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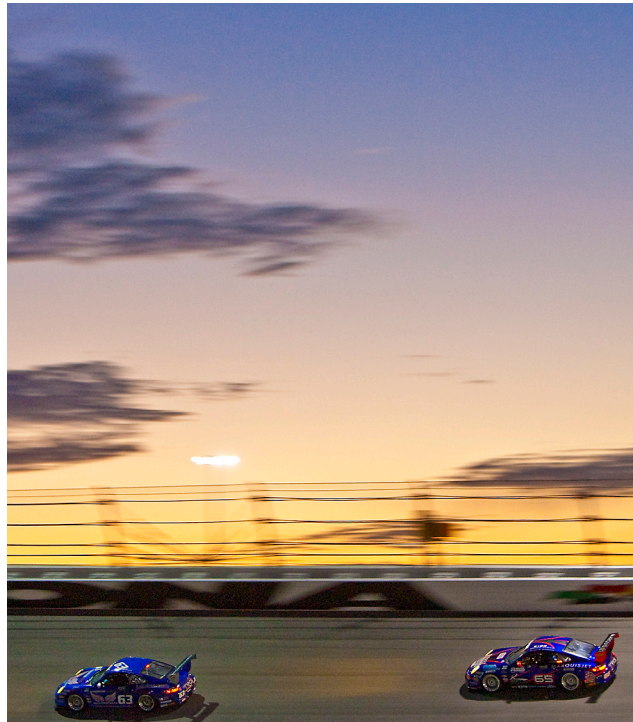
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Going the Distance

How Wealth Management Solves the Biggest Concerns of Today's Successful Entrepreneurs

As a successful entrepreneur, you bring an extraordinary amount of drive to all aspects of your life. From building and running your company (and any other professional endeavors) to pursuing personal interests and taking care of the most important people in your life, you are constantly looking to take advantage of the myriad opportunities that come your way. Indeed, the relentless pursuit of new and loftier goals is an integral part of your entrepreneurial nature.

At the core of that nature is passion. Passion is essential to building a great company and a great life for you, your employees and your family. Pursuing your passions takes more than long hours, however. It also means thinking smarter than the other guys — setting the right goals and effectively managing the risks that come with the quest for excellence.

That requires you to strike a careful balance in your life — especially when it comes to your wealth and all the privileges and responsibilities it entails. Entrepreneurs who can find the right balance put themselves in an amazing, and enviable, position: They're able to simultaneously maximize their professional accomplishments and achieve their biggest life goals. Even better, they are able to ensure their own financial security as well as the security of their families, employees and loved ones.

This is no small task, however — a fact I was reminded of recently at Virginia International Raceway. I was racing for position against another driver who suddenly experienced target fixation. As we were lapping another car, it began to spin. His attention became so riveted on the spinning car that he crashed into it. He made an



all-too-common mistake: He forgot about a larger strategy for winning by becoming too focused on what was directly in front of him at a particular moment. In trying to make the most of an immediate opportunity, he neglected to consider the bigger risks he was taking. Even worse, his actions caused several other drivers around him to crash, giving me the position and subsequent race podium. By getting out of balance, he needlessly caused serious damage to himself and those around him.

The challenges of balancing risk and reward on a racetrack are no different than the ones you face as an entrepreneur. How do you position yourself financially to take advantage of the many professional and personal opportunities in front of you, while avoiding the types of risk that can take you out of the race — and hurt those who depend on you most?



Solving this issue has become especially difficult lately thanks to the extended downturn in the economy and the financial markets. Although we all accumulate wealth for different reasons, one of the things we all want to do at all times is make intelligent decisions so we can realize our goals and have the flexibility to enjoy our passions. And in today's difficult environment, making intelligent decisions is more important than ever.

With that in mind, this white paper will examine major issues that entrepreneurs today face, based on extensive interviews with highly successful entrepreneurs in a wide variety of industries. It also will provide an overview of wealth management, a process that has been proven to solve entrepreneurs' biggest financial and personal challenges — and can enable you to build and maintain a great business while simultaneously allowing you to take care of your family and pursue all the activities that bring pleasure and meaning to your life.

"I am the business."

The single biggest challenge that the vast majority of entrepreneurs face is the idea that they, and they alone, are their businesses and that their companies cannot succeed without them at the wheel at every moment. If not for their constant involvement, they fear that the firms that they have worked so hard to build will suffer or crumble.

Unfortunately, that's often the case. Entrepreneurial firms commonly suffer from the "star factor" which occurs when owners fail to build value in the company beyond themselves and their own personal skills, knowledge and contacts. Such companies cannot

become larger than their owners. And while that may do wonders for your ego, it creates serious problems that can cause you to take on too much risk, miss important professional and personal objectives and, like that race car driver, damage your future and the prospects of those around you.

Interviews with a wide range of entrepreneurs reveal that this “I am the business” approach usually results in one or more of the following problems for today’s top business owners:

They are unable to disconnect from the business. Many entrepreneurs who are tied too tightly to their enterprises can’t unplug themselves from work and are unable to enjoy their sizable wealth. These entrepreneurs commonly own beautiful collections of high-end cars, boats and other luxuries — but have no



time or freedom to enjoy them. Worse, they often feel guilty if they do spend time and money on non-business pursuits. The result: Entrepreneurs often fail to parlay their professional success into happy, balanced and meaningful lives.

They lack necessary financial plans for themselves and their families. Very few entrepreneurs have developed the skills they need to build their wealth independent of their businesses. Their laser-focus on their companies often comes at the expense of dealing with crucial personal wealth-related issues, such as their long-term financial security and the financial well-being of their families. This isn’t especially surprising. Most entrepreneurs’ overarching goal is to build great enterprises and achieve great things. Building wealth, while a wonderful benefit, is not typically the primary driver behind their decisions. As a result, entrepreneurs’ financial assets are rarely aligned with their best interests.

Case in point: Entrepreneurs tend to invest most or all of their profits back into their firms. This makes sense on one level, because it enables a company to self-fund its growth and gives entrepreneurs a greater degree of control. However, the unintended consequence is that entrepreneurs’ wealth is often extremely concentrated — all their economic eggs are in one basket and therefore exposed to significant company- and industry-specific risk.

Eventually they invest so much capital in the business that they struggle to monetize all that equity — which can derail their ability to plan effectively for retirement, college tuition payments, income taxes and other key expenses. That risk is heightened further if the business is entirely dependent on a single person for its success. If he or she dies, any remaining family is left with a highly concentrated position in a business whose value may erode rapidly once the leader is gone.

Additionally, entrepreneurs often ignore the more advanced components of wealth planning that are necessary to create the right balance between risk and reward. These issues can range from setting up lines of credit for business expansion to life or disability insurance plans to buy-sell agreements and other business continuity strategies.

They face business succession issues. No one wants to buy a business that is entirely (or even mostly) dependent on one person. That's why entrepreneurs who are unwilling to loosen the reins and build transferable value usually find themselves struggling to sell their businesses for an appropriate price when the time comes. Many are so married to their businesses that it can take decades to unwind themselves. As a result, business owners often find themselves with little to show for all their hard work over the years.

They don't maximize their companies' growth. The desire to achieve great things is an integral trait of the best entrepreneurs—and as they succeed, the desire for even greater accomplishments grows. Unfortunately, most entrepreneurs never achieve the scale they are looking for in their businesses even as they work longer and longer hours. One person, no matter how motivated or gifted, can only do so much. And lenders often don't want to extend significant credit to a “one-man show,” making it difficult to raise much-needed cash or effectively manage cash flow.

They face labor issues. Great teams help create great enterprises. Without the right team of employees or partners, entrepreneurs potentially limit their achievements in work and in life. Even entrepreneurs who have highly capable employees often miss these opportunities because they don't delegate responsibilities to them or take the time to develop them to be leaders. Usually the best employees at such firms have no sense of empowerment and eventually quit — leaving the entrepreneur to work even more hours with little payoff.

They don't maximize their professional development. Personal pursuits aren't the only things that get pushed aside. Crucial professional and personal development activities such as peer group learning, business coaching and seminars — what author Stephen Covey calls “Sharpening the Saw” — also fall by the wayside. As a result, entrepreneurs often report feeling burned out, less productive and less intellectually stimulated by their careers, and their businesses and relationships can suffer as a result.



Wealth management: A consultative, comprehensive solution

Clearly, these challenges are sizable and complex — and they can affect every facet of an entrepreneur's life. To solve them, you need a framework that allows you to make consistently intelligent decisions that will help you achieve your most important goals. What's more, the solution you use must go beyond basic investment management skills and take a coordinated, comprehensive and consultative approach — one that addresses your entire financial life.

This approach is called wealth management. Wealth management stands in stark contrast to how most investors and financial advisors operate today. For example, the vast majority of advisors provide investment management and maybe a few other services — like college or estate planning — on an ad-hoc basis. As such, they don't really address the complex range of issues faced by successful businesspeople. Moreover, the relationships between these advisors and their clients rarely progress beyond a superficial level. This is because most financial professionals seek to understand their clients just enough to recommend products to them. The interactions usually never go any deeper than the current transaction at hand — and they certainly don't attempt to coordinate all of the disparate aspects of wealth that entrepreneurs must address to build great lives for themselves.

Wealth managers, by contrast, work in close partnership with their clients, their clients' other advisors and their own teams of experts to solve investors' full range of challenges on an ongoing, long-term basis. Wealth management accomplishes this using a three-phase process:

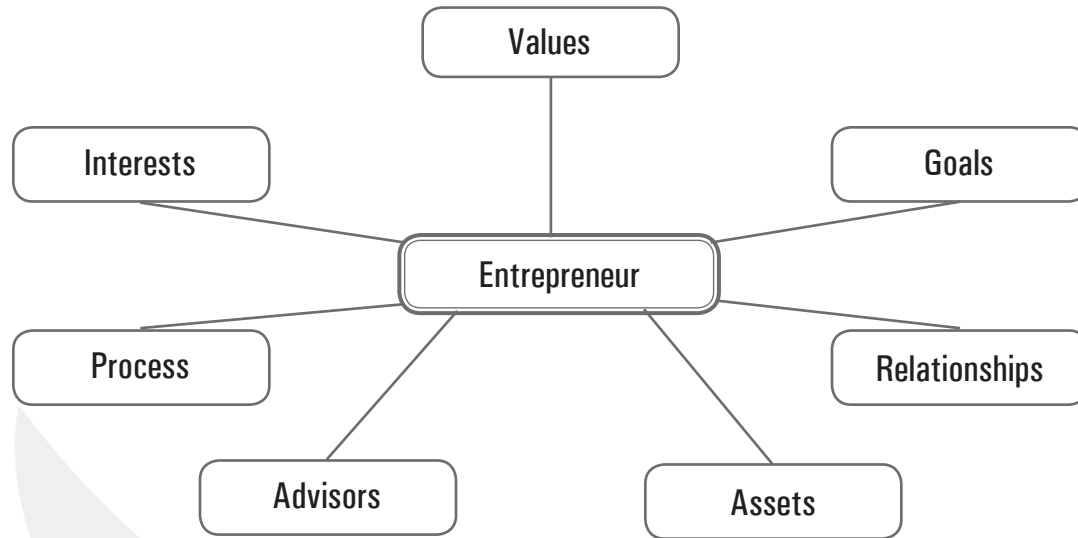
Using a consultative process to gain a detailed understanding of your deepest values and goals and your most important financial wants and needs.

Offering customized choices and solutions designed to fit your specific needs and goals. The range of interrelated financial services and products might include, for example, investment management, insurance, estate planning, business planning and retirement planning.

Delivering these customized solutions in close consultation with you and your other professional advisors. True wealth managers work closely with their clients and their other trusted advisors on an ongoing basis to identify their specific needs and design custom solutions to help meet those needs.

Broadly, this process incorporates the three main components of wealth management: Investment consulting, advanced planning and relationship management.

Wealth management = investment consulting + advanced planning + relationship management



Like most financial professionals, entrepreneurs rarely take this type of coordinated and comprehensive approach with their finances. The reason is simple: **Entrepreneurs are intensely focused on making their companies work, and often don't take a broader perspective on their risks, objectives and needs.** This leads to the very problems outlined earlier, resulting in situations — such as not having a will or the ability to tap credit lines when needed — that jeopardize their businesses, their families and their overall happiness. Wealth management gives entrepreneurs the necessary framework and process for identifying the “big picture” and managing their lives around it instead of focusing on only one aspect.

Investment consulting—positioning assets around goals, return objectives, time horizons and risk tolerance—is the foundation upon which a comprehensive wealth management solution is created.

Advanced planning addresses the range of financial needs beyond investments in four main areas: wealth enhancement, wealth transfer, wealth protection and charitable gifting. Few financial professionals provide these services in meaningful ways.

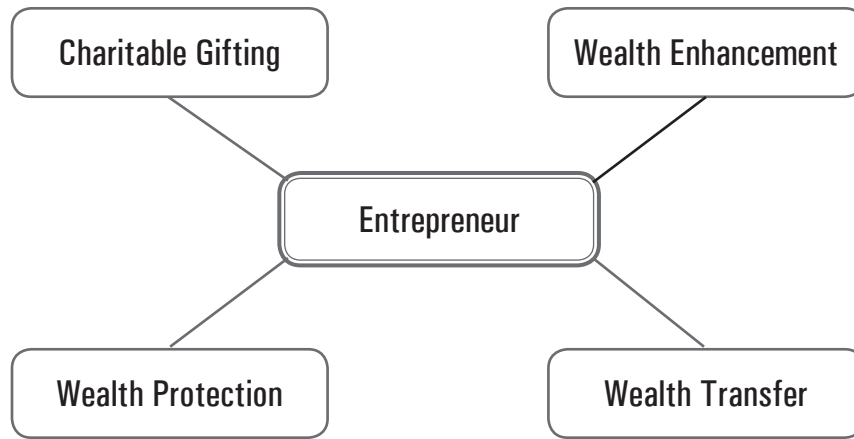
Relationship management involves fully understanding your critical needs and meeting those needs over time through a consultative process, assembling and managing a network of financial experts, and working effectively with your other professional advisors (such as their attorneys and accountants).



What makes wealth management unique

Clearly, there are many aspects of wealth management. However, two areas of the process are particularly crucial in helping solve the most pressing challenges faced by successful entrepreneurs: The Discovery Process and the advanced planning process.

The Discovery Process



You simply cannot solve the complex and often conflicting issues you face until you position your assets around the values, needs, goals and issues that are most important to you as a person. Only then will your wealth support all of the things you want to accomplish, personally and professionally. If you choose to work with an advisor, there must be close and thorough understanding between the two of you. The relationship must go beyond the simplistic and rudimentary aspects of a typical review of your finances.

With that in mind, the wealth management consulting process is designed to guide you through a comprehensive Discovery Process that enables you to identify all that is truly important to you in seven key areas of your life. You (or your advisor) can then use that information to create a Total Investor Profile that will serve as the roadmap—a guide so that every financial decision you make supports what you want most from life.

The Total Investor Profile

The following seven key areas enable you to develop a comprehensive picture of who you are and what you want from life:

1. Values. What is truly important to you about your money and your desire for success, and what are the key, deep-seated values underlying the decisions you make to attain them?

2. Goals. What do you want to achieve over the long run — professionally and personally, practical and audacious?

3. Interests. What are your passions in life — including your hobbies, sports and leisure activities, charitable and philanthropic involvements, religious and spiritual proclivities, and children's schools and activities?

4. Relationships. Who are all the people in your life who are important to you — including family, employees, friends and even pets?

5. Assets. What do you own — from your business to real estate to investment accounts and retirement plans — and where and how are your assets held?

6. Advisors. Whom do you rely on for advice? As you'll see below, wealth management is designed to work in partnership with all of your trusted advisors.

7. Process. How actively do you like to be involved in managing your financial life, and how do you prefer to work with your trusted advisors?

By engaging in this Discovery Process and using the insights learned from it to create a personalized profile, your wealth and all the decisions you make about it become perfectly aligned with the

biggest and most important goals you have for yourself, your family and your business. The Process allows you to make decisions around what matters most to you so that you achieve all that is truly meaningful to you.

Advanced Planning

Like any approach to financial management, the foundation of wealth management is investment consulting. What separates wealth management from the other approaches, however, is its emphasis on advanced planning that goes well beyond the basics. Indeed, advanced planning is designed to ensure that your entire financial house is in order so that you can achieve your full range of goals and dreams.



There are four key areas of advanced planning that must be addressed to develop a truly effective and comprehensive wealth management solution:

1. Wealth enhancement. This component of advanced planning seeks to minimize the impact of taxes by using strategies to maximize the tax efficiency of current assets and cash flow. Accomplishing this often involves reviewing past income tax returns and performing tax assessments to determine various options for wealth enhancement tactics. It also may include examining your business structure, compensation program, stock option issues and credit resources and ensuring they are arranged for maximum benefit to you.

2. Wealth transfer. This involves identifying and facilitating the most tax-efficient ways to pass along assets to succeeding generations based on your wishes. Goals of wealth transfer services include deciding how your assets will be distributed at death, determining how and when your heirs will receive money or business interests, ensuring that the maximum amount possible is transferred while minimizing taxes, and providing for the liquidity needs of a potentially illiquid estate.

That usually means reviewing any existing estate planning documents (or creating them in the first place), discussing how your current plans align (or don't align) with your needs and objectives, ensuring correct designation of beneficiaries and titling of assets, and planning for business succession and liquidity needs. Achieving these goals typically involves various and types of insurance.

3. Wealth protection. This shields your wealth so that your assets are not unjustly taken from you. For example, asset protection strategies can mitigate the possibility of being sued by motivating a creditor to settle or, in the event of a lawsuit, to minimize or eliminate the damages. There are a large number of strategies to meet these goals—including liability insurance, disassociation

and transformation, various forms of ownership and agreements (buy-sell, power of attorney.). As with estate planning, life insurance also can play an important role here.

4. Charitable gifting. The desire to give back to the community is strong among entrepreneurs. Charitable gifting strategies can enable gifts that are far greater than what would have been possible otherwise. Of course, it's important to evaluate the various options for giving and how they affect or complement your strategies for retirement income and wealth transfer—which is why charitable gifting is a key part of the advanced planning process. Options here run the gamut from donor-advised funds to charitable lead and charitable remainder trusts and private foundations.

The Advanced Planning Process

To see how these aspects of wealth management benefit entrepreneurs, consider the earlier example of the race car driver. Wealth management, essentially, is no different than the sport of endurance racing. Both require a great deal of skill and constant analysis to manage the various risks, capture the many opportunities and make it to the finish line on time and in style. And when it comes to both the racetrack and your own financial future, reckless behavior and thoughtless moves will almost certainly cause you to hit the wall and jeopardize your shot at the winner's circle. Worse, you risk the well-being and financial security of your family, your employees and even your community if you don't take the time to make smart decisions about your money.

Like smart racing, wealth management isn't about speeding—it instead emphasizes achieving the maximum speed while taking on no more risk than necessary in order to be as effective with your finances as possible so you can meet your goals, provide for your family and live the life you want. And make no mistake: These are not simply nice benefits to achieve. As an entrepreneur who enjoys tremendous success, you have a responsibility to manage all of your assets to the best of your ability and to be a good steward of your wealth—especially in today's difficult environment. Thanks to all that you have, you are in a unique position to do so much good for so many people and be a real leader in all areas of your life.



Conclusion: Why you need wealth management

Wealth management solves the biggest challenges you face as an entrepreneur by tackling two key jobs: identifying the full range of your goals, needs and values, and then coordinating the management of all aspects of your financial life around them. The end result is an ideal balance between risk and opportunity that gives you the freedom and ability to live the life you want.

For example, adopting the wealth management process enables you to organize your all of your assets—not just your business—in a way that maximizes your potential return for the specific amount of risk you wish to incur. It also reduces or eliminates unnecessary risks you face by developing a plan to optimally grow, enhance, protect and transfer your wealth at every stage of your life. In short, wealth management addresses the key issues you face—allowing you to:

- Manage your business in the most effective and efficient way possible to generate strong growth.
- Ensure your company is set up to create sustainable, transferable value over time—even if you're not at the wheel.
- Provide a secure financial future for yourself, your family and others you care about most.
- Have the time and flexibility to pursue your interests, spend time with your family and develop professionally.
- Pursue your interests and passions without guilt or worry, knowing that you have the right plan in place.

But the fact is, you cannot make any of these things happen until the various aspects of your financial life are organized, coordinated and working in concert with each other. By adopting wealth management, you therefore put yourself in the optimal position to achieve your most important goals, have a tremendously positive impact on those around you, and enjoy life to its fullest.

A Quick Road Test: *How many can you answer?*

1. If you were to die while reading this paper, would your spouse know:
 - a. Who to call about the investments?
 - b. Where all the legal documents are?
 - c. What your corporate benefits are and where to track them down?
 - d. Where all of the life insurance policies are (corporate, AD&D and personal)?
2. Is your personal and corporate life insurance owned by you or your trust?
3. Do you have umbrella liability insurance?
4. How long does your disability policy cover your disability?
5. Is your power of attorney durable?
6. Do you know what percent of your portfolio is TRULY LIQUID in case of emergency?
7. Can you or your spouse name your accountant? Your estate lawyer?

If you or your spouse can't answer these questions, then you might consider including a professional to help coordinate your wealth management efforts.

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