



CHICAGO PARTNERS | WEALTH
ADVISORS

Chicago Partners Wealth Advisors

Prepared for: Retiring PwC Partners

10 Best Practices for Managing Your Wealth in Retirement



Important Disclosure Information

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CHICAGO PARTNERS | WEALTH
ADVISORS

Meet the Team

Today's Speakers



Jim Hagedorn, CFA
Founder & Managing Partner

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Senior Wealth Advisor

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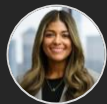
Patrick Wade, CFA
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Nicole Polanco, CFP®
Senior Wealth Advisor

About Chicago Partners Wealth Advisors

2,000+

Clients

\$5.0_B

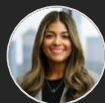
Assets Under Management

99%

Client Retention

40+

Advisors



Nicole Polanco, CFP®
Senior Wealth Advisor

Our PwC Relationships

20+

Years Working with PwC

250+

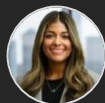
Current PwC Clients

150+

Retired PwC Partner Clients

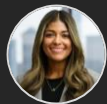
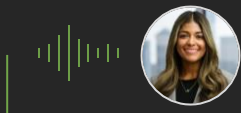
\$750MM+

Total Assets from PwC Clients



Nicole Polanco, CFP®
Senior Wealth Advisor

Today's Agenda



Nicole Polanco, CFP®
Senior Wealth Advisor

1

The S&P 500+ Strategy

2

GP (General Partners) Stakes Investing

3

Private Equity

4

Private Credit

5

Qualified Account Optimization

6

Non-Qualified Account Optimization

7

Investor Status

8

Tax Mitigation

9

Cash Flow Planning

10

Tax-Efficient PRP

Strategy #1:

S&P 500+ Strategy



Jim Hagedorn, CFA
Founder & Managing Partner

- | | | | |
|---|--|----|------------------------------------|
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Strategy #1:

S&P 500+ Strategy

Tax-advantaged,
principal-protected
strategy positioned to
outperform the S&P 500
each year.



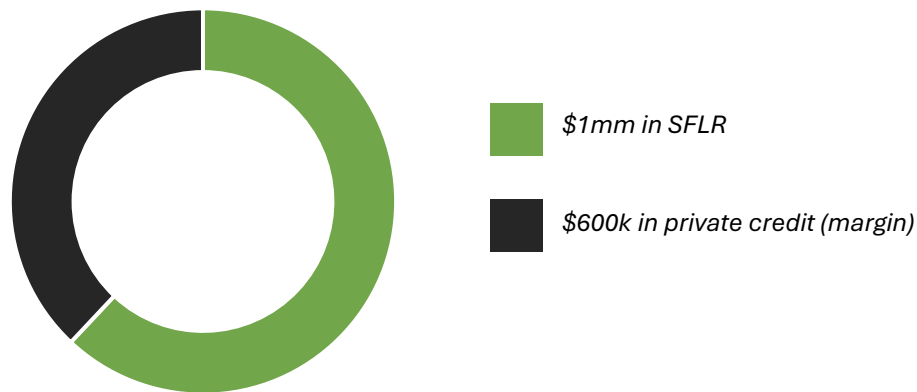
Jim Hagedorn, CFA
Founder & Managing Partner

Strategy Overview

A roughly 60%/40% strategy, where \$1,000,000 is invested in a buffered S&P 500 ETF, and \$600,000 is invested on margin.

The S&P 500+ Strategy involves an initial investment into the Innovator Equity Managed Floor ETF (SFLR) and another investment in hand-picked diversified private credit funds on margin.

The benefits of this strategy include both downside protection and income generation. Additionally, the interest paid on the margin is tax-deductible, giving investors in this strategy the potential to outperform the market while maintaining a diversified, tax-efficient approach.



Strategy #1:

S&P 500+ Strategy

Tax-advantaged,
principal-protected
strategy positioned to
outperform the S&P 500
each year.



Jim Hagedorn, CFA
Founder & Managing Partner

SFLR: U.S. Large Cap with Downside Protection

SFLR allows for downside while capturing approximately 93.8% of the S&P 500's total return.

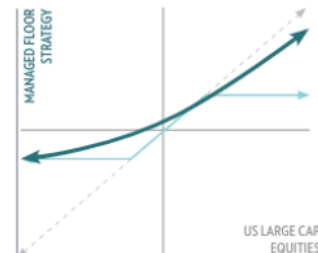
Overview

The Innovator Equity Managed Floor ETF (SFLR) is actively managed by Parametric, designed to capture U.S. large-cap equity upside, and engineered to limit the potential for maximum losses through a disciplined options overlay. The fund's options strategy may cause the fund to forego a portion of any upside returns of the equity portfolio.

Key Points

- Exposure to U.S. large-cap equities
- Options strategy overlay, managed by Parametric
- Long-Term, strategic core equity solution
- Low-cost, flexible, liquid, and transparent
- Tax-efficient

Managed Outcome Focus

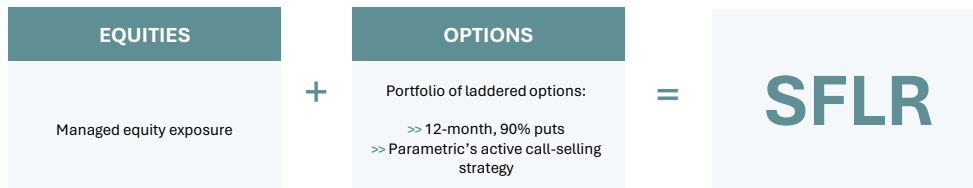


For illustrative purposes only. Does not represent or predict fund performance.

- Managed Floor Strategy
- US Large Cap Equities
- "Traditional" 10% Floor Strategy

How the ETF Works

SFLR seeks to provide capital appreciation through participation in large-cap U.S. equities while seeking to manage risk through a portfolio of 12-month puts, laddered so one resets each quarter.



Strategy #1:

S&P 500+ Strategy

Tax-advantaged,
principal-protected
strategy positioned to
outperform the S&P 500
each year.



Jim Hagedorn, CFA
Founder & Managing Partner

Margin Component

Private Credit, on margin, can result in income generation and tax efficiency.

Investing on margin allows for an increase in buying power and further diversification in your portfolio. While there is a cost with making investments on margin, there is potential for higher returns if invested in a diversified group of income-producing private credit funds. Additionally, interest paid on the margin can be tax-deductible.

The expected net total return from the margin account is 6.00%, or \$36,000 on a \$600,000 investment.



The chart above depicts the impressive returns private credit options have had over the Bloomberg US Aggregate Bond Index (Agg).

Source: YCharts

Strategy #1:

S&P 500+ Strategy

Tax-advantaged,
principal-protected
strategy positioned to
outperform the S&P 500
each year.



Jim Hagedorn, CFA
Founder & Managing Partner

S&P 500+ Strategy Benefits

This strategy can enhance a portfolio's total return while maximizing tax advantages.

Total S&P 500+ Strategy Return = SFLR + 6.00%



Tax Advantages

The interest paid on margin loans is tax deductible, which can offset your total tax liability for the year. Investment losses in margin accounts can also be realized, which offsets both ordinary income (up to \$3,000) and realized capital gains taxes.



Downside Protection

Investing in SFLR provides downside protection for your investment portfolio by combining a longer-dated options (long put) strategy with U.S. Large Cap investments. Alone, this strategy typically underperforms the S&P 500 because of the increased downside protection.



S&P 500 Outperformance

By combining an investment in SFLR, which slightly underperforms the S&P 500, with an investment in private credit, the total annual return equals the SFLR return plus 6.00% yield from the private credit investment in the margin account. The total return outperforms the S&P 500 in most cases data is available.



Enhanced Diversification

Investments in SFLR and private credit diversify away from public equity market exposure, decreasing the effect of the volatility tax, or the destructive effect of volatile market movement on total compound return.

Strategy #2:

GP (General Partners) Stakes Investing

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|---|--|----|------------------------------------|
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Jim Hagedorn, CFA
Founder & Managing Partner

Strategy #2:

GP (General Partners) Stakes Investing

Historical yields in the mid-teens and total returns in the twenties, with LP protections.



Jim Hagedorn, CFA
Founder & Managing Partner

GP Minority Stakes Overview

Across Funds III-V, we have demonstrated a strong track record of returns from large private market managers

GP Stakes III (2016)

\$5.3B

In committed capital

Net IRR^{1,2}
Net TVPI^{3,4}
Net DPI^{5,6}

Blended

23.8%
2.47x
0.97x

Highest Fee Payer

21.6%
2.41x
0.98x



GP Stakes IV (2019)

\$9.0B

In committed capital

Net IRR^{1,2}
Net TVPI^{3,4}
Net DPI^{5,6}

Blended

48.9%
1.86x
0.67x

Highest Fee Payer

46.1%
1.84x
0.67x



GP Stakes V (2022)

\$12.9B

In committed capital

Net IRR^{1,2}
Net TVPI^{3,4}
Net DPI^{5,6}

Blended

27.7%
1.26x
0.19x

Highest Fee Payer

12.2%
1.19x
0.21x



Strategy #3:

Private Equity

- | | | | |
|---|--|----|------------------------------------|
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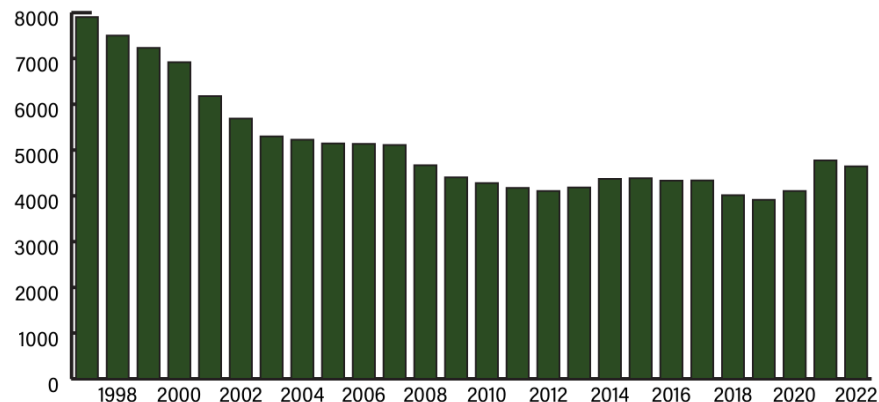
Jim Hagedorn, CFA
Founder & Managing Partner

Strategy #3:

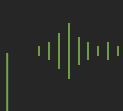
Private Equity

Access to 17,000
domestic companies that
have annual revenues of
at least \$100MM

Total Publicly-Listed Domestic Companies



Private Equity increases the opportunity set and diversification of potential of a portfolio. Over the last 25 years, the number of public companies declined from **7,905** to **4,602**.

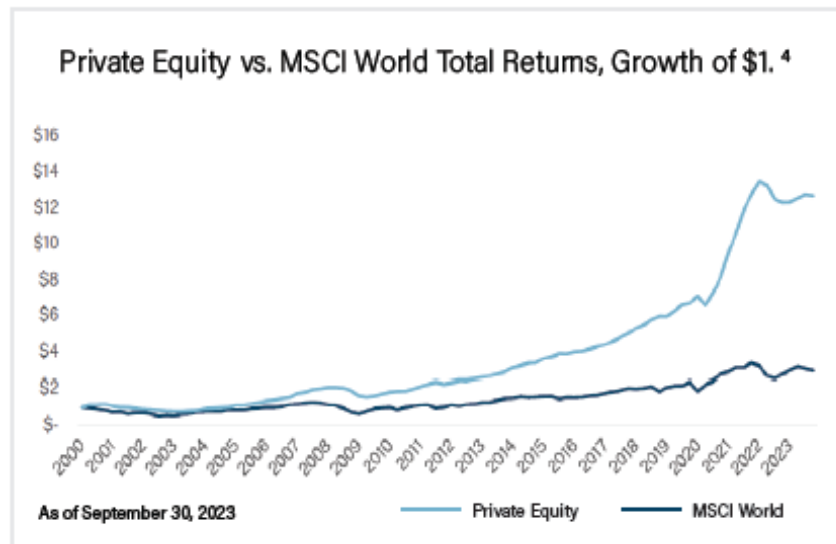


Jim Hagedorn, CFA
Founder & Managing Partner

Strategy #3:

Private Equity

Historical Performance Has Favored Private Markets, While Reducing Volatility

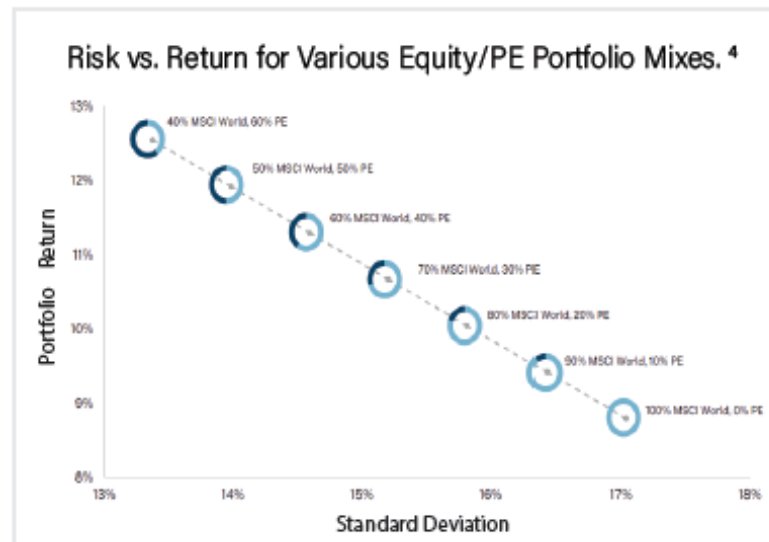


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Founder & Managing Partner

Strategy #3:

Private Equity

Historical Performance Has Favored Private Markets, While Reducing Volatility



Jim Hagedorn, CFA
Founder & Managing Partner

Strategy #4:

Private Credit

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Founder & Managing Partner

What is Volatility Tax?

Volatility Tax: *The effect of volatile market movements on a portfolio's total compound return.*

It is the mathematical difference between geometric averages compared to arithmetic averages.



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Founder & Managing Partner

Volatility Tax Mitigation

Chicago Partners engineers a smoother investment return through prudent diversification. This smoother (less volatile) return is intended to target a higher ending portfolio value over the long term.



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Founder & Managing Partner

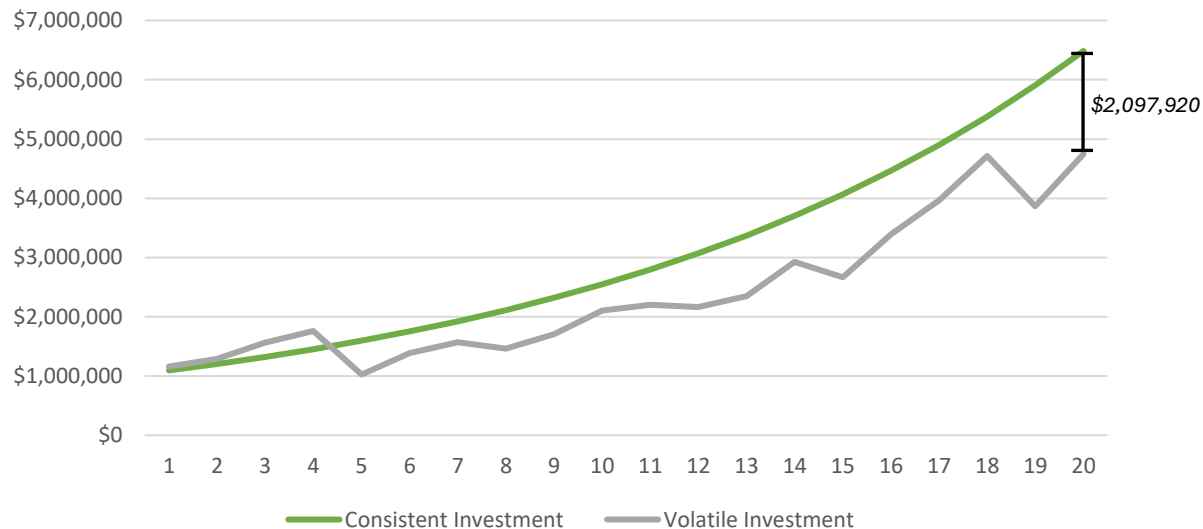
Consistent Investment		
Year	Rate of Return	Ending Value
1	9.8%	\$1,098,000
2	9.8%	\$1,205,604
3	9.8%	\$1,323,753
4	9.8%	\$1,453,481
5	9.8%	\$1,595,922
6	9.8%	\$1,752,323
7	9.8%	\$1,924,050
8	9.8%	\$2,112,607
9	9.8%	\$2,319,643
10	9.8%	\$2,546,967
11	9.8%	\$2,796,570
12	9.8%	\$3,070,634
13	9.8%	\$3,371,556
14	9.8%	\$3,701,969
15	9.8%	\$4,064,762
16	9.8%	\$4,463,108
17	9.8%	\$4,900,493
18	9.8%	\$5,380,741
19	9.8%	\$5,908,054
20	9.8%	\$6,487,043
Arithmetic Return		9.8%
Compound Return		9.8%

MSCI All Country World Index		
Year	Rate of Return	Ending Value
2004	15.8%	\$1,158,000
2005	11.4%	\$1,290,012
2006	21.5%	\$1,567,365
2007	12.2%	\$1,758,583
2008	-41.8%	\$1,023,495
2009	35.4%	\$1,385,813
2010	13.2%	\$1,568,740
2011	-6.9%	\$1,460,497
2012	16.8%	\$1,705,860
2013	23.4%	\$2,105,032
2014	4.7%	\$2,203,968
2015	-1.8%	\$2,164,297
2016	8.5%	\$2,348,262
2017	24.6%	\$2,925,934
2018	-8.9%	\$2,665,526
2019	27.3%	\$3,393,215
2020	16.8%	\$3,963,275
2021	19.0%	\$4,716,297
2022	-18.0%	\$3,867,364
2023	22.8%	\$4,749,123
Arithmetic Return		9.8%
Compound Return		8.1%

Over a 20-year period, **the difference** between the Consistent Investment and the Volatile Investment is **1.07%** per year

Volatility Tax Mitigation

Consistent vs. Volatile Returns of \$1,000,000 Investment



Over a 20-year period, **the difference** between the Consistent Investment and the Volatile Investment is **1.07%** per year



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Founder & Managing Partner

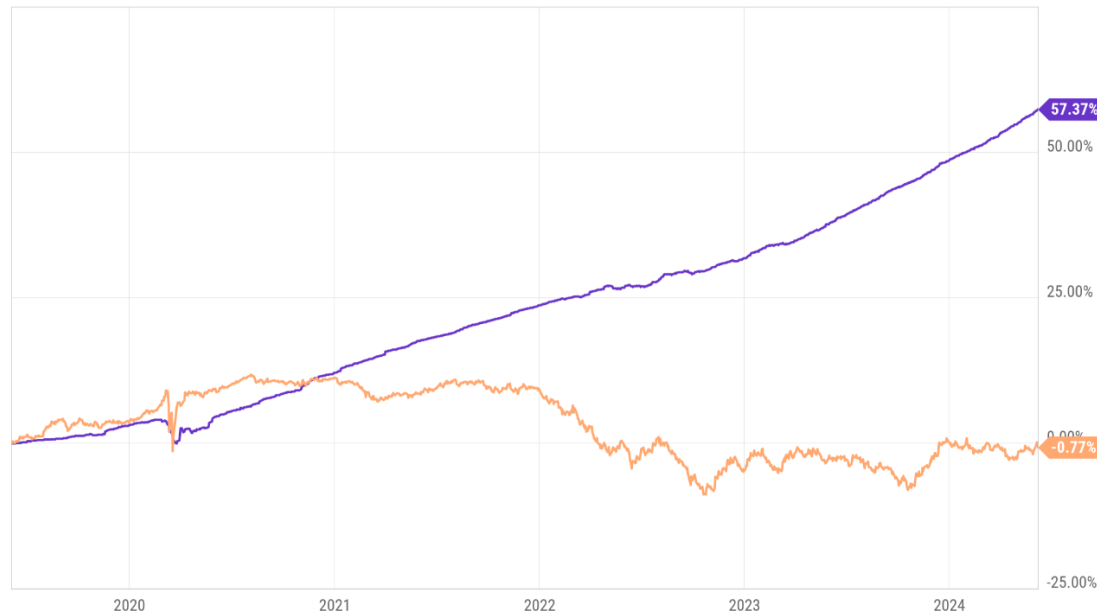
Private Credit

Cliffwater Corporate Lending (CCLFX)



Jim Hagedorn, CFA
Founder & Managing Partner

● Cliffwater Corporate Lending I (CCLFX) Total Return 57.37% Jun 7 '24
 ● iShares Core US Aggregate Bond ETF (AGG) Total Return -0.77% Jun 7 '24



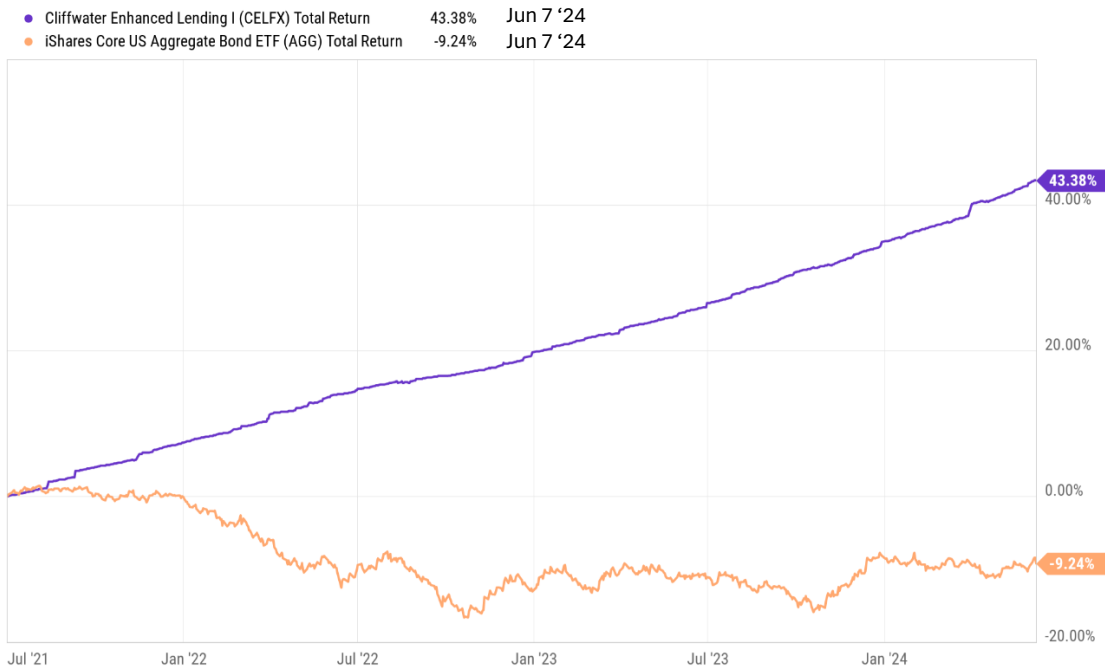
Cliffwater Corporate Lending (CCLFX) versus the Bloomberg Barclays Bond Index (AGG) since inception

Private Credit

Cliffwater Enhanced Lending (CELFX)



Jim Hagedorn, CFA
Founder & Managing Partner



Cliffwater Enhanced Lending (CELFX) versus the Bloomberg Barclays Bond Index (AGG) since inception

Private Credit

CELFX has outperformed
the S&P 500 by 14.53%
and the AGG by 52.66%



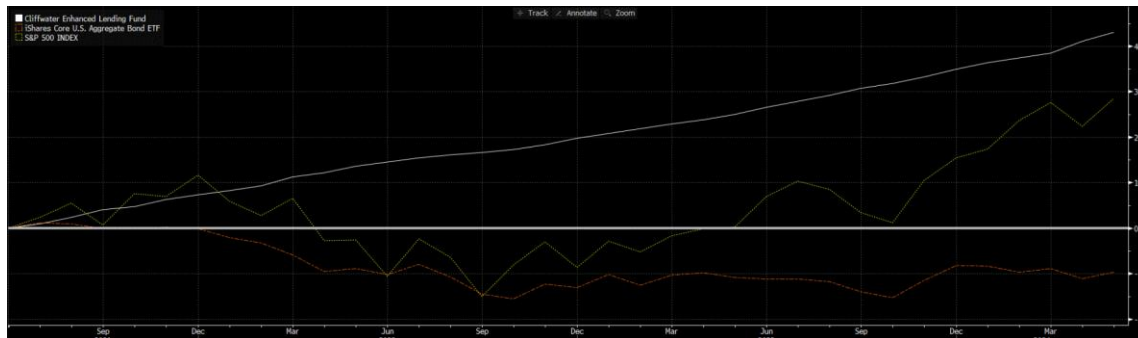
Jim Hagedorn, CFA
Founder & Managing Partner

CELFX US \$ NAV 11.10 --
On 12-Jun

CELFX US Equity Settings

Range 06/30/2021 - 05/31/2024 Period Monthly No. of Period 35 Month(s) Table

Security	Currency	Price Change	Total Return	Difference	Annual Eq
1) CELFX US Equity	USD	10.50%	43.00%	52.66%	13.03%
2) AGG US Equity	USD	-16.31%	-9.66%	--	-3.42%
3) SPX Index	USD	22.80%	28.47%	38.13%	8.96%
4)					
5)					
6)					



Strategy #5:

Retirement (Qualified) Account Optimization



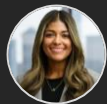
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Founder & Managing Partner

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Strategy #5:

Retirement (Qualified) Account Optimization

Newly available
investment options
post-retirement



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Senior Wealth Advisor

The 4-Quadrant Fixed Income Approach

Investment Grade

*Individual Securities
Low Cost & Zero Cost*

High Yield

*Individual Securities
Medium Cost & Low Cost*

Preferred Securities

*Individual Securities
Low Cost & Zero Cost*

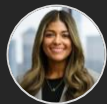
Private Credit

*Unique Fee & Return
Characteristics*

Strategy #5:

Retirement (Qualified) Account Optimization

Newly available
investment options
post-retirement



Nicole Polanco, CFP®
Senior Wealth Advisor

Key Insight

Tax-Conscious Investment Approach

Retirement Account Allocation:

- Roth account allocation towards growth equity, optimized for tax-free growth
- 401(k)/IRA Rollover account allocation towards private credit, tax-deferred with yields of 10%+

Strategy #6:

Taxable (Non-Qualified) Account Optimization



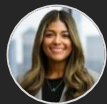
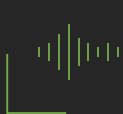
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Strategy #6:

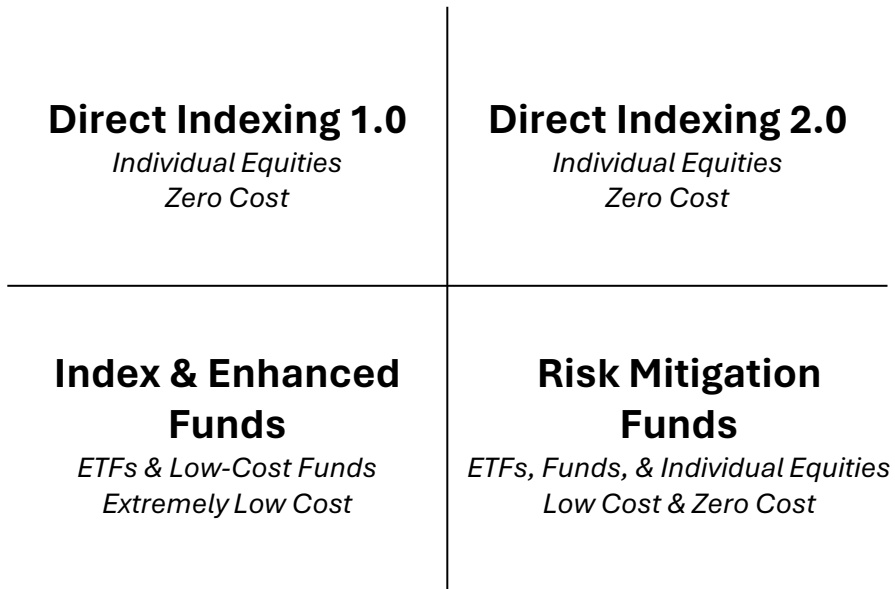
Taxable (Non-Qualified) Account Optimization

Where and how to invest
now that you no longer
need Checkpoint



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Senior Wealth Advisor

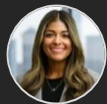
The 4-Quadrant Equity Approach



Strategy #6:

Taxable (Non-Qualified) Account Optimization

Where and how to invest
now that you no longer
need Checkpoint



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Key Insight

Tax-Conscious Investment Approach

Taxable Account Allocation:

- IRS does not tax unrealized gains
- Taxable accounts receive a step-up in basis when transferred to beneficiaries

Strategy #7:

Investor Status

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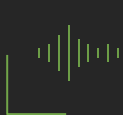
Patrick Wade, CFA
Senior Wealth Advisor

Strategy #7:

Accredited Investor

To achieve Accredited Investor status, you must meet one of the following requirements:

- Individual or joint net worth of at least **\$1 million**, not including the value of your primary residence
 - Individual annual income of **\$200,000** or joint annual income of **\$300,000**
 - Must meet the income requirements for two years before applying for accredited investor status, and must also prove that the income is likely to continue
 - Hold a FINRA Series 7, Series 65, or Series 82 license in good standing
- The goal is to ensure accredited investors don't qualify based on their assets alone, but instead that they also have the knowledge to manage the investment and can avoid the risk of losing their net worth.



Patrick Wade, CFA
Senior Wealth Advisor

Strategy #7:

Qualified Client

To achieve Qualified Client status, you must meet one of the following requirements:

- At least **\$1.1 million** in assets under management with the applicable investment advisor
- Individual investment portfolio worth at least **\$2.2 million**
- The portfolio cannot include your primary residence or any property used to conduct business



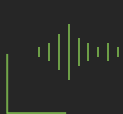
Patrick Wade, CFA
Senior Wealth Advisor

Strategy #7:

Qualified Purchaser

To achieve Qualified Purchaser status, you must meet one of the following requirements:

- Individual investment portfolio worth at least **\$5 million**
- The portfolio cannot include your primary residence or any property used to conduct business



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Senior Wealth Advisor

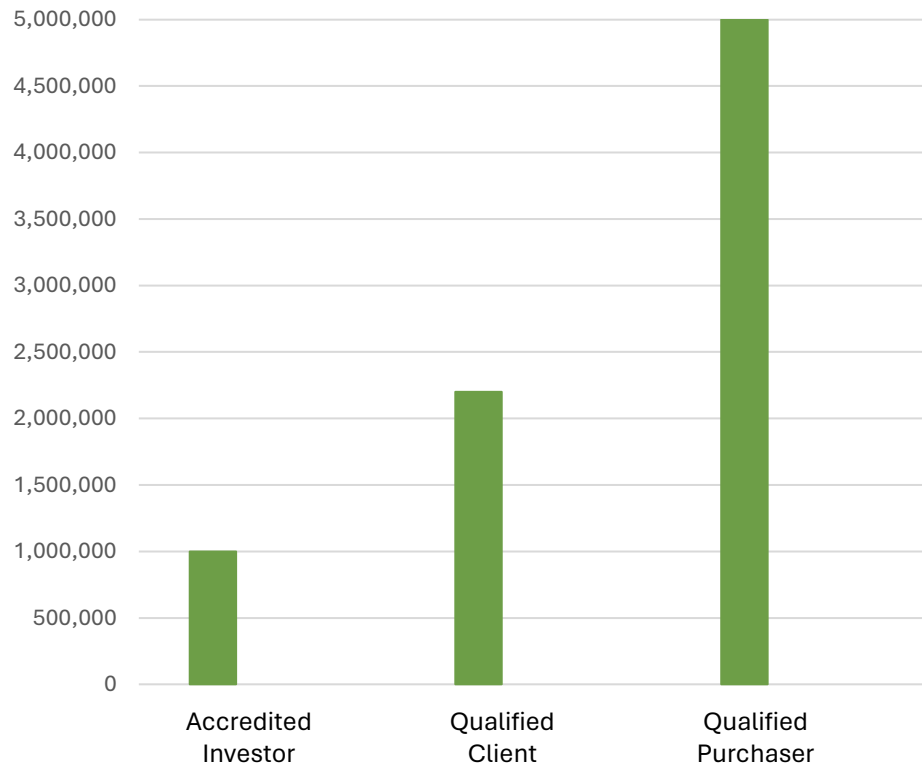
Strategy #7:

Investor Status



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Senior Wealth Advisor

Portfolio Minimums for Each Investor Level



Strategy #7:

Investor Status

Investment Universe Available to Each Investor Level



Accredited Investor
Limited Universe



Qualified Client
Larger Universe



Qualified Purchaser
Largest Universe

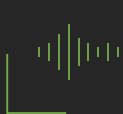


Patrick Wade, CFA
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Strategy #8:

Tax Mitigation

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Strategy #8:

Tax Mitigation

How to navigate and optimize your continuously high tax bracket.



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Senior Wealth Advisor

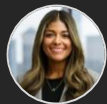
Tax-Conscious Investment Approach

- Direct Indexing creates opportunities for tax-loss harvesting
- Margin interest is tax-deductible
- Advisory fee is pulled from qualified accounts (tax-free withdrawal)
- Donor Advised Fund establishment opportunities for highly-appreciated securities

Strategy #9:

Cash Flow Planning

- | | | | |
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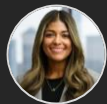


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Senior Wealth Advisor

Strategy #9:

Cash Flow Planning

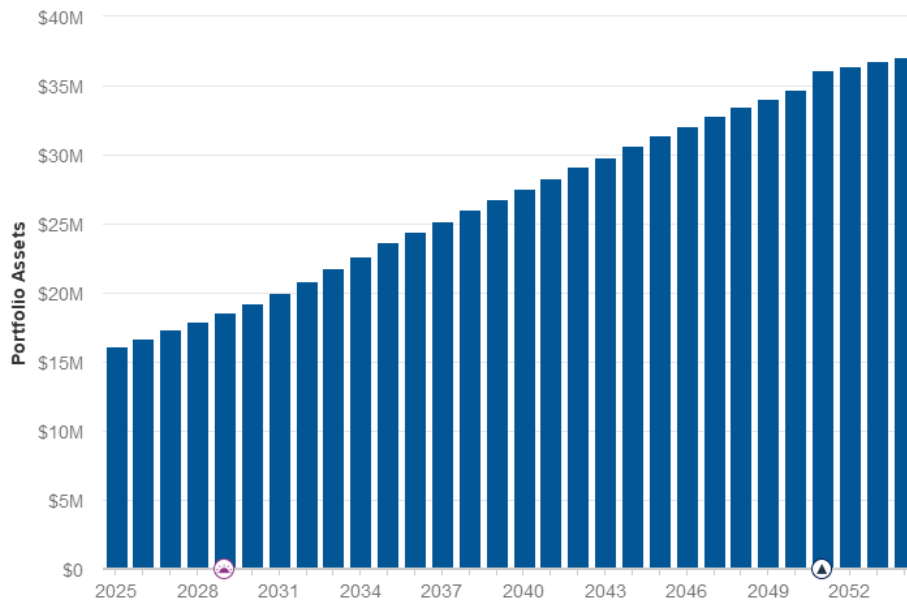
Utilizing PDP, AAP, and/or
Accrual Capital to help
supplement your PRP as
you transition to retirement.



Nicole Polanco, CFP®
Senior Wealth Advisor

eMoney's Wealth Management System

Portfolio Assets Base Facts



Strategy #10:

Tax-Efficient PRP



Jim Hagedorn, CFA
Founder & Managing Partner

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| 5 | Qualified Account Optimization | 10 | Tax-Efficient PRP |

Strategy #10:

Tax-Efficient PRP

Strategies to offset your
PRP income

Optimize Your Partner Retirement Plan

- Step 1: Generate capital losses through Direct Indexing without losing S&P500 equity exposure
- Step 2: Invest in a fundamental arbitrage fund
- Step 3: Offset swap gains in the fundamental arbitrage fund with capital losses from direct indexing
- Step 4: Then left with a swap loss that can be used to offset some ordinary income



Jim Hagedorn, CFA
Founder & Managing Partner



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Thank you for attending!

Q&A



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