

Challenge

Beth came to Allodium looking for financial advice to help her mother, Gretchen. Gretchen was widowed several years ago and has been living in assisted care. She authorized Beth as financial power of attorney, which allowed Beth to manage her mother's stock accounts. Gretchen had used various brokers in her hometown and had several brokerage accounts with no real investment strategy. Beth wanted to help her mother, but was feeling anxious because she was unsure if she had the financial expertise or time to make the right investment choices. She was afraid that she might make mistakes and lose her mother's money and damage her relationships with her siblings.

Beth was referred to Allodium by a friend. Beth had heard the term "fiduciary," but was not sure what it meant. She learned that a fiduciary is defined as a person to whom property or power is entrusted for the benefit of another. Beth quickly discovered that Allodium is a fiduciary and is also committed to putting the client's best interest first, providing unbiased, fully disclosed, and prudent financial advice.

Recommendation

Allodium met with Beth several times to learn about her mother's financial goals and investment history. Two important factors emerged from the discussions. First, Beth was emotionally exhausted from taking care of her mother's investments, and the stress was preventing her from enjoying time with her mother. Beth also felt pressure from her siblings, who were second guessing her decisions. Second, Allodium found that Gretchen had individual stock positions and duplicate holdings spread out among many brokerage accounts. Allodium developed a comprehensive investment plan and strategy to consolidate the accounts, increase diversification, and lower investment expenses by implementing the strategy with low-cost mutual funds. Since Gretchen's income was low, much of the capital gains from repositioning her accounts were at the 0% capital gains rate. To take full advantage of this tax strategy, Allodium repositioned her assets over two calendar years which avoided all capital gains taxes. Gretchen has increased the probability of achieving a comfortable retirement by aligning her investment strategy with her financial plan.



Result

Beth accepted Allodium's recommendations. Consolidating her mother's accounts and removing the risks of individual stocks reduced the stress that Beth was feeling in overseeing the investments. Beth's family members were also reassured that Gretchen's accounts were carefully monitored by delegating the investment management to a professional advisor serving as a fiduciary.

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