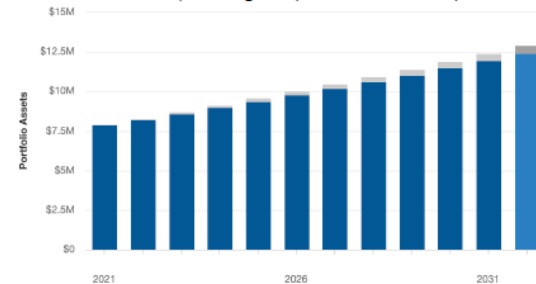
Retirement Summary

Based on current assumptions, you will have a \$13M funding surplus.



What Ifs ... How Would A 35% Cap Gains Rate Affect Us?

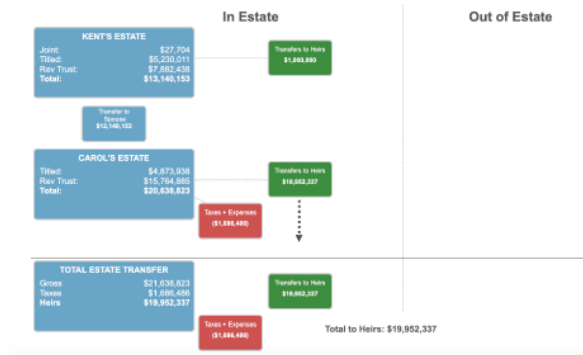
Given your asset and cash flow levels, a major increase in cap gains rates would not force any change in your current lifestyle.



ASSETS LAST UNTIL Age 95	FUNDING GAINED 0 Years	VALUE LOST ⊖ \$503,552
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Trust & Estate Planning

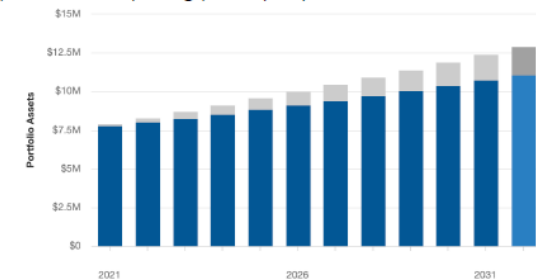
Given the likelihood of a decrease in the estate tax exemption, estate tax review should be an ongoing part of your planning.



Refer to appendix for disclosures.

What if ... Can we Afford to Gift \$150k to Family Annually?

Yes, you can comfortably give \$150k every year and enjoy the same lifestyle without depleting your liquid portfolio.



ASSETS LAST UNTIL Age 95	FUNDING GAINED 0 Years	VALUE LOST ⊖ \$1,832,308
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#8: Find a Professional Advisor Who Can Design and Oversee Your Holistic Financial Plan

- Fiduciary
- CFP and/or CFA
- Broker Check / ADV / Ask First Forms
- Interview 2-3 advisory firms to determine who is the best fit
- Monitor: Life brings change, so financial plans can never be a matter of “set it and forget it.” With the data and a plan in place, we can monitor progress toward your goals, identifying elements of the plan that need to be adjusted.

#9: Additional Tips for Becoming Financially Wise

1. Identify your goals and develop a customized roadmap (both short- and long-term)
2. Take the time to organize your data (balance sheet and cash flows)
3. Review asset location and income planning
4. Do not try to time the market (focus on quality companies that are profitable and have strong cash flows)
5. Be mindful of taxes (i.e., taxable vs. retirement accounts)
6. Maximize contributions to retirement plans and delay distributions if possible
7. Spend less than you earn
8. Consider a Trust and review your beneficiaries to ensure they are up-to-date
9. Keep yourself accountable and review periodically for any elements of the plan that need to be adjusted

Q&A?

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