

# STUDY SESSION

# 11

## Private Wealth Management (2)

**T**he wealth of many individuals and families is often concentrated in a limited number of securities, business holdings, or real estate properties. The sale of concentrated positions to facilitate desired diversification may not be feasible or may create a substantial tax liability.

This study session examines the considerations and risks associated with concentrated single asset positions. Strategies for managing concentrated positions in publicly traded common shares, privately held businesses, and real estate are presented. Coverage on the dynamics of human and financial capital and the challenge of meeting financial goals throughout an investor's lifetime follows. The discussion specifically addresses investment strategies and financial products structured to mitigate the risk of not achieving these goals.

### READING ASSIGNMENTS

**Reading 23**

Risk Management for Individuals  
by David M. Blanchett, PhD, CFP, CFA, David M.  
Cordell, PhD, CFP, CFA, Michael S. Finke, PhD, and Thomas  
M. Idzorek, CFA

### LEARNING OUTCOMES

#### READING 23. RISK MANAGEMENT FOR INDIVIDUALS

The candidate should be able to:

- a** compare the characteristics of human capital and financial capital as components of an individual's total wealth;

- b** discuss the relationships among human capital, financial capital, and economic net worth;
- c** discuss the financial stages of life for an individual;
- d** describe an economic (holistic) balance sheet;
- e** discuss risks (earnings, premature death, longevity, property, liability, and health risks) in relation to human and financial capital;
- f** describe types of insurance relevant to personal financial planning;
- g** describe the basic elements of a life insurance policy and how insurers price a life insurance policy;
- h** discuss the use of annuities in personal financial planning;
- i** discuss the relative advantages and disadvantages of fixed and variable annuities;
- j** analyze and evaluate an insurance program;
- k** discuss how asset allocation policy may be influenced by the risk characteristics of human capital;
- l** recommend and justify appropriate strategies for asset allocation and risk reduction when given an investor profile of key inputs.