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Chicago Partners Wealth Advisors

Prepared for: Prosperity Partners

Optimize the Management of Your Wealth

What is Chicago Partners?

A **Registered Investment Advisor (RIA)** headquartered in downtown Chicago

Also known as a "**private wealth manager**" for high-net-worth individuals and families

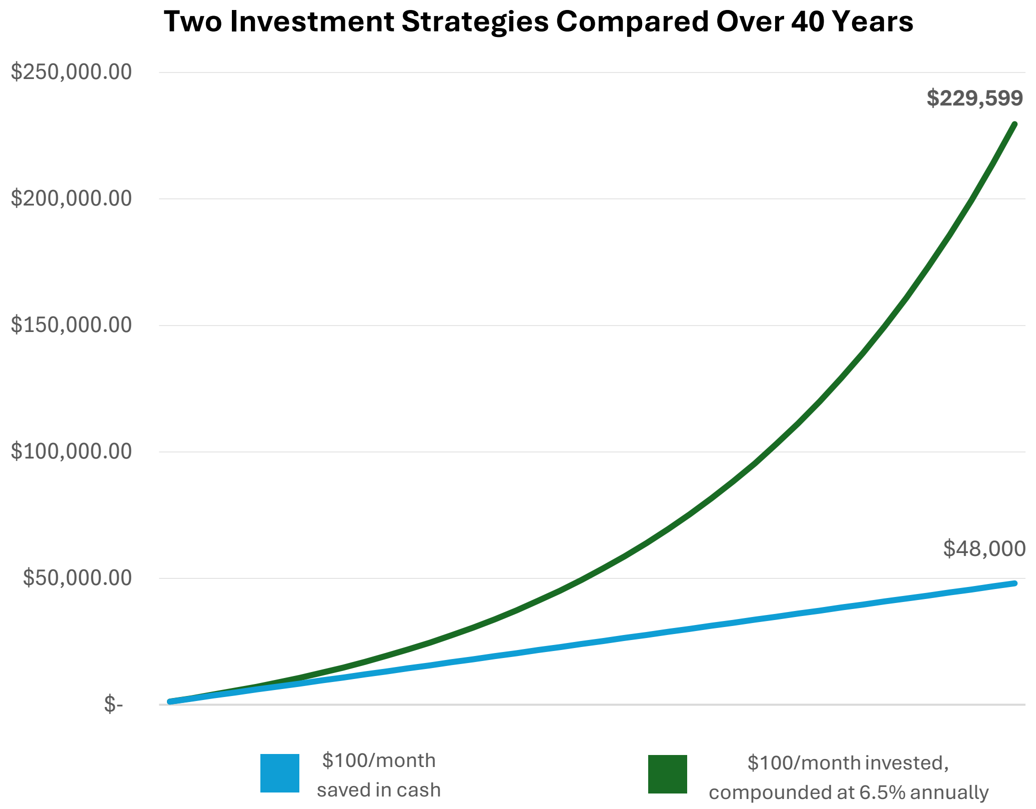
A **fiduciary** advisor, or an advisor always acting in the best interest of the client

Builds financial plans, makes investment recommendations, and provides account oversight

Works with over 3,000 clients and $8.5 billion in assets under management

The Long Term

What Success Actually Looks Like



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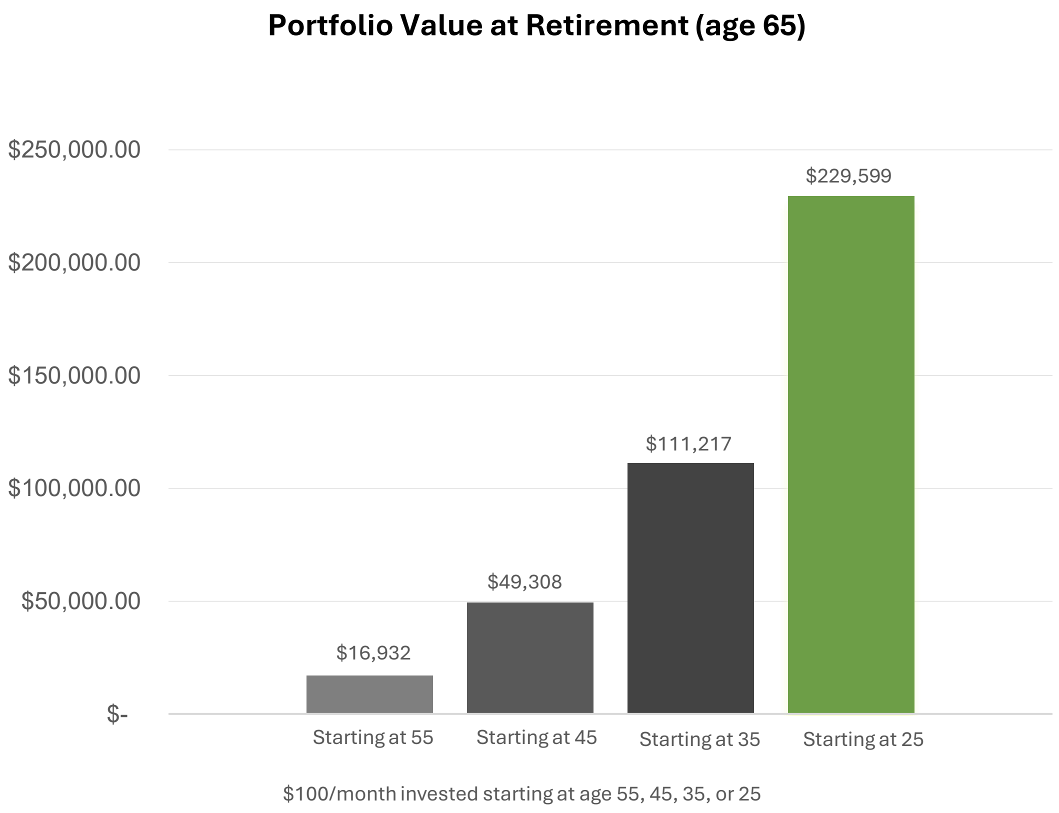

Account Types

401(k)s

Definition: This is a retirement account is offered through employers. The money invested in this account will substitute your income when you retire.

Term Length: You will not be able to withdraw this money until you are 59 1/2 years old.

Priority: After the emergency fund and before IRA, as your employer might match your contributions to amplify your investment efforts.

Comparison

Roth vs. Traditional

	Roth 401(k)	Traditional 401(k)
Contributions	Made with after-tax dollars	Made with pretax dollars
Withdrawals	All withdrawals, including earnings are tax-free provided that they're qualified distributions	All withdrawals, including earnings, are taxed
Employer Contributions	Contributions are made with pretax dollars	Contributions are made with pretax dollars

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Account Types

Individual Retirement Accounts (IRAs)

Definition: Another way to save for retirement as you age; this is opened by the individual through a broker or bank.

Term Length: You will not be able to withdraw this money until you are 59 1/2 years old.

Priority: This is important for retirement, after the emergency fund and the 401(k).

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Comparison

Roth vs. Traditional

	Roth IRA	Traditional IRA
Contributions	Made with post-tax dollars. There is no immediate tax break but when you start withdrawing, the money you paid in and earned in the account is tax-free.	Made with pre-tax dollars which reduce your taxable income.
Withdrawals	Contributions can be withdrawn at any time during the tax year, tax-free and penalty-free. Five years after your first contribution and age 59½, earnings withdrawals are tax-free, too.	Withdrawals are penalty-free beginning at age 59½.
Employer Contributions	N/A	N/A

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Account Types

Taxable Brokerage Account

Definition: Your investment account, used to work towards short-term and long-term financial goals.

Term Length: You can keep this money for as long as you want, but it's important to focus on long term goals rather than short-term market fluctuations.

Priority: While this account is important, the emergency fund, 401(k), and IRA should take priority over your individual brokerage account as you can withdraw this money at any point.

Account Types

Health Savings Account (HSA)

Definition: This is a tax-advantaged savings account that lets individuals with a high-deductible health plan set aside pre-tax money to pay for qualified medical expenses.

Term Length: None. Funds roll over year after year.

Priority: Unique to the individual. Generally, prioritized after you hit the amount to receive an employer contribution in your 401(k) for those who have an HSA.

Definition

Investment Types

Investment vehicles are the **tools or products you use to invest** your money in order to grow your wealth, earn income, or protect its value over time.

Different types include...

- Equities
- Fixed Income
- Alternative Investments

Investment vehicles determine how your money is invested, how risky it is, and how easily you can access it.

Investment Types

Equities

Equities represent ownership in a company. When you buy a stock, you own a small piece of that business.

How They Accumulate Wealth

- Price growth (the stock goes up in value)
- Dividends (some companies share profits)

Benefits

- Can help protect against inflation
- Easy to buy and sell
- Widely accessible through apps and platforms

Risks

- Volatility in prices
- Company or market downturns can reduce value quickly

Investment Types

Fixed Income

Fixed income investments represent loans to governments or companies that pay regular interest and return principal at maturity.

How They Accumulate Wealth

- Interest payments
- Return of principal at maturity

Benefits

- More stable and predictable returns
- Lower risk than equities
- Helps balance portfolio volatility

Risks

- Lower long-term growth potential
- Interest rate and inflation risk

Investment Types

Alternative Investments

Alternative investments are assets outside traditional stocks and bonds. They usually require qualifying investor status levels.

How They Accumulate Wealth

- Price appreciation
- Income (depending on the asset)

Benefits

- Diversification beyond equities and fixed income
- Potential for higher returns
- Can behave differently from stock markets
- Can optimize tax strategy

Risks

- Higher risk and complexity
- Less liquidity (harder to sell quickly)
- Valuations can be less transparent

Investment Types

Comparison

	Equities	Fixed Income	Alternatives
Risk	Medium–High	Low–Medium	Medium–High
Growth Potential	High	Low–Medium	Medium–High
Liquidity	High	Medium–High	Low–Medium
Typical Horizon	Long-term (5+ yrs)	Short–Medium (1–5 yrs)	Medium–Long (3+ yrs)

Investment Vehicle Selection

Considerations to Take

Your Investment Goals

- Are you investing for long-term growth (e.g., retirement, wealth-building)?
- Or are you aiming for income (e.g., regular dividends, bond interest)?
- Short-term savings goals may require more stable vehicles like fixed income.

Risk Tolerance

- How comfortable are you with market volatility?
- If you can handle big swings (volatility), consider equities or alternatives.
- If you prefer stability, fixed income may be a better choice.

Investment Vehicle Selection

Considerations to Take

Time Horizon

- Long-term (10+ years): Equities (stocks), real estate, or long-term bonds are ideal for capital growth.
- Short- to medium-term (1–5 years): Fixed income or low-risk ETFs to preserve capital and provide steady income.

Liquidity Needs

- Do you need quick access to your money, or can you lock it away?
- Equities and ETFs are liquid, while real estate or private equity may take time to sell.
- Bonds can be more accessible but may come with penalties if sold early.

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Investment Vehicle Selection

Considerations to Take

Diversification & Portfolio Balance

- Diversifying across different vehicles helps spread risk.
- If you’re already invested in stocks, adding fixed income or alternatives can balance volatility.

Costs and Fees

- Pay attention to fees associated with each vehicle: ETFs and index funds tend to have lower fees than actively managed funds or mutual funds.
- Trading costs and expense ratios can eat into returns over time.

Tax Considerations

- Dividends and capital gains may be taxed differently, so choose with taxes in mind depending on your location.

Investment Vehicle Selection

Market Cycle Behaviors

	Equities	Fixed Income	Alternatives
Tends to do well	Bull markets → growth	Stable in downturns, provides income	Can diversify & reduce portfolio swings
Tends to struggle	Bear markets → volatility, potential losses	Returns may lag during strong bull markets	Some are illiquid or tied to economic cycles (real estate, commodities)

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Comparison

Accessing Investment Vehicles

	Mutual Funds	ETFs	Index Funds
What it is?	Professionally managed pooled investment	Basket of investments that trades like a stock	Fund designed to track a market index
How is it bought/sold?	Through the fund company	On an exchange during market hours	Depends on structure (mutual fund or ETF)
Pricing	Once per day (end-of-day NAV)	Changes throughout the trading day	Same as structure used
Management style	Often actively managed	Can be active or passive	Always passive
Cost	Typically higher fees	Typically lower fees	Usually low cost
Trading flexibility	Low	High	Depends on structure
Tax efficiency	Less tax-efficient	More tax-efficient	Generally tax-efficient
Transparency	Periodic holdings disclosure	Usually daily holdings disclosure	Same as structure used
Best for	Long-term, hands-off investors	Flexible, cost-conscious investors	Broad, long-term market exposure

Managing Emotions

Staying Invested for the Long-Term

Despite the dips of market corrections and bear markets, the general trend of the S&P 500 Index demonstrates long-term growth.

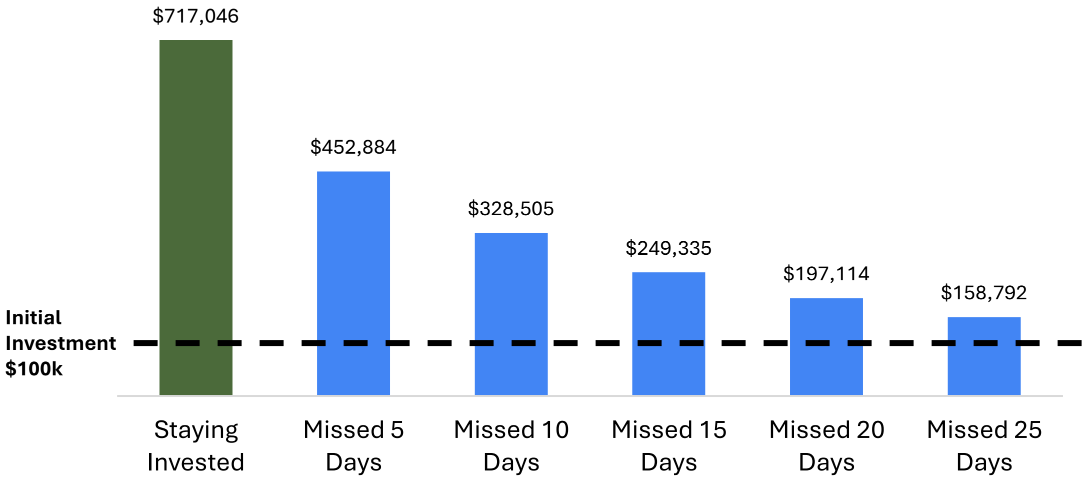
Source: Fidelity Investments

Managing Emotions

Staying Invested for the Long-Term

Missing top-performing days can hurt your return

Hypothetical Investment of $100,000 in the S&P 500 Index over the last 20 years (2005-2024)



Source: BlackRock, Bloomberg

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Managing Emotions

Different Types of Risk

	Shallow Risk	Deep Risk
Definition	Volatility causing **temporary declines** in your portfolio value.	**Permanent loss** of capital or purchasing power.
Consequence	If you can ride out the lows, your portfolio value **can recover** in time.	When you sell an investment at a low, you **lock in the loss**. You cannot recover what was lost due to deep risk.
Best Defense	Stay invested, diversify investments, rebalance when needed.	Invest to protect against inflation, stay invested to avoid locking in a loss, do not try to time the market.

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Market Correction Strategies

Tax-Loss Harvesting

Definition: Selling investments at a **loss** to offset capital gains taxes or to **reduce** taxable income.

Losses can be used to...

- Offset capital gains tax (short-term or long-term)
- Offset up to $3,000 of ordinary income per year (if losses exceed gains)
- Any unused losses can be carried forward to future tax years

Proceeds can be used to...

- Reinvest in the market to keep market exposure.

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Visualization

The Volatility Tax

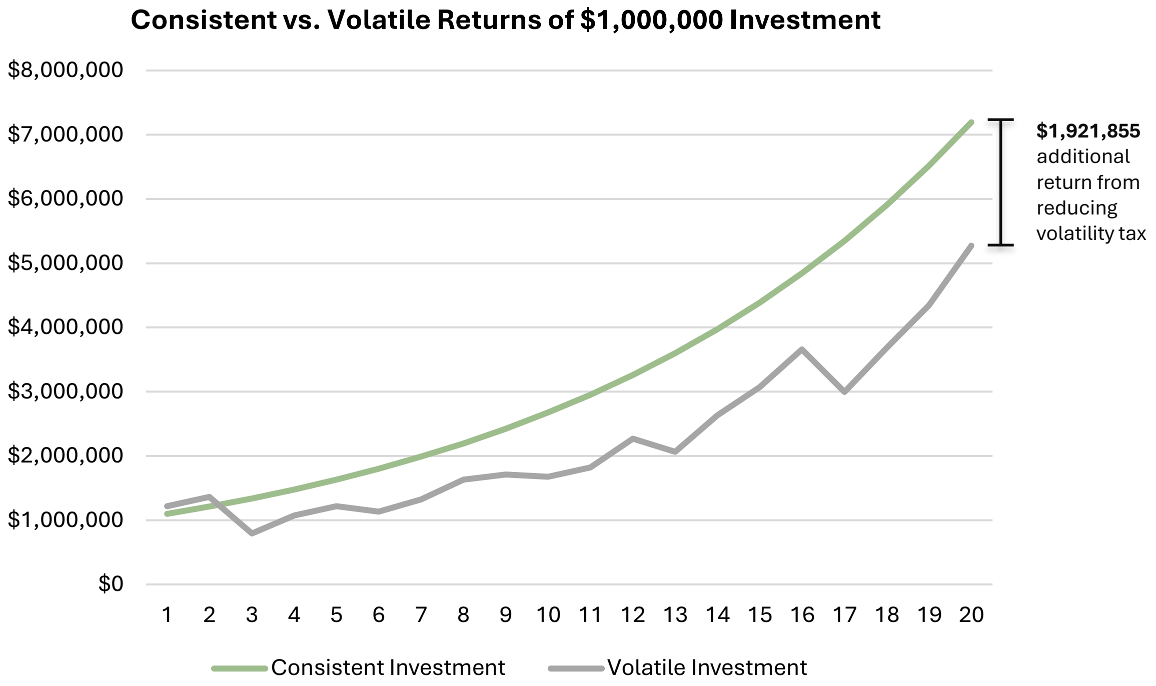
Consistent Investment		
Year	Rate of Return	Ending Value
1	10.40%	$1,098,000
2	10.40%	$1,212,192
3	10.40%	$1,338,260
4	10.40%	$1,477,439
5	10.40%	$1,631,093
6	10.40%	$1,800,726
7	10.40%	$1,988,002
8	10.40%	$2,194,754
9	10.40%	$2,423,008
10	10.40%	$2,675,001
11	10.40%	$2,953,201
12	10.40%	$3,260,334
13	10.40%	$3,599,409
14	10.40%	$3,973,748
15	10.40%	$4,387,018
16	10.40%	$4,843,267
17	10.40%	$5,346,967
18	10.40%	$5,903,052
19	10.40%	$6,516,969
20	10.40%	$7,194,734
Arithmetic Return	10.40%	
Compound Return	**10.40%**	

MSCI All Country World Index		
Year	Rate of Return	Ending Value
2006	21.5%	$1,215,000
2007	12.2%	$1,363,230
2008	-41.8%	$793,400
2009	35.4%	$1,074,263
2010	13.2%	$1,216,066
2011	-6.9%	$1,132,158
2012	16.8%	$1,322,360
2013	23.4%	$1,631,792
2014	4.7%	$1,708,487
2015	-1.8%	$1,677,734
2016	8.5%	$1,820,341
2017	24.6%	$2,268,145
2018	-8.9%	$2,066,280
2019	27.3%	$2,630,375
2020	16.8%	$3,072,278
2021	19.0%	$3,656,010
2022	-18.0%	$2,997,929
2023	22.8%	$3,681,456
2024	18.0%	$4,343,750
2025	21.4%	$5,272,878
Arithmetic Return	10.40%	
Compound Return	**8.70%**	

Over a 20-year period, the **difference** between the Consistent Investment and the Volatile Investment is **1.7%** per year.

Visualization

The Volatility Tax



Over a 20-year period, **the difference** between the Consistent Investment and the Volatile Investment is **1.7%** per year

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