Investing With Independence

For PwC Partners

Pre-Clearance Through Checkpoint & BSP

Summary

- To whom do Independence rules apply?
- Why do partners avoid investing?
- What is the result of leaving too much money in PDP?

Every partner that works for PwC knows how **important it is to maintain independence with regards to investing** their personal money and financial assets. Partners also know that independence requirements apply to their immediate family members: spouses, spouse equivalents, and dependents as well[1].

What many partners do not know, however, is how to go about pre-clearing stocks, bonds, mutual funds, exchange traded funds, private placements, real estate, mortgages, or other investments and relationships. Some partners that do have the pre-clearance knowledge simply don't have the time to pre-clear everything on their own, given their busy schedules. Consequently, **this leads to the default "do nothing" approach**.

This lack of action can of course have a detrimental impact on a partner's ability to retire and live a comfortable lifestyle. **Many partners have hundreds of thousands or even millions of dollars sitting in their PDP account** simply because they don't know how to navigate the Checkpoint system or have time constraints.

Scores of partners maintain a false sense of confidence in the fact that the PDP pays a measly interest rate above what other traditional banks pay on cash reserves. What they forget is that this is simply the safest way to lose money.

Inflation, Retirement & Delegating Pre-Clearance

Summary

- How much does inflation and loss of purchasing power impact a partner's financial plan?

- Will you have enough money to last the rest of your life?
- How do partners delegate responsibility for pre-clearing securities and relationships?

From 1992 until 2022 the value of the U.S. dollar declined by about 50%. So, $1,000,000 in 1992 would only be worth about $500,000 in 2022 terms*. That is a profound fact. Loss of purchasing power due to inflation and other factors will likely continue to be a silent financial killer, perhaps even more so in the future than it has been in the past.

The impact this may have on a partner retiring from PwC at the firm's mandatory (young) age of 60 is likely to be significant. Will you make it to 90 years old without running out of money?

So, how do partners go about using Checkpoint for investment purposes if they do not know how to use the system or don't have the time to do it?

Answer: Find the right financial advisor who does. **Paul Litchfield has been working with PwC partners across the United States and internationally for over a decade**. Paul is familiar with PwC related topics including but not limited to: Checkpoint, Broker Simplification, PDP, 401(k), RBAP, RAPP, RWBP, H.S.A., accrual capital, deposit capital, AAP, modified partner retirement program, RPCT template, insurance requirements and more.

So, how does it work? Paul's firm uses Charles Schwab to custody partner accounts. **Partners will assign responsibility for pre-clearing securities and relationships to Paul, and he will pre-clear everything on behalf of the partner**. Once Paul pre-clears a security in Checkpoint, and it is approved, Paul will go ahead and trade on behalf of the partner's account at Schwab. Once the security is acquired at Schwab, Checkpoint is automatically updated to ensure the partner is in compliance with independence requirements.

For relationships that are not public market securities, Paul works with PwC's independence team on behalf of the partner to pre-clear the relationship (mortgage, bank, etc).

If a security or relationship is later moved to the restricted list because of a partner's new role or other reason, Paul simply removes the security from Schwab and therefore Checkpoint or works with independence to ensure the partner maintains compliance.

Paul has been a trusted financial advisor to PwC partners for many years and prides himself in helping his clients avoid independence violations when it comes to investing and financial planning.

Partners in The Chain of Command

Summary

- What about partners in the chain of command?
- How do partners in the chain of command ensure they will remain compliant with more stringent independence guidelines?

- What safeguards and internal controls are in place?

Partners in the chain of command are covered persons and must be extra cautious with regards to independence.

Chain of command partners are those who supervise or have direct management responsibility for the audit, evaluate the performance or compensation of the engagement partner, provide QC or oversight of the audit, or have been firm-designated as such[2].

Violations for covered persons are usually more severe and result in a regulatory violation which must be reported by the firm. It is especially important for those partners to obtain a financial advisor with extensive knowledge of the firm's guidelines in order to maintain independence with regards to investing, pre-clearing, and using Checkpoint.

Paul Litchfield has a great deal of experience working with chain of command partners and covered persons to remain independent. Paul has helped these partners adhere to the more stringent independence requirements.

Paul's background in accounting and the fact that he is a CPA enable him to fully understand the importance of independence. With that, he has a strong internal control process for ensuring that his partner clients follow all PwC guidelines and avoid violations.

Paul's process contains safeguards that double check all securities and relationships before they are acquired. He obtains evidence of all approvals in checkpoint and ensures that they link to the Schwab system.

Paul maintains copies of all preapprovals in a secure partner file that lists the security and relationship details, date pre-cleared and other essential information.

Partners in the chain of command have entrusted Paul to help them maintain their independence.

International & Secondment

Summary

- What if I am an international partner?
- What about partners on secondment?

If you are a partner that has international ties or perhaps loves to travel, there may be a different process for pre-clearing securities and relationships on your behalf.

Usually, partners who travel internationally and are on secondment have much more touch points with the firm's independence department.

Typically, if a partner is in the United States and goes on secondment to let's say, Europe, that partner of course has to be compliant with all firm guidelines and that partner must register all securities and relationships into checkpoint[3].

Generally speaking, if a partner from Europe travels to the United States on secondment that partner may not need to register securities and relationships into checkpoint, however, that partner must still be compliant with regards to all firm requirements[4].

Paul Litchfield has extensive relationships with PwC employees in the independence department and frequently communicates with them on behalf of his partner clients to ensure that everyone is in compliance with independence guidelines.

Paul has experience in working with international partners who are on secondment and understands the additional requirements that those partners need to take in order to be compliant with firm policies.

Pre-clearance can be somewhat confusing for partners that travel internationally and are on secondment. Every partner should always maintain compliance with PwC guidelines and should take steps to ensure that they are in fact following firm protocol with regards to their specific situation.

Paul Litchfield Biography

Summary

- Paul has over a decade of experience working with PwC partners across the United States and internationally.
- Paul is also a CPA and fully understands the importance of partners maintaining their independence.

Paul has an in-depth understanding of PwC topics:

- Checkpoint
- Broker Simplification
- PDP
- 401(k)
- RBAP
- RAPP
- RWBP
- H.S.A.
- Accrual Capital
- Deposit Capital

- AAP
- Modified Partner Retirement Program
- RPCT template
- Insurance requirements
- And More

Paul Litchfield is a fiduciary Wealth Advisor and Financial Planner. A fiduciary is a person who holds a legal or ethical relationship of trust with one or more other parties. Typically, a fiduciary prudently takes care of money or other assets for another person. Paul puts clients' interests first and is passionate about helping his clients meet all their financial needs through comprehensive planning. Paul was named a 2020 Five Star Wealth Manager* and was also named to the 2020 Top 100 People in Finance Magazine*.

References

1. Please refer to PwC Independence Guidelines for a full list of members and people who are covered by firm rules.
2. Please refer to PwC Guidelines for a full list of members and people who are considered chain of command.
3. Please refer to PwC Guidelines for topics related to pre-clearance and broker simplification for partners on secondment or who travel internationally.
4. Please refer to PwC Guidelines for topics related to pre-clearance and broker simplification for partners on secondment or who travel internationally.

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*https://data.bls.gov/cgi-bin/cpicalc.pl?cost1=500%2C000.00&year1=199201&year2=202202

Please note: The information contained in this presentation is a general compilation of Paul's experience in working with PwC partners for over a decade. Please keep in mind that each PwC partner has a different role within the firm, different client relationships, and different circumstances. Thus, each partner should be sure to understand their specific independence and other requirements.

Let’s Have a Conversation

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*See award disclosures on the following page.

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*The Five Star Wealth Manager award, administered by Crescendo Business Services, LLC (dba Five Star Professional), is based on 10 objective criteria. Eligibility criteria – required: 1. Credentialed as a registered investment adviser or a registered investment adviser representative; 2. Actively licensed as a registered investment adviser or as a principal of a registered investment adviser firm for a minimum of 5 years; 3. Favorable regulatory and complaint history review (As defined by Five Star Professional, the wealth manager has not; A. Been subject to a regulatory action that resulted in a license being suspended or revoked, or payment of a fine; B. Had more than a total of three settled or pending complaints filed against them and/or a total of five settled, pending, dismissed or denied complaints with any regulatory authority or Five Star Professional's consumer complaint process. Unfavorable feedback may have been discovered through a check of complaints registered with a regulatory authority or complaints registered through Five Star Professional's consumer complaint process; feedback may not be representative of any one clients' experience; C. Individually contributed to a financial settlement of a customer complaint; D. Filed for personal bankruptcy within the past 11 years; E. Been terminated from a financial services firm within the past 11 years; F. Been convicted of a felony); 4. Fulfilled their firm review based on internal standards; 5. Accepting new clients. Evaluation criteria – considered: 6. One-year client retention rate; 7. Five-year client retention rate; 8. Non-institutional discretionary and/or non-discretionary client assets administered; 9. Number of client households served; 10. Education and professional designations. Wealth managers do not pay a fee to be considered or placed on the final list of Five Star Wealth Managers. Award does not evaluate quality of services provided to clients. Once awarded, wealth managers may purchase additional profile ad space or promotional products. The Five Star award is not indicative of the wealth manager 's future performance. Wealth managers may or may not use discretion in their practice and therefore may not manage their clients' assets. The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional or this publication. Working with a Five Star Wealth Manager or any wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment by Five Star Professional in the future. For more information on the Five Star award and the research/selection methodology, go to fivestarprofessional.com. 3,580 Boston wealth managers were considered for the award; 463 (13% of candidates) were named 2020 Five Star Wealth Managers. 2019: 3,619 considered, 566 winners; 2018: 2,819 considered, 532 winners; 2017: 2,467 considered, 623 winners; 2016: 2,530 considered, 632 winners; 2015: 3,542 considered, 801 winners; 2014: 1,707 considered, 655 winners; 2013: 2,362 considered, 713 winners; 2012: 2,591 considered, 454 winners.

*The Top 100 in Finance award is designated by the Top 100 Magazine. The Top 100 Magazine utilizes proprietary software, which employs an algorithm to search a variety of online resources for industry-specific terms and key words. These resources include social media, blog posts, peer reviews, and Google indices. Once the software has compiled a preliminary list of qualified candidates, the Top 100 Magazine performs a manual analysis to verify top results and make final selection. The selection criteria is based on who are financial advisors or wealth managers, which meets the following criteria: 1. Registered with the SEC as a registered investment adviser or a registered investment adviser representative; 2. Not more than 1 filed complaint and never been convicted of a felony. Once selected, the Top 100 Magazine sends approximately 140 invites for the magazine, where final section is on a first come first serve basis. Those selected for the Top 100 Magazine may purchase additional profile ad space or promotional products, but do not make any initial or additional fees for the award. The Top 100 Magazine selection is not indicative of the wealth manager 's future performance or an endorsement by the magazine. Working with a Top 100 Magazine advisor or wealth manager is no guarantee as to future investment success, nor is there any guarantee that the selected wealth managers will be awarded this accomplishment in the future.