Flight Plan for Retirement

Navigating Your Final Approach

By Paul J. Carroll, CFP®

Efficient Wealth Management®
Intelligent Investing With Integrity

Letter from Paul J. Carroll

While few industries have remained untouched by the changing economic climate and globalization, fewer still have experienced the rapid and dramatic changes that have impacted the airline industry. Over the past ten years, planning for retirement has gone from autopilot to mission critical.

The fact is – everyone must take a more aggressive role in planning for retirement – especially airline pilots. We've seen strikes, mergers, reduced benefits, terminated pensions, furloughs and a quagmire of uncertainty in government policy. That's why Efficient Wealth Management created **Flight Plan for Retirement** to help you navigate your final approach to retirement.

Planning for retirement is like creating a flight plan. You research the weather and equipment and anticipate the need for contingency plans before flight. Once in the air, you navigate and make course adjustments as conditions change. The purpose of this White Paper is to empower you to make your own decisions or, alternatively, to work effectively with a financial advisor who can implement these wealth management principles. It's your choice. It's your flight plan.

Flight Plan for Retirement is the culmination of considerable research, including information derived from a series of detailed pilot interviews. I want to thank these pilots for their time and candor. It is my hope that you are able to benefit from their insights – and to make any needed course adjustments to your flight plan.

Sincerely,

Paul J. Carroll

Paul J. Carroll, CFP®
Principal
Efficient Wealth Management

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Flight Plan for Retirement, Navigating Your Final Approach

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Introduction

GLOBAL AND DOMESTIC ECONOMIC AND FISCAL challenges continue to stress the airline industry and create uncertainty for pilots at major airlines. The industry landscape has fundamentally changed. Moreover, the United Continental merger has added further uncertainty to the future of their pilots' compensation and pension plans.

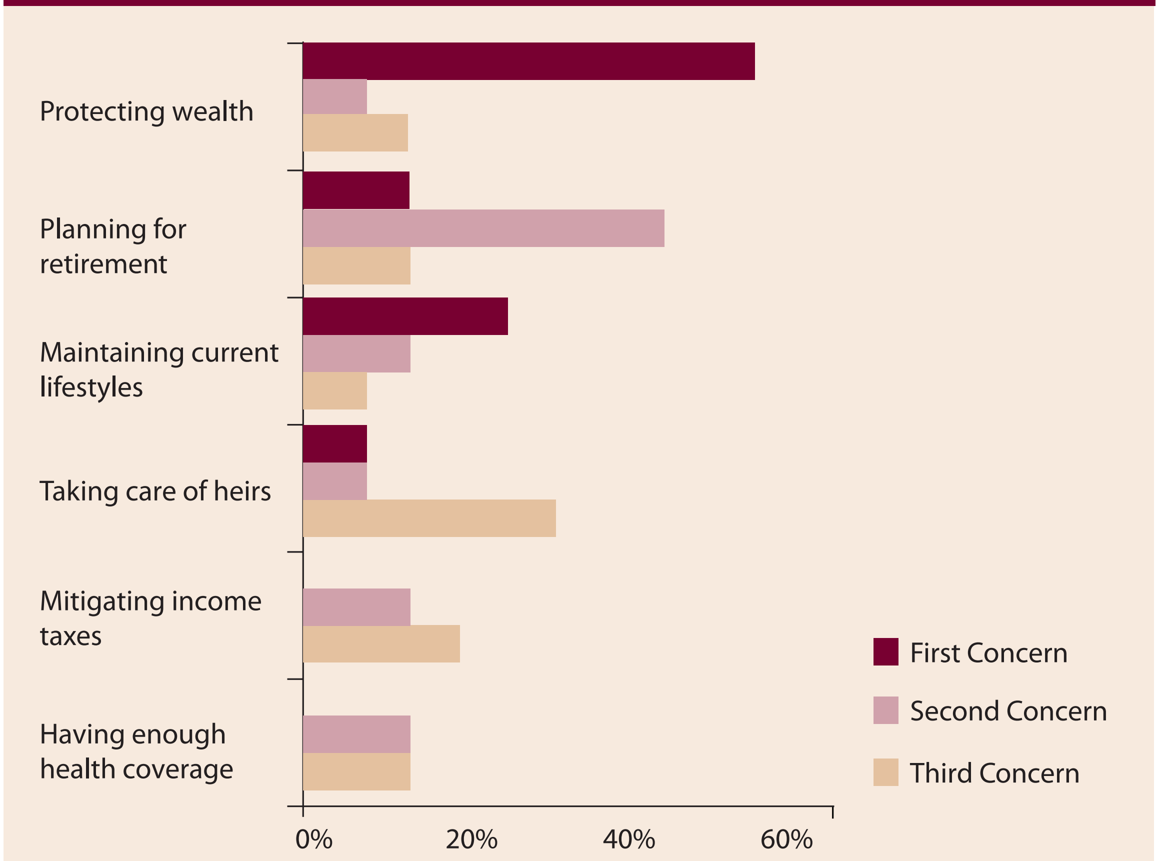
To improve the probability of achieving their retirement objectives, pilots need a robust 'flight plan' for retirement. This paper highlights the financial challenges and risks senior airline pilots face today and outlines an approach that can help in reaching their desired retirement goals.

The financial challenges this paper examines fall into two major categories: external and internal. The external challenges are industry-related and include things such as the global economy, the state of the airlines, the recent United Continental merger, and related uncertainty surrounding contracts and defined-benefit plans. These external challenges are akin to bad weather: you can plan for the possibilities, see them coming, and alter your route accordingly, but there's no avoiding some level of turbulence.

The internal challenges involve behavioral issues over which the pilot may regain control. They can be addressed and possibly even eliminated with a disciplined approach to wealth management. These include issues such as inadequate saving habits, excessive spending, unstructured financial planning, and lack of financial education. These internal challenges are akin to unusual flight attitudes: often not initially apparent, but once made aware the pilot may regain control.

The final section of this paper describes the wealth management process, a systematic approach that will arm you with the information, tools, and team you need to fine-tune and achieve your financial goals. With the right process and "crew" in place, you are much better equipped to regain control over your internal behavioral challenges, and even to

EXHIBIT A
PILOTS' RETIREMENT PLANNING PRIORITIES



handle the ups and downs of external industry challenges.

A significant source of data for this White Paper is a survey of senior airline pilots conducted by Efficient Wealth Management. The results were eye-opening! The survey identified a set of retirement goals that was relatively consistent among pilots nearing retirement age. Pilots were asked to rank their top retirement concerns. The results are illustrated in **Exhibit A.**

These survey results reveal a clear need for more effective retirement planning within the pilot community, and a relatively broad definition of what retirement planning entails for pilots – far broader than that encompassed by a traditional approach to investment management.

This White Paper has been created as a resource to help pilots objectively consider the issues they are facing in retirement planning and improve their probability of achieving their retirement goals.

Fasten Your Seat Belts - We May Experience Some Turbulence

WEAKNESS IN THE ECONOMY AND THE AIRLINE INDUSTRY has many pilots justifiably concerned about their financial futures. Just as turbulence can come unexpectedly and make for an uncomfortable flight, recent economic and industry events have changed the financial comfort level of many pilots. Take-home pay has decreased, in some cases by as much as 30 or 40%.[1] Airline prosperity is not guaranteed.

A wave of upcoming retirements throws the security of the few remaining defined-benefit plans into question. Even in this environment, with proper planning, it remains possible to build a robust 'flight plan' that will improve the probability that you will enjoy the retirement you envision, regardless of environmental factors.

Retirement means different things to different people. You may be concerned about protecting your wealth, maintaining your current lifestyle, or being able to address your medical needs. You may see yourself enjoying 'toys' like boats and motorcycles and the time to use them.

Recent economic and industry 'turbulence' has made many senior pilots wonder how well prepared they really are to achieve their financial goals. Whatever your concerns and dreams, you need a framework for making smart decisions about your money that will help you achieve the things that are important to you. Having a well-planned, flexible financial strategy is more crucial than ever in times of change and uncertainty.

In this environment, it is imperative to re-examine your goals and plans. Be sure they are realistic and take into account all of the realities of the present environment. Even if you are nearing retirement, the outcome is not a foregone conclusion. No matter where you are in your career, the best way to maximize your financial results is to adopt an appropriate planning approach as early as possible.

1 Charisse Jones, "Add 'pilot' to list of jobs that aren't so great now." USA Today. February 22, 2010.

Industry Factors Affecting Pilots' Financial and Retirement Planning

THE AIRLINE INDUSTRY HAS BEEN SUBJECTED TO unprecedented stress in the past 15 years. Downward pressure on prices has combined with rising fuel costs to squeeze margins on both sides. Rising fuel costs have driven airlines to reduce other costs, including labor, in an effort to remain profitable.

As a result, employment levels have dropped, pilots have been furloughed, and defined-benefit pension plans have been eliminated or frozen. The recent merger of United and Continental raises uncertainty about the retirement options that will be available for the combined pilot group as their pension plans were significantly different. Meanwhile the huge wave of pilots approaching retirement age could create renewed pressure on remaining retirement plans.

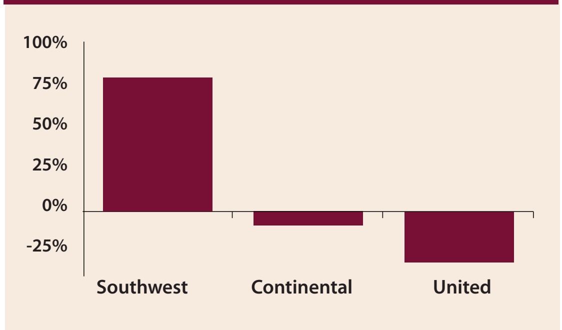
Increased Competition

In the latter half of the 1990's, the airline industry experienced phenomenal growth. Earlier deregulation and the availability of investment funds allowed the entry of new players into the industry. These airlines flew new fleets, focused on direct flights, and had lower-cost labor.[2] Consequently they spent only half as much as legacy carriers per seat mile. With their lower costs, they were able to exert downward pressure on ticket prices, which remained relatively flat throughout the late 1990's despite increasing demand for air travel. Available seat miles (ASM), a key measure of supply in the airline industry, expanded by 18.6% between 1995 and 2000; despite such growth, demand grew so rapidly that industry load factors (a key measure of capacity utilization) continued to rise.[3]

However, when the economy began to struggle in 2001, the comparative advantage of low cost airlines was evidenced by the continued growth of Southwest Airlines at the expense of the legacy carriers. As illustrated in **Exhibit B,** Southwest Airlines thrived

2 Christopher Goodman. "Takeoff and Descent of Airline Employment." Monthly Labor Review. October 2008: 4. Print.
3 Christopher Goodman. "Takeoff and Descent of Airline Employment." Monthly Labor Review. October 2008: 5, 11. Print.

EXHIBIT B
CHANGE IN OPERATING REVENUE - LEGACY CARRIERS VS. SOUTHWEST AIRLINES 2000-2009



throughout the economic contraction, with positive operating revenue growth of more than 83% over the time frame 2000-2009, while large carriers' operating revenue declined.[4]

Recession

Between 1995 and 2001, revenue passenger miles rose 28.1% and employment expanded by nearly 20%. This unprecedented growth and expansion made the airline industry unprepared for the economic downturn that followed. While employment levels reached record highs in March 2001, they declined in each of the following five years.[5] This permanently changed the financial picture for many pilots, and has certainly changed the comfortable assumption of lifetime employment industry-wide. It is imperative that each pilot, no matter where he may be in his career, "take the helm" and take into consideration the possibility of unemployment or salary reduction.

September 11, 2001

Following September 11, 2001, the economic situation was compounded by changing consumer perceptions of air travel. Domestic passenger volume declined by 5.9% during 2001.[6] Meanwhile, turmoil abroad and fears of terrorist activity continued to drive oil prices higher. In the short term, fuel and equipment costs are not flexible, so the airlines responded by cutting costs in the only way they could – through labor reductions. In the period 1995-2000, the industry added 97,000 positions. From September 11, 2001 – December 31, 2001, 59,000 jobs were eliminated.[7]

EXHIBIT C
PERCENTAGE CHANGE IN PILOT JOBS 2000-2009

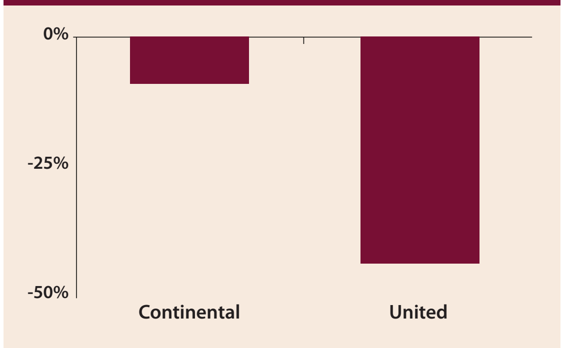


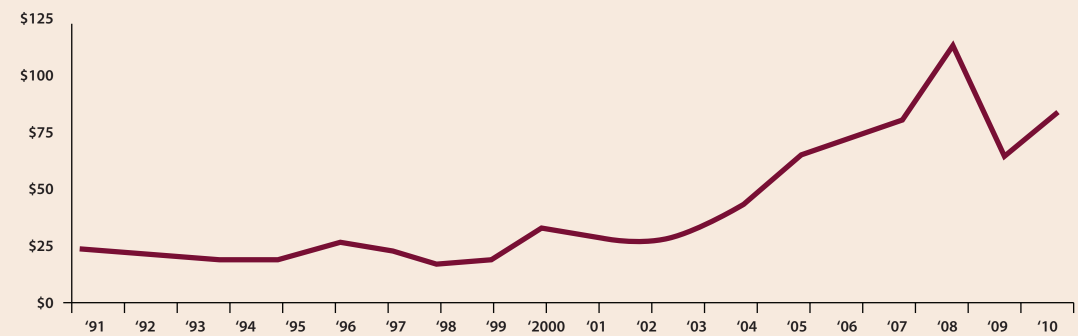
Exhibit C illustrates the impact on United and Continental pilots. As of 2009, Continental had shed 9% of its pilot workforce while United lost 43%, representing a total of more than 4,500 pilot jobs among those two airlines alone.

Changing Industry Dynamics

Even when volume began to grow again, starting in late 2002, the basic dynamics of the industry had fundamentally changed. The airlines continued to lose money at record rates due to overcapacity, lower ticket prices, and increasing fuel costs. They encouraged demand by keeping prices low, slicing their margins razor thin.

4 Figure Exhibit B Source: http://www.airlinefinancials.com/Airline_Analysis_pre_911.html. June 2011.
5 Christopher Goodman. "Takeoff and Descent of Airline Employment." Monthly Labor Review. October 2008: Print.
6 Exhibit C Source: http://www.airlinefinancials.com/Airline_Analysis_pre_911.html. June 2011.
7 Christopher Goodman. "Takeoff and Descent of Airline Employment." Monthly Labor Review. October 2008: Print.

EXHIBIT D
JET FUEL COST PER BARREL 1991-2010



Today, fuel costs continue to be a major issue for the airlines. **Exhibit D** highlights the dramatic increase in jet fuel costs over the past two decades, from a steady rate of around $20-25 per barrel in the early to mid- 1990's to a peak more than five times higher in 2008. With continuing unrest in oil-producing countries, airlines continue to discuss flight cuts and grounding planes to deal with higher oil prices. Every $1 increase in the price of a barrel of oil costs United an extra $100 million on an annualized basis.[8]

With fuel costs an inflexible variable, pressure to reduce other costs continued even as demand for air travel grew. Pilot wages were especially hard hit with United and Continental each reducing pilot salaries by more than 25% relative to the price of airfare. **Exhibit E** illustrates the decrease in pilot salaries as a percentage of average passenger fares at the major airlines over the time period 2002-2009.

Industry Demographics

More than 40% of Continental pilots are over the age of 50 and approximately 3,300 United and Continental Airlines pilots will retire by 2020.[9] This creates a tremendous pension liability for a company already working under conditions of stress within a weakened industry.

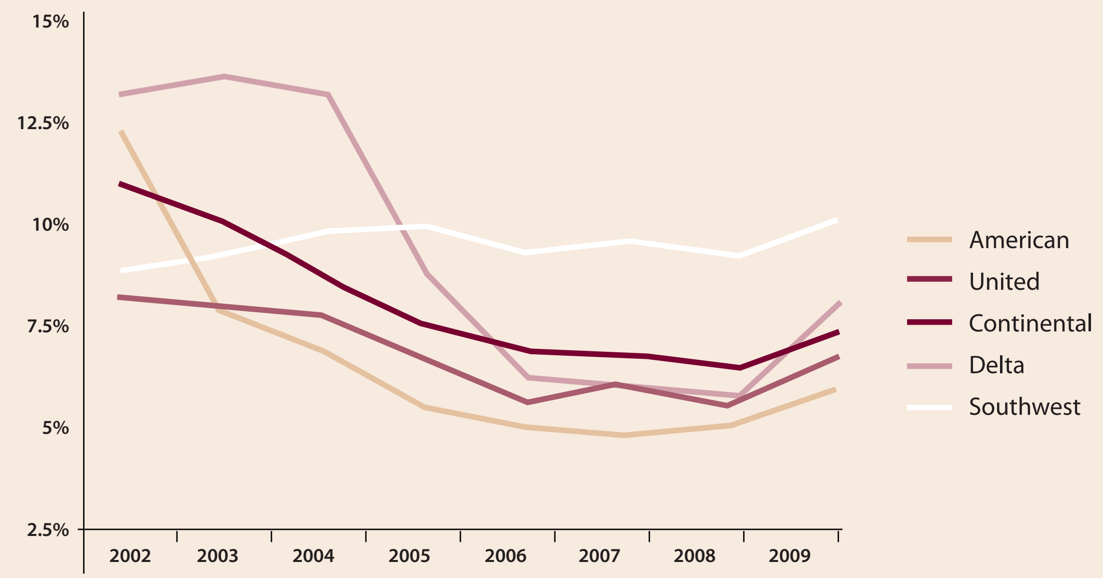
Uncertainty of Future Income

With labor negotiations ongoing with both United and Continental, it is difficult to make assumptions about pilot compensation and the likely management-labor relationship of the new company. Over the past decade, the industry's contract negotiations have focused heavily on reducing labor costs. In light of the industry's financial struggles, employees have, in many cases, been willing to accept reduced compensation in order to remain employed.[10]

Over the last decade, pilots at some major airlines have taken salary cuts of up to 40%.[11] As depicted in **Exhibit F**, both United and Continental pilots have been impacted; clearly, this has altered their long-term financial reality.

8 "Airlines studying flight cuts, grounding planes to deal with higher oil prices." Chicago Tribune. March 10, 2011.
9 Korry Franke. "Understanding Continental's Junior Pilots: Improving Morale and Reducing Militancy of Continental's Newest Pilots." December 8, 2009: 5. Print.
10 Christopher Goodman. "Takeoff and Descent of Airline Employment." Monthly Labor Review. October 2008: Print.
11 Charisse Jones. "Add 'pilot' to list of jobs that aren't so great now." USA Today. February 22, 2010.

EXHIBIT E
PILOT WAGES AS PERCENTAGE OF AVERAGE PASSENGER FARE



[12]

Unclear Retirement Plan Options

With the future of the industry hazy, the outlook for pilots' retirement plans is also unclear. At the time of this writing, Continental Airlines' pilots' defined-benefit pension plan is frozen, accruing no additional benefits. United Airlines cancelled their pension during their last bankruptcy, and their pilots have seen benefits reduced, in some cases by as much as 70%, under government (PBGC) oversight of the plan.[13]

The PBGC does not provide lump sum payouts, except when the total benefit is under $5,000. Furthermore, the PBGC's maximum monthly guarantees are capped at around $4,500 and could be as little as $2,632.50 if you have a joint and 50% survivor annuity.[14]

Under Continental's existing defined-benefit pension plan, Continental pilots can qualify for as much as $900,000 in a lump sum upon retirement.[15] While it is highly unlikely that Continental's pension would be turned over to the PBGC any time soon, it is possible that, if funding is depleted, pilots would be forced to annuitize their benefits. Does your retirement plan allow for the possibility of a monthly benefit? Is it time to 'divert' to an 'alternate' retirement 'flight plan'?

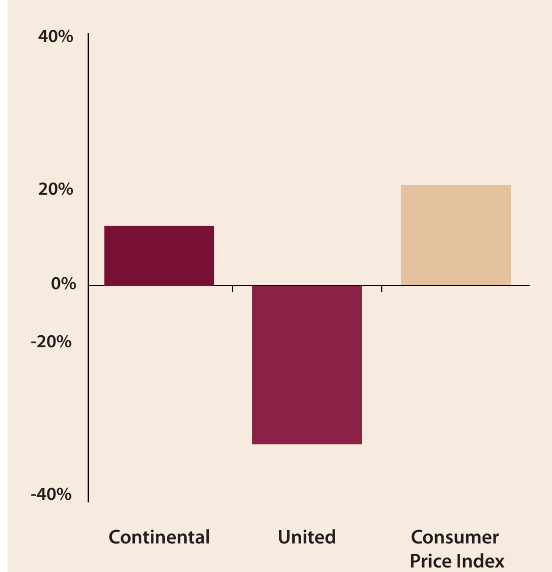
12 Exhibit E Source: http://www.airlinefinancials.com/airline_data_comparisons.html.
13 Dale Russakoff. "Human Toll of a Pension Default." The Washington Post. June 13, 2005.
14 http://www.pbgc.gov/about/faq/pg/general-faqs-about-pbgc.html. PBGC 2011. April 26, 2011.
15 Glenn Brown & Betsy Brown v. Continental Airlines. Case 4:09-cv-01148 Document 23.
United States District Court Southern District of Texas Houston Division. October 2009. Print.

The Net Effect

Until recently, being a pilot was traditionally viewed as a profession that provided financial stability and the prospect of a comfortable retirement. Today the profession is rife with uncertainty. As we will discuss further in the next section, it's no wonder that pilots say they are not well prepared for retirement.

It is clear that the airline industry is far too volatile and pension benefits are far too uncertain for any senior pilot to take a 'wait and see' attitude with regard to retirement. It is time to create your own 'flight plan' for retirement, so that no matter the weather, you will have adequate fuel over the destination of your choice.

EXHIBIT F
CHANGE IN AVERAGE PILOT SALARIES 2002-2009



[16]

Does your Wealth Management Plan have enough LIFT?

- **Legal Strategy – Estate Planning and Risk Management**
- **Insurance Protection – Personal Liability, Life and Health**
- **Finance – Investment Management and Retirement Planning**
- **Tax Mitigation – Maximize Deductions and Tax Opportunities**

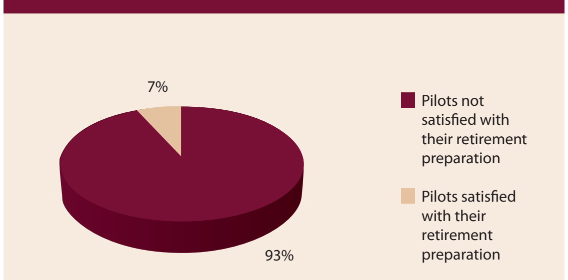
16 Exhibit F Source: http://www.airlinefinancials.com/airline_data_comparisons.html. June 2011.

The Pilot Personality – Behavioral Factors Affecting Pilots' Decisions

COMPOUNDING THE NEGATIVE IMPACT OF INDUSTRY EVENTS, many pilots' retirement goals have been compromised by their own behaviors.[17]

A 2010 survey of senior airline pilots posed questions focused on retirement-readiness and pilots' barriers to financial success. Almost universally, the pilots interviewed expressed a high degree of concern with their level of preparation for retirement.

EXHIBIT G
PILOT SATISFACTION WITH CURRENT RETIREMENT PREPARATION



As shown in **Exhibit G**, 93% of pilots surveyed did not feel that they had been successful in addressing their financial challenges.

Behavioral finance gives us tools to help better understand the behavioral challenges interfering with pilots' retirement preparation. Behavioral finance uses social, cognitive, and emotional factors in understanding the economic decisions of individuals. In December 2002, Daniel Kahneman received the Nobel Prize in Economics for 'integrating insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty'.[18]

The focus of this field of study is to understand how these factors result in mental heuristics, or shortcuts, that cause otherwise intelligent pilots to repetitively engage in flawed logic that result in poor financial decisions.

Some of the more frequently encountered mental shortcuts include the use of rules of thumb, not strict logic, for decision making. Others are more emotionally biased, such as loss aversion, the strong preference to avoid losses over equivalent gains, and overconfidence. Airline pilots exhibit a strong 'overconfidence bias'. Another common mental shortcut

17 Efficient Wealth Management Pilots' Survey 2010.
18 "Nobel Prizes 2002". http://nobelprize.org/nobel_prizes/lists. Nobelprize.org. August 2, 2011.

involves the tendency to think in nominal, rather than real, terms resulting in what's known as 'Money Illusion'.

These are just a few of the many identified behavioral factors affecting not just pilots', but most adults' financial decision making. During our interviews, we discovered that behavioral elements manifested themselves most often in the following four areas: insufficient savings during early years of career, uncertainty resulting from adverse market conditions, insufficient time to become skilled investment practitioners, and inadequate resources to become skilled investment practitioners.

Insufficient Savings

A common behavioral error is to be overconfident about one's ability to save and invest in future years. As a consequence, inadequate savings in early years causes the investor to miss out on what many claim that Albert Einstein coined as 'The most powerful force in the universe': *Compound Interest*. Unfortunately, scholars consistently agree, he never actually said this. Even so, compound interest is the most powerful force in an investor's portfolio. This error has been exacerbated among the pilot community by the once-reasonable assumption that a defined-benefit (fixed) pension and other retirement benefits would be forthcoming. Consequently, many pilots have surprisingly inadequate savings as they approach mandatory retirement.

Uncertain Market Conditions

Other pilots have saved fairly aggressively, but have seen their savings shredded by a series of severe bear-markets coupled with their predictable response to sell once reaching their threshold of pain. Unfortunately, loss aversion and a herd-like return to markets after they've recovered resulted in an ongoing process of buying high and selling low. At some point, it is not uncommon for these investors to decide that the investment 'game' is somehow rigged against them and to revert to stable assets that are, historically, unable to keep up with the demands of inflation and taxes.

Insufficient Time and Resources

There is no reason at all why a pilot with the spatial intelligence to fly a jet cannot manage his or her own portfolio. However, significant hurdles face the would-be-investor that are not always apparent to the aviator. A pilot has at his disposal very highly structured and well-defined training programs. These programs will guide the neophyte in a very deliberate, time-tested manner, from his first walk-around inspection and solo all through the leadership and technical skills demanded of the Captain of a sophisticated jet. No amount of training can make up for lack of experience, this is also true of finance.

Whereas a pilot has a highly structured and well defined path to the knowledge required to fly, the neophyte investor must somehow make sense of a lot of 'noise' that the pilot does not. For when the investor seeks to 'learn' the trade he must now determine what to learn. What works? Unlike in aviation, there is a book for every philosophy and creed, each as convincing as the next… with each philosophy dependent on the buyer's belief in that creed to sell books and pay the author. There's not much disagreement on how to fly a jet. There's a lot of disagreement and 'belief' in the various financial tomes.

This conundrum became quite clear in our survey of pilots as they frequently mentioned both the lack of time available (alongside a general disinterest in investing this time) and the difficulty identifying and utilizing the resources needed to learn the critical skills needed to invest and grow a portfolio for retirement.

What Works?

There is a generally accepted answer to 'what works', and it's as available to pilots who want to do their own investing as any formal flight school: The Certified Financial Planner (CFP) program is a graduate-level credentialing program that links theory and practice in financial markets and retirement planning. Though without experience, this credential is akin to having an ATP with little or no flight time; the CFP most certainly provides the groundwork to enable any investor to make smart decisions about whether or not they would like to self-manage their portfolio, and, if so, how to proceed in the development of their financial knowledge and experience.

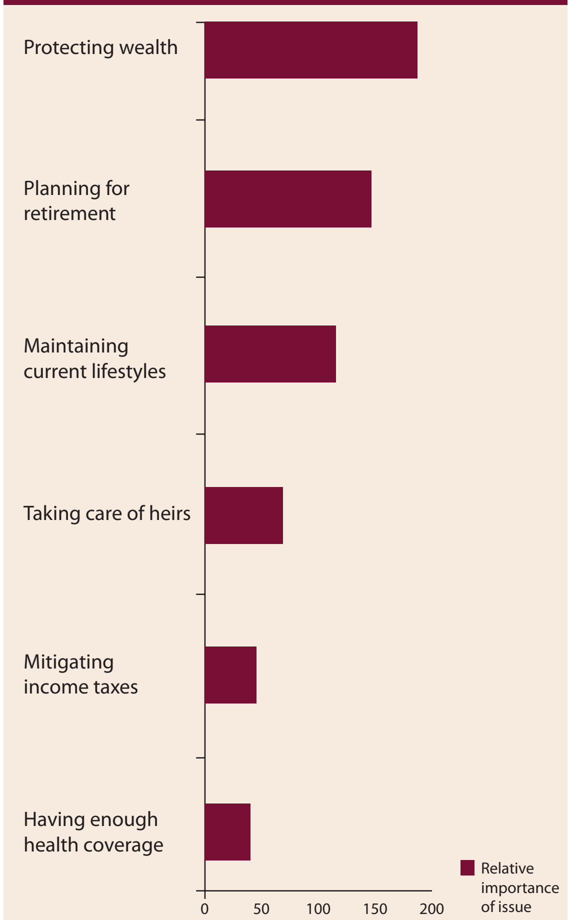
Clearly, if you are not motivated to spend up to two years in graduate-level coursework, then you should seek out a professional advisor that has the CFP credential.

The Challenge – A Model for Success

THIS WHITE PAPER HAS DOCUMENTED AND DISCUSSED THE industry factors that have negatively impacted pilots' financial and retirement plans. This paper has also discussed behavioral factors that negatively affect the economic decisions made by many pilots.

As seen in **Exhibit H**, pilots' top three planning priorities are rather consistent: pilots want to protect their wealth, plan for their retirement, and maintain their current lifestyle.

EXHIBIT H
PILOTS' RETIREMENT PLANNING PRIORITIES



This White Paper has discussed the conundrum facing not just pilots, but all retail investors: *Knowledge*. The formal education required to manage one's portfolio is accessible, given a substantial investment in time and effort.

The CFP Program is an excellent venue for learning the basics needed to separate the wheat from the chaff amongst the cacophony of conflicting advice.

Alternatively, a model exists that has been designed to address the pilot's key planning priorities; a consultative wealth management approach that enables the professional pilot to engage a team of experts in the development of a plan to navigate his/her financial future. The next section of this White Paper will fully describe the recommended wealth management approach.

The Wealth Management Approach

AS A RESULT OF PREVIOUSLY DISCUSSED INDUSTRY UNCERTAINTY and behavioral challenges, the vast majority of pilots interviewed feel under-prepared for retirement. They share common concerns that are, in many cases, not addressed by a traditional investment management program. However, these concerns can be addressed by a more strategic planning approach known as wealth management.

Transitioning to retirement is, in many ways, much like preparing for a long flight. As you start your journey, you'll want to know your 'release fuel' – what's your probable burn to reach your desired retirement? Are you building in enough 'reserve', in case you need to divert to an alternate or contingency destination (in the event of medical or other issues)? And, if you do see 'weather' ahead, who will be there to provide you with input on conditions at your alternate?

Much like a dispatch release, your 'flight plan' for retirement should tell you how much fuel you will burn, keep you abreast of changing conditions, and present adequate alternate options for unforeseen circumstances.

To create your plan, you need to lay out your goals, identify the areas of uncertainty and risk that may affect your ability to achieve them, and create a strategy for dealing with each.

Such a wide range of financial needs requires a wide range of financial expertise. Because no one person can be an expert in all of these subjects, the best wealth managers serve as your Personal Chief Financial Officer (CFO), bringing together a team of experts – professionals with deep experience and knowledge in specific fields.

Pilots are known to be independent, capable, hands-on people. Many try to go it alone when it comes to planning for retirement. However, wealth management is a very complex process, as much so as flying a jet. You wouldn't pretend to not need dispatch, maintenance or a flight crew. You wouldn't disregard your flight plan or ignore the pre-flight checklist. Nor should you be any less methodical with something as important as your own retirement. You need someone who can give you your best alternative in the event of financial 'bad weather'.

Wealth Management =
Investment Consulting + Advance Planning + Relationship Management

Investment consulting (IC) is focused on building and protecting wealth in a way that will allow you to maintain your current or desired lifestyle. This process should include a written Investment Policy.

Advanced planning (AP) goes beyond investments to consider strategies for mitigating your income taxes, taking care of your heirs through estate planning, ensuring sufficient life, disability, long-term care and future health insurance and maximizing the impact of charitable giving if that is important to you.

Relationship management (RM) is based on the management of relationships within a network of professionals such as attorneys, insurance agents, tax professionals, and others who can support your plan.

It has been noted that only approximately 6.6% of wealth managers actually go beyond investment consulting[19] to include advanced planning and relationship management. (WSJ Article)

The Wealth Manager – a generic term?

Many in the financial services industry call themselves wealth managers, but few offer more than the most basic investment management. How will you know whether you are dealing with a true wealth manager?

First, the advisor should be credentialed. That is not the same as licensed. Remarkably, the Series 63 or Series 65 certifications held by most 'investment advisors' are focused primarily on compliance requirements, with very little investment understanding needed. A reasonably intelligent individual, with no financial background and the appropriate preparatory material, could study and pass these tests in a matter of days or just a few weeks.

The gold-standard for financial planning advice is the Certified Financial Planner (CFP) credential. The CFP is a graduate-level credentialing program that requires a minimum amount of college experience, passing a two-day difficult exam that covers six major areas of investment and financial planning, and at least three years of supervised full-time experience.

In addition, some formal education in finance, economics, or investment analysis suggests a professional orientation and investment in one's clients' future.

Second, the advisor should be held to a fiduciary standard of care. A core tenet of the CFP Board's Code of Ethics is that the client's interest should come first. This somewhat esoteric definition can be brought home by considering the impact of an 'agency relationship' with a broker whose legal standard of care is 'do no harm', thereby allowing commissions to drive the advice given. This has become an area of such concern that the SEC is considering applying the fiduciary standard to all advisors. Meanwhile, the commission-oriented advice industry (the

19 CEG Worldwide study.

broker-dealers) is lobbying furiously to water-down the same fiduciary standard to limit the damage of such a change.

By no means is it impossible to be a fiduciary and receive commissions. However, even for the most honest practitioner, it's difficult for one's recommendations to not dovetail with one's income. Consequently, many fiduciary advisors have adopted a fee-only model.

Third, the advisor should work with you using a consultative approach acting as your 'Personal CFO'. This helps you identify your true financial needs and goals; craft a long-range wealth management plan that will meet those needs and goals; and build an ongoing relationship that ensures your needs continue to be met as they change over time.

Fourth, the advisor should offer a consultative wealth management process that includes investment consulting, advanced planning and expert relationship management in some form. The true wealth manager will have his 'Verizon team' of experts to ensure the quality of the advanced planning process.

The Financial Planning Association Standard of Care

All financial planning services will be delivered in accordance with the following standard of care:

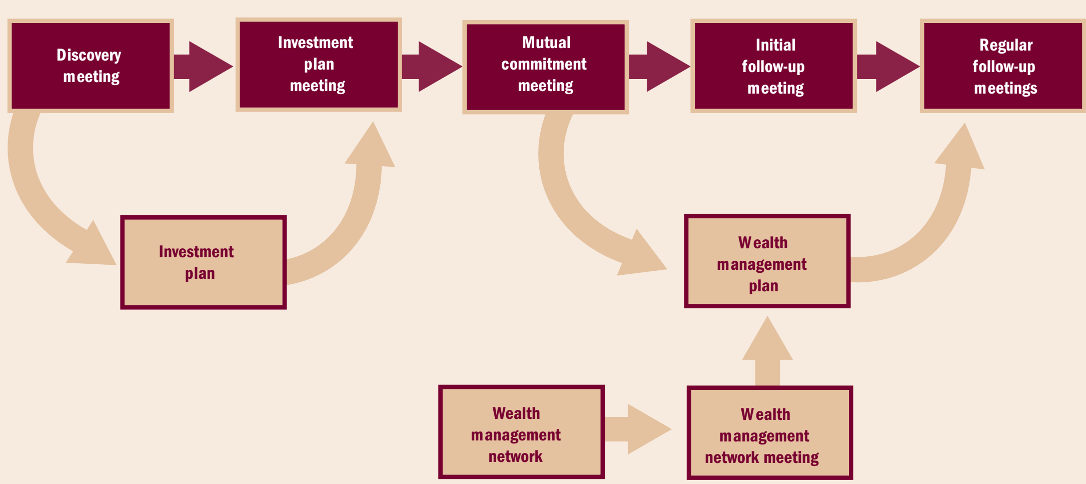
- Put the client's best interests first;
- Act with due care and in utmost good faith;
- Do not mislead clients;
- Provide full and fair disclosure of all material facts; and
- Disclose and fairly manage all material conflicts of interest.

The Wealth Management Process

THE CONSULTATIVE WEALTH MANAGEMENT PROCESS USUALLY unfolds over a series of meetings:

- A discovery meeting in which you discuss your current financial situation, your goals and the obstacles you face in achieving them.
- An investment plan meeting in which the wealth manager presents a complete diagnostic of your current financial situation and a plan for achieving your investment-related goals.
- A mutual commitment meeting in which you and the wealth manager agree to work together. At this point, the wealth manager effectively becomes your Personal CFO.
- An initial follow-up meeting in which the wealth manager helps you to organize your new account paperwork and answers the inevitable questions that occur.
- The first of many regular progress meetings in which your wealth manager presents the advanced plan—a comprehensive 'flight plan' developed in coordination with the wealth manager's network of insurance, legal, and tax experts. During subsequent meetings, your wealth manager will discuss your progress toward your goals and recommend any necessary 'heading' changes.

THE CONSULTATIVE WEALTH MANAGEMENT PROCESS



Source: CEG Worldwide.

Conclusion

THIS WHITE PAPER DISCUSSED THE INDUSTRY AND BEHAVIORAL factors negatively affecting the professional airline pilot's financial planning process. It has identified the specific planning concerns, needs and objectives of the senior airline pilot.

Given this challenging environment, it is unsurprising that, during our survey, fully 93% of pilots were not satisfied with their retirement preparation.

The Challenge:
A model for a successful retirement.
Fortunately, we identified a consultative wealth management approach, using a team of credentialed experts, that enables the successful airline pilot to take back command of his or her financial future. By integrating familiar crew resource management skills into the financial planning process, the true wealth manager can be your financial First Officer, your Personal CFO.

If you are currently working with a financial advisor, but are unsure whether all aspects of your retirement plan have been adequately addressed, then seek out a second opinion from a consultative wealth manager. A true wealth manager will conduct a discovery meeting, as previously described, and present you with a road map to retirement success. At this point, the wealth manager effectively becomes your 'Personal CFO'.

A Wealth Management Success Story

A couple, in their fifties, we'll call them John and Jane, were introduced to our Wealth Management process in 2005. One of their stated goals was to retire from Continental Airlines early, sell their home, and start a horse ranch outside of North Houston, Texas.

After they engaged our consultative wealth management process, we put together a team of experts with investment, estate planning, and tax expertise. By implementing the recommendations of the team, in bite-sized chunks, we collaboratively put together a complex set of legal entities and implemented a household-level, tax-efficient asset allocation to provide the legal and financial security they needed while pursuing this goal.

Five years later, John and Jane have realized their dream. They even have a tenant running a successful stable business that is paying them rental income. They are enjoying their dream and are secure in the knowledge that their team of experts is frequently meeting to fine-tune their wealth management plan.

Whether you're looking for help or just a second opinion, one resource that enables you to find advisors and critically examine their credentials is the Financial Planning Association at *www.fpanet.org*. The Financial Planning Association (FPA) is the largest membership organization for personal financial planning experts in the U.S. and includes professionals from all backgrounds and business models. The FPA can help connect you to a competent and ethical planner who upholds the FPA Standard of Care.

Act today. The sooner your flight plan is filed and your crew is onboard, the greater your opportunity to improve the quality of your journey.

Have a safe flight!

About the Author

Paul J. Carroll, CFP®, Principal and Founder of Efficient Wealth Management.

Having always been interested in the science and psychology of investing, Paul's dual career and academic path have allowed him to effectively integrate his financial background with his aviation experiences to best serve the aviation community.

Paul graduated Summa Cum Laude from the University of Maryland, in 1985, with a Bachelor of Science degree in Business. He subsequently earned his Master of Science degree in Finance at Texas A&M University, graduating in 1987. Paul was a member of the Beta Gamma Sigma honor society and today is a Century Club Member of the TAMU Association of Former Students.

After graduating, Paul worked as a consultant, often with aviation clients, first with Andersen Consulting (Accenture) and then with Ernst & Young. He then worked with Smith Barney as a Registered Representative. Paul held SEC Series 7 and Series 63 licenses during this period. The Series 7 is a six-hour battery of required tests given to Registered Representatives before they can sell stocks and funds to the public.

It was not long before Paul realized the inherent conflict in commission-investment sales. Dissatisfied with the direction the brokerage industry was taking, Paul developed and launched his own wealth management practice, Efficient Wealth Management.

Paul is a licensed ATP, type-rated in a number of Boeing and Airbus jets. Paul's airline experience has evolved into a passion for serving pilots by helping them reach their financial goals. Paul is uniquely positioned to understand the needs of the Professional Airline Pilot.

About Efficient Wealth Management

Efficient Wealth Management is a boutique wealth management practice that offers a personal, private and exclusive concierge-level service for successful airline pilots. We are a fee-only firm, never accepting commissions or other transaction-oriented compensation. We limit our focus to select clients for whom we believe we can have a tremendous impact.

Using a consultative process, we work in conjunction with a team of experts to help our clients build and preserve their wealth, plan for retirement, mitigate their income taxes, take care of their heirs, and protect their assets.

Efficient Wealth Management has a unique understanding of pilots' needs. Our experts are intimately familiar with both the United and Continental pension plans and the Pension Protection Act of 2006. We are well-suited to help pilots dealing with the uncertainties of the airline industry and the United Continental merger. We also have extensive experience with Southwest's retirement investment options.

If you feel that our wealth management process might be a fit for you, please contact us. We will set-up a discovery meeting to explore whether we should work together. If we find that we are not the right firm for you, we will do our best to refer you to a more appropriate advisor.

To learn more please visit our website at: *www.efficientwealthmanagement.com.*

Notes

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