

## GHP Investment Advisors, Inc. Is the Family Office for the Millionaire Next Door

Sommer C. Vincent

Every year LinkedIn publishes its list of overused words and phrases used in business, compiling the list from the profiles of its vast member list. This year's list includes obvious phrases, such as "problem solving," "track record," "extensive experience," "innovative" etc. Check the website of any financial advisor or stockbroker and these are often used within the vernacular. The question is whether the people or firms that use these terms to describe themselves actually "walk their talk."

Another term that is increasingly used to describe financial service offerings is the "family office." Many advisors realized in the aftermath of the 2008 stock market crash that their approach was too limited for the complex needs of their clients, who needed more than someone to simply monitor their investments and choose a prudent asset allocation, but that was - at best - all these advisors could provide. The answer, it seemed, was to hold themselves out as 'family offices' in an attempt to convince clients they could connect the many aspects of their clients' financial lives. Most financial advisors discover, however, that offering "family office" services proves to be quite difficult in practice. They are limited by their resources, regulations, large firm policies, and their own skill set.

For many years at GHP Investment Advisors, Inc. we have told prospective clients that we are a "family office for the millionaire next door." Now that more and more advisors are using that term or terms like it, but often failing to deliver, we thought we might outline what we believe is encompassed by the term "family office." We have also discovered that many of our existing clients are, of course, familiar with their personal interactions with our team, but may not be aware of all that we might be able to do for them or someone they know well. So what is a "family office?"

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### Family Offices Are Usually Just for the Mega Wealthy

John D. Rockefeller created the first family office in 1882 by hiring a full time staff comprised of the most qualified individuals to manage his family's wealth, provide advice on tax and legal issues, make philanthropic decisions and broker their insurance policies. Henry Phipps established Bessemer Trust in 1907 to manage the proceeds from the sale of Carnegie Steel, the company he formed with Andrew Carnegie. These family offices have since expanded to manage the financial affairs and assets of additional ultra-high net worth families. Many of these pioneer shops are still in business today serving extremely wealthy clients.

Until quite recently comprehensive family office services were unavailable to the 'millionaire next door.' We believe the term 'millionaire next door' implies a successful, affluent individual who remains well-grounded and modest. Generally speaking, these individuals live well within their means, have a penchant for saving their earnings, and do not display a high-consumption lifestyle. Instead they exude a quiet confidence that stems from practical financial decision making. This term perfectly describes the vast majority of our clients at GHP Investment Advisors. Unlike the Rockefellers or Henry Phipps, the millionaires next door rarely require their own personally employed staff to manage their financial affairs, but they certainly rely on various professionals for their guidance and expertise.



## Financial Planning, Investments and Tax Planning Are Inextricably Linked

GHP Investment Advisors, Inc. (GHPIA) was founded on the premise that financial planning, investments, and tax planning should be inextricably linked. Tax efficient investment allocations are typically designed after a comprehensive financial plan has been delivered to our client, built with their entire net worth in mind. During the financial planning process we review our client's education funding strategies, retirement, and estate planning, along with a review of their taxes, insurance and investments.

In addition to biannual investment portfolio reviews, we reach out to each client annually to update their financial statements. We formally review their balance sheet, income statement, current income tax return, insurance coverage, and discuss anticipated upcoming financial events and what has occurred over the course of the last year. This helps us maintain a macro perspective of our clients' overall financial wellbeing instead of focusing solely on the portfolio we manage. Through these planning conversations we often identify areas that require additional oversight.

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We formed a network of trusted CPAs (many even beyond our great affiliation with GHP Horwath, P.C.), attorneys, insurance agents, and other professionals we can rely on for sound advice when our clients need work performed that is beyond our expertise. By tapping our own expertise in concert with outside professionals we very often tackle complex asset divisions resulting from divorce or estate settlement upon death. We advise many clients on executive options and restricted stock, participate in the valuation projection and sales of privately owned businesses or real estate, coordinate tax efficient philanthropy, and assist with multi-generational estate and wealth transfer planning.

## Let Us Be Your “Financial Concierge”

Consequently, we are the first point of contact for many of our clients when they need help with issues well beyond the portfolio we manage for them. These matters range in complexity from calling a credit card company with a client to dispute a charge on their statement to updating the registration of stocks listed in a deceased family member's name. We are willing to assist any clients with financial issues that are causing frustration, confusion, or are simply daunting. We coined the work we perform in these circumstances as 'financial concierge' services, which are available to all of our clients. At GHPIA, we are pleased to extend hospitality and expertise to those in need of simplifying the complex. It has become increasingly clear, however, that we still have clients who are not aware of our comprehensive breadth of service offerings. A few examples of projects we have performed for clients over the years may highlight our extensive capabilities. Client confidentiality and information protection are of utmost importance to us at GHPIA, therefore we have altered any revealing characteristics.

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A husband and wife in their fifties were enjoying the fruits of their labor. They had their health, a successful business owned by the husband, and plenty of time to enjoy their hobbies. Although the husband seemed perfectly healthy, one evening he suddenly passed away. Her CPA suggested she engage our firm for financial planning and investments. To ease the burden of finding and organizing all of the paperwork for the estate transfers, including cashing in insurance policies, two members of our financial concierge team met with her. We spent a couple days sifting through stacks of paperwork and locating all of the investments and assisted with the entire transfer process so that she could grieve. We also educated her on her financial



issues to empower her as she began this new chapter in her life. Later on we introduced her to a local business valuation group to help determine an appropriate selling price for her late husband's business. For estate planning we joined this client in meetings with several estate attorneys and recommended the most suitable for her situation.

An elderly client contacted us one afternoon concerned that her bank statement reflected a transaction she didn't recognize. We reviewed her bank statement and confirmed she had indeed been a victim of fraud. Several thousand dollars had been taken from her account. We met with her at her home and carefully reviewed the prior 12 months' statements to determine whether it was an isolated incident. Unfortunately it was not. We worked with her bank and their fraud division to resolve the issues and shortly thereafter the stolen funds were returned to a new checking account. To further streamline her banking needs we coordinated automatic recurring bill payments for all of her invoices.

Our financial planning process often identifies potential areas of concern, such as inadequate insurance coverage. A couple engaged us for financial planning many years ago. At the time they were in their thirties with a young child who has a disability. The husband was in the early phases of a successful career. We strongly suggested they purchase additional life insurance coverage, advice they fortunately heeded. In his early 40's the husband suddenly passed away, leaving behind a shocked family and community. During his estate settlement we assisted her with the life insurance payout and coordinated with the H.R. department of her late husband's company for her to receive and exercise his stock options.

Another client of ours is a business owner with many highly leveraged real estate interests and alternative assets. We initiated and participated in meetings with asset protection and estate attorneys to make sure he is personally protected from the liabilities of his business. For his insurance coverage needs we gathered proposals from several insurance agents and presented his options. Although we do not manage his alternative investment portfolio we act as concierge and coordinate capital calls when additional funding is required. We also review the custodian of these assets on a regular basis to make sure they are housed in a cost efficient manner.

### **Our Capabilities Evolve as Our Clients Contact Us for Assistance**

As the family office for our clients we actively seek out ways in which we can assist our clients with financial related matters, including but not limited to the portfolio we manage for them. This is predicated on a current and complete understanding of each of our clients' financial lives. As such, we manage investments and design portfolio allocations with a client's overall net worth in mind. When our clients require guidance and assistance for issues beyond our expertise we try to refer them to trusted individuals who we then follow up with to ensure the advice they provide is objective and appropriate for our client. As for our financial concierge services, the breadth of our capabilities in this area is expansive and continuing to evolve as our clients reach out for assistance with both financial and life issues they face. We gladly take on each project as a new opportunity to simultaneously reduce our clients' stress and grow this exciting part of our business. At GHPIA we are constantly striving to exceed our clients' expectations of the services an investment advisor should provide while improving their experience throughout the process.

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## Key Financial Ratios for Domestic Asset Classes

Asset Class	Price/Earnings 2012:Q3	P/E Benchmark	Over/Under Valuation	Price/Book Value 2012:Q3	P/BV Benchmark	Over/Under Valuation
Large-Cap Growth Stocks	16.0	27.0	-40.7%	3.7	5.7	-35.1%
Large-Cap Value Stocks	13.3	20.2	-34.2%	1.5	2.5	-40.0%
Mid-Cap Growth Stocks	21.1	24.8	-14.9%	2.9	4.5	-35.6%
Mid-Cap Value Stocks	15.9	19.1	-16.8%	1.5	2.2	-31.8%
Small-Cap Growth Stocks	20.3	23.2	-12.5%	2.5	3.5	-28.6%
Small-Cap Value Stocks	22.8	18.2	25.3%	1.5	2.1	-28.6%

\*Please note that the P/E data reported above are based on "as reported" earnings information rather than "operating" earnings. "As reported" earnings include one time write-offs whereas "operating" earnings reflect the profitability of a company as a going concern. We believe P/E's based on operating earnings are a better long-term valuation indicator, but Standard and Poor's does not report this information for the style indexes used in our calculations. Amid economic recession, declining earnings impact price-related ratios and "as reported" earnings can be significantly lower than "operating" earnings (particularly in the Value segment of the market) due to large write-offs. As a result, the P/E ratios listed above are higher than they would be using "operating" earnings for the denominator. To address this issue we have included Price to Book Value (P/BV) data, which are less affected by the impact of declining earnings and large write-offs.

GHP Investment Advisors, Inc. benchmarks are based on proprietary discounted cash flow models. P/E and P/BV data provided by Bloomberg L.P. as of 9/29/12.

## Returns by Index

Index	2012:Q3*	YTD*
DJIA Total Return	5.02%	12.19%
NASDAQ	6.51%	20.65%
S&P 500	6.35%	16.44%
S&P 500/Value	5.63%	13.64%
S&P 500/Growth	5.87%	15.33%
S&P MidCap 400/Value	4.26%	11.71%
S&P MidCap 400/Growth	5.77%	13.25%
S&P SmallCap 600/Value	6.34%	13.23%
S&P SmallCap 600/Growth	3.85%	12.33%

DJIA, NASDAQ & S&P Returns: Bloomberg L.P. as of 9/29/2012.

\*Dividends Reinvested.





### **Business Advisory Services**

We help you drive your continued success as a business owner, executive or entrepreneur.



### **Financial Planning**

We create a personalized financial plan to help you meet your wealth management goals – and give you peace of mind.



### **Portfolio Management**

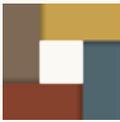
We develop and implement an integrated portfolio investment strategy, taking into account your individual investment goals, time horizon and risk tolerance.



### **Financial Concierge Services**

We relieve you of the everyday burden of your financial affairs.

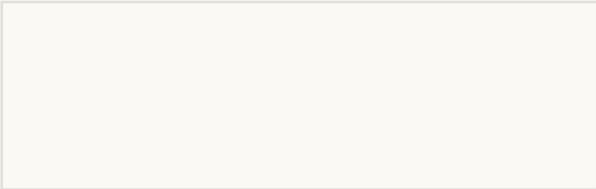
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