

# BESPOKE BRIEFING



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Bespoke Private Wealth Group  
of Wells Fargo Advisors

## Responding, Not Reacting, in Times of Uncertainty

In this month's edition of *Bespoke Briefings*, we acknowledge the heightened uncertainty investors face today. Economic conditions remain fluid, with inflation, interest rates, and market volatility continuing to present challenges. Political uncertainty—both domestically and abroad—adds another layer of complexity, while geopolitical risks create additional concerns. These factors contribute to near-term volatility, making it more critical than ever to remain focused on what truly matters: long-term financial security.

While headlines may seem overwhelming, history has shown that markets have always *climbed a wall of worry*. The key to long-term success is not predicting what will happen next but ensuring we are **responding thoughtfully rather than reacting emotionally**.

Clients often comment on how measured our response is during volatile periods. This stems from several factors, but perhaps the three most relevant are:

1. **Volatility is Natural** – Decades of experience have taught us that volatility is an inherent feature of capital markets. While many see volatility as negative, we recognize it as neutral to positive. **Without volatility, there would be no opportunity to realize gains.**
2. **We Invest in Quality Companies** – We thoroughly understand the companies we invest in—their balance sheets, income statements, long-term growth prospects, management teams, and competitive advantages that protect their

market share and margins.

3. **We Build Resilient Portfolios** – Most critically, we structure client portfolios to help ensure income and cash flows remain **visible, durable, and persistent** through full market cycles. This allows clients to maintain their lifestyle and meet financial obligations without being forced to sell at inopportune times.

Market corrections are both inevitable and necessary—but historically, they tend to be brief. Later in this briefing, we will examine the long-term performance of equity markets and their consistent propensity to generate positive returns over time.

## **Volatility Only Matters If You're Forced to Participate**

At Bespoke Private Wealth of Wells Fargo Advisors, we believe that market volatility is only relevant to the extent that an investor is forced to interact with it. Our focus is helping to ensure that clients are positioned to respond thoughtfully rather than react emotionally when markets fluctuate.

We must manage risks in advance, not respond to events. We use our "**Goals, Plan, Portfolio**" approach to align each client's portfolio with their risk capacity, risk tolerance, liquidity needs, time horizon, and overall investor personality from the outset.

## **Managing Risk in Advance, Not in Crisis**

One of the greatest risks to long-term wealth is allowing short-term market movements to dictate investment decisions. Investors who react to volatility—whether by panic selling or trying to time the market—often turn temporary price fluctuations into permanent capital losses.

As *Howard Marks* wisely notes:

*"You can't predict. You can prepare."*

We structure portfolios to anticipate volatility rather than react to it, helping to ensure that you remain in control of your financial future regardless of market conditions.

## **How We Structure Portfolios to Preserve Your Wealth**

### **1. The "Plan" Phase: Aligning Risk and Portfolio Construction**

From the outset, we construct investment portfolios based on a deep understanding of your financial situation and personal preferences to prevent reactionary decisions.

We align each portfolio with:

- **Risk Capacity** – How much risk you can financially afford?
- **Risk Tolerance** – How much volatility you are emotionally comfortable with?
- **Liquidity Needs** – Ensuring sufficient cash flow for financial obligations.
- **Time Horizon** – Aligning investments with long-term goals.
- **Investor Personality** – Incorporating behavioral tendencies into portfolio

design.

By proactively structuring portfolios, we eliminate unnecessary risk exposure that could lead to emotional decision-making. This helps ensure that investments serve their purpose: **long-term wealth building, not short-term stress.**

## 2. Bespoke Goals-Based Planning: Managing Portfolio Income & Cash Flow

A well-structured portfolio can go a long way toward ensuring that your lifestyle and financial needs remain uninterrupted, no matter the market environment.

- **Coverage Ratio** – This determines what percentage of your annual income and cash flow needs will be met by your portfolio income (dividends, interest, and distributions).
- **Liability-Driven Investment Overlay** – Covers any shortfall between expected portfolio cash flow and required annual income, using U.S. Treasury fixed-income securities matched to projected liability payments.

We allocate U.S. Treasuries to cover all cash flow requirements for approximately **3 years, and ideally up to 5 years**—a time horizon that allows clients to ride out most market volatility.

When portfolios generate capital appreciation beyond income and cash flow needs, **we trim profits as necessary to meet lifestyle and financial requirements**, with the goal of ensuring disciplined wealth management and risk mitigation.

By structuring portfolios with ample liquidity reserves, we prevent forced selling at inopportune times. Market downturns become **manageable events rather than disruptive crises—allowing you to remain confident in your long-term investment plan.**

### Why This Matters to You and Your Family

For ultra-high-net-worth families, wealth preservation is just as critical as wealth creation. Market cycles will come and go, but strategic discipline can help ensure that temporary drawdowns do not derail multi-generational wealth goals.

### What Makes Bespoke Private Wealth Different?

At Bespoke Private Wealth, we differentiate ourselves by:

- **A Disciplined, Repeatable Investment Approach** – Our framework—Goals, Plan, Portfolio—is designed to help clients focus on long-term wealth objectives, while ignoring the possible disruption of market noise.
- **Sophisticated Tax-Efficient Strategies** – We help our clients minimize unnecessary capital gains taxes, allowing them to retain more wealth over time.
- **Data-Driven Decision Making** – We guide clients with historical perspective, rather than emotions, encouraging them to remain on course.
- **Exclusive Access & Proactive Guidance** – Our team provides timely insights, tailored strategies, and personalized planning that preserve and grow your

wealth across generations.

## Final Thought: Rationality Wins

The most successful investors are not those who try to **outguess** the market—but those who **outlast** it.

As *Benjamin Graham* wisely put it:

*"The investor's chief problem—and even his worst enemy—is likely to be himself."*

At Bespoke Private Wealth, we are here to ensure that emotions do not dictate your financial decisions. If you have concerns about market conditions, we encourage you to reach out—**our team is always available to provide guidance.**

## A Message of Gratitude and an Invitation

We deeply appreciate the trust, confidence, and loyalty you place in us. Market uncertainty reinforces the **importance of a disciplined investment strategy**, and we are honored to serve as your trusted advisors.

If you have family or friends who may be feeling uncertain about their financial future, we welcome the opportunity to share our insights with them. Helping investors stay **disciplined, informed, and confident** is one of the greatest services we provide.

Thank you for the privilege of serving you.

Warm regards,

Robert Reich, CEPA

Managing Director-Investments

Bespoke Private Wealth Group of Wells Fargo Advisors



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