The power of intent

Identifying the approach to your wealth can help you navigate through volatile times

By Michael Liersch, Global Head of Wealth Planning & Advice

Financial markets can offer a great opportunity to grow wealth, but volatility can make investors uneasy, ushering in feelings of fear, or even greed. Reacting to market movements may sometimes seem like the right thing to do for the short term—but what about the long-term consequences?

Let’s take a look at the U.S. equity markets at the end of 2018 and the end of 2019. In 2018, after closing at a record high of 2,930.75 on September 20, 2018, the S&P 500 took a quick turn lower. By December 24, 2018, the index had fallen nearly 20% to 2,351.10, with Brexit, trade negotiations, and a variety of other political and economic concerns spooking investors.

However, in 2019, despite a rough start, markets headed higher once again. Fueled by more positive sentiment—including Federal Reserve rate cuts, robust economic data and increased Brexit certainty—the S&P climbed more than 37% by December 31, 2019, to 3,230.78.

But will markets go down again? Were the gains in 2019 temporary, or representative of the potential for new market highs? What should an investor do? Buy, sell, hold?

S&P 500 CLOSING PRICES
(September 1, 2018 through December 31, 2019)

How can we avoid decisions that might lead to poor outcomes, and instead position ourselves for potential success? Reframing financial decision making is a crucial starting point. Rather than reactively focusing on elements that are out of our control—markets, economies, policymakers, and the like—we can instead proactively focus on elements that we can control.

Focus on yourself, not the markets

While it can be tempting to analyze moment-to-moment market movements, and let those drive your decisions, research suggests that this approach actually diminishes returns. DALBAR’s annual Quantitative Analysis of Investor Behavior showed that the S&P 500’s 20-year annualized return was 7.20%, while the average equity mutual fund investor saw only a 5.29% return on the same basis. That nearly 2% difference is often attributed to investors’ reactions to the markets.

Indeed, there is ample evidence from the field of behavioral finance suggesting that people tend to react to markets in a way that lowers returns.

Many people tend to “buy high” and “sell low,” which can cause them to “churn and burn” their own portfolios.

When emotions interfere

How can we avoid decisions that might lead to poor outcomes, and instead position ourselves for potential success? Reframing financial decision making is a crucial starting point. Rather than reactively focusing on elements that are out of our control—markets, economies, policymakers, and the like—we can instead proactively focus on elements that we can control.

Investment and insurance products are: • Not FDIC insured • Not insured by any federal government agency • Not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates • Subject to investment risks, including possible loss of the principal amount invested

For Informational/Educational Purposes Only: The author’s views may differ from other employees and departments of JPMorgan Chase & Co. Views and strategies described may not be appropriate for everyone, and are not intended as specific advice/recommendation for any individual. You should carefully consider your needs and objectives before making any decisions, and consult the appropriate professional(s). Outlooks and past performance are not guarantees of future results. Please read Important Information section.

WHAT IS YOUR MONEY’S JOB?

There are a number of factors that are within your control, but perhaps the most critical component in every wealth strategy is explicit identification of the primary purpose, or intent, for your money. In other words, what job do you want your money to do for you? When your decision-making process serves the primary intent for your wealth, you then have a guidepost to understand if there is truly any action that needs to be taken, given market (or other) events.

Imagine young entrepreneurs in their early 30s with no children. The couple eventually want to provide for their lifestyle when they sell their business. They have many working years ahead of them and have no intention of using their investments for decades. So for them, market volatility may be largely irrelevant. Why? They are more able to wait out ups and downs, ultimately taking advantage of potential investment returns over multiple decades.

Now imagine the same couple, but they are now in their 60s. They have three adult children and no other source of income outside of their investment portfolio. They not only need to sustain their spending, but would also like to provide for family members. So in addition to revisiting their portfolio risk level, they may want to consider factors that go far beyond investment decision making.

For example, how long do they want the money they give to their family to last? Within the children’s lifetimes, or well beyond? Also, what is the most tax-efficient way to give to their family? And, based on that level of giving and their own needs, do they have enough to maintain their lifestyle? This may necessitate a dialogue with professionals about wealth structuring, investing, borrowing, income and estate tax considerations, and more. Identifying a primary intent moves a focus on investments to the broader purpose of wealth, which can align overall wealth strategy and decision making with the individual’s or family’s goals.

TAKING A GOALS-BASED APPROACH

To have your money work toward your goals, it helps to identify with one of four “foundational intents” for wealth.3

**SPEND:** To support your lifestyle goals with the assumption that all wealth will be spent in your lifetime.

Spending all of your wealth during your lifetime can be by choice (e.g., “I’d like to bounce my last check”), or by necessity (e.g., “I feel that I may not have enough during my lifetime based on my current spending”).

Traditional goals in this category focus on generating lifestyle income now or in the future, and on educational goals for children and/or grandchildren. Many people believe this is the easiest intent to manage. However, if you are truly attempting to achieve a zero balance sheet at the end of life, the risks are many (especially of over- or underspending). These continuous risks make stress-testing and contingency planning essential. Just think, would you be comfortable using equity in your home if you unexpectedly lived to 100? Reviewing your plan at least once annually on an ongoing basis can help minimize these risks.

Of the four foundational intents for wealth, WHICH FITS YOU BEST?

<table>
<thead>
<tr>
<th>INTENT</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPEND</td>
<td>To support your lifestyle goals with the assumption that all wealth will be spent in your lifetime.</td>
</tr>
<tr>
<td>DIVIDE</td>
<td>To identify a set amount of money to either create a minimum wealth level or to leave to beneficiaries.</td>
</tr>
<tr>
<td>PRESERVE</td>
<td>To create a strategy and family culture that enable wealth to last through multiple generations.</td>
</tr>
<tr>
<td>GROW</td>
<td>To create a strategy and family culture that enable wealth to grow in perpetuity.</td>
</tr>
</tbody>
</table>

Of the four foundational intents for wealth, J.P. Morgan wealth management clients responded when asked which intent they are currently focused on.

- **SPEND:** 24%
- **DIVIDE:** 22%
- **PRESERVE:** 29%
- **GROW:** 25%

3 Trusts & Estates magazine; “A Strategic Approach to Estate Design”; April 2017.
DIVIDE: To identify a set amount of money to either create a minimum wealth level or to leave to designated beneficiaries.

Many people who focus on division are interested in “keeping it simple” with respect to the path their wealth will take at the end of life. Why? Some feel they want beneficiaries to have complete control over the money they receive, or it feels like too much effort to create a “trust and estate plan.”

Others are reluctant to discuss their wealth or aren’t ready to commit to gifting to the future recipients. The key focal point is that the wealth goes to the intended place, and that the plan is reviewed on an annual basis—especially later in life when preservation can become more appealing. For example, when gifts become larger than anticipated, there may be a greater focus on sustaining the wealth for third and fourth generations. Also, it can be more apparent whether family members are psychologically ready to productively receive wealth and what governance may or may not be needed.

PRESERVE: To create a strategy and family culture that enable wealth to last through multiple generations.

The desire to preserve wealth across generations is enormously complex—often in unexpected ways. To support an estate plan where assets are meant to be preserved, family culture and dynamics need to be considered.

Promoting a positive family culture to foster the stewardship of wealth may require answering challenging questions such as: When are trust distributions so large they risk stifling the beneficiary’s growth and development? The answer lies beyond just dollar amounts: It also depends on the level of engagement in deliberate and structured communication with beneficiaries about financial values, accountability and governance. The key to success here often depends on how well you align a wealth strategy and structure with a family culture designed to support them.

GROW: To create a strategy and family culture that enable wealth to grow in perpetuity (often via a family business or pooled family investments).

Perhaps the most complex of the four intents, this category requires multigenerational succession plans, as well as business and wealth strategies that are truly owned and governed collaboratively by family members. Even the best laid-out approach can end in very public and painful family disputes, making predefined exit strategies essential. To this end, a key starting point can be to identify whether your family has the human infrastructure (e.g., family members who also have a desire to grow) to support this path for your wealth.

All examples are shown for illustrative purposes only, and are hypothetical. Any name referenced is fictional, and may not be representative of other individual experiences. Information is not a guarantee of success or future results.
FROM AWARENESS TO ACTION

Establishing a primary intent—whether it be Spend, Divide, Preserve or Grow—can empower you to reframe financial decision making. It can motivate you and your family to collaborate, and help your professional advisors work with you to answer the following questions:

**Do I have just enough, more than enough or not enough to achieve my primary intent?**

Establishing the resources available—now and in the future—to serve your or your family’s intent is critical. If there is not enough, working to adjust the levels of cash flow needed can help get you back on track. If there is just enough, continual monitoring of the situation may be essential. And if there is more than enough, perhaps there are other goals or opportunities to explore.

**Who should be involved in the financial decision making, and when?**

Establishing a group of decision makers and a culture that can support the desired intent is also important. For example, if family members don’t know they will be receiving large amounts of wealth, they may not have the information or tools to successfully steward the money or a family business across multiple generations. Working with professionals to communicate the right amount of information at the right time can help you or your family meet the desired outcomes.

HOW WE CAN HELP YOU

Your J.P. Morgan team is looking forward to an opportunity to work with you and help you identify your goals-based approach to wealth. We are ready to help you build a strategy that identifies your goals and helps you work toward addressing your concerns. With regular check-ins, we can help keep you on track and aligned with your strategy. Remember to consult your legal, tax and other professional advisors for further guidance on how certain strategies should be applied to your situation.

MICHAEL LIERSCH is Global Head of Wealth Planning & Advice at J.P. Morgan. Based in New York, he represents the financial planning business for J.P. Morgan Private Bank, J.P. Morgan Securities and Chase Private Client. He also leads the Behavioral Finance practice for these J.P. Morgan businesses.

Prior to joining J.P. Morgan, Mr. Liersch was Head of Behavioral Finance at Merrill Lynch. He has also been a visiting Professor at NYU’s Stern School of Business.

Mr. Liersch holds a Ph.D. in Cognitive Psychology from the University of California, San Diego, and an undergraduate degree in Economics from Harvard.

All examples are shown for illustrative purposes only, and are hypothetical. Any name referenced is fictional, and may not be representative of other individual experiences. Information is not a guarantee of success or future results.
IMPORTANT INFORMATION

Key Risks
This material is for information purposes only, and may inform you of certain products and services offered by J.P. Morgan's wealth management businesses, part of JPMorgan Chase & Co. ("JPM"). Please read all Important Information.

General Risks & Considerations
Any views, strategies or products discussed in this material may not be appropriate for all individuals and are subject to risks. Investors may get back less than they invested, and past performance is not a reliable indicator of future results. Asset allocation does not guarantee a profit or protect against loss. Nothing in this material should be relied upon in isolation for the purpose of making an investment decision. You are urged to consider carefully whether the services, products, asset classes (e.g., equities, fixed income, alternative investments, commodities, etc.) or strategies discussed are suitable to your needs. You must also consider the objectives, risks, charges, and expenses associated with an investment service, product or strategy prior to making an investment decision. For this and more complete information, including discussion of your goals/situation, contact your J.P. Morgan representative.

Non-Reliance
Certain information contained in this material is believed to be reliable; however, JPM does not represent or warrant its accuracy, reliability or completeness, or accept any liability for any loss or damage (whether direct or indirect) arising out of the use of all or any part of this material. No representation or warranty should be made with regard to any computations, graphs, tables, diagrams or commentary in this material, which are provided for illustration/reference purposes only. The views, opinions, estimates and strategies expressed in this material constitute our judgment based on current market conditions and are subject to change without notice. JPM assumes no duty to update any information in this material in the event that such information changes. Views, opinions, estimates and strategies expressed herein may differ from those expressed by other areas of JPM, views expressed for other purposes or in other contexts, and this material should not be regarded as a research report. Any projected results and risks are based solely on hypothetical examples cited, and actual results and risks will vary depending on specific circumstances. Forward-looking statements should not be considered as guarantees or predictions of future events.

Nothing in this document shall be construed as giving rise to any duty of care owed to, or advisory relationship with, you or any third party. Nothing in this document shall be regarded as an offer, solicitation, recommendation or advice (whether financial, accounting, legal, tax or other) given by J.P. Morgan and/or its employees or officers, irrespective of whether or not such communication was given at your request. J.P. Morgan and its affiliates and employees do not provide tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any financial transactions.

Legal Entity, Brand & Regulatory Information
In the United States bank deposit accounts and related services, such as checking, savings and bank lending, are offered by JPMorgan Chase Bank, N.A. Member FDIC.

JPMorgan Chase Bank, N.A. and its affiliates (collectively "JPMCB") offer investment products, which may include bank-managed investment accounts and custody, as part of its trust and fiduciary services. Other investment products and services, such as brokerage and advisory accounts, are offered through J.P. Morgan Securities LLC ("JPM Securities"). JPMorgan Chase Bank, N.A. and J.P. Morgan Securities LLC ("JPM Securities") are member firms of FINRA and SIPC. JPMCB and JPM are affiliated companies under the common control of JPM. Products not available in all states.

In Luxembourg, this material is issued by J.P. Morgan Bank Luxembourg S.A. ("JPMBL Luxembourg"), with registered office at European Bank and Business Centre, 6 route de Treves, L-2633, Senningerberg, Luxembourg. R.C.S Luxembourg B10.958. Authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A. is authorized as a credit institution in accordance with the Law of 5th April 1993. In the United Kingdom, this material is issued by J.P. Morgan Bank Luxembourg S.A., London Branch. Prior to Brexit (Brexit meaning that the United Kingdom leaves the European Union under Article 50 of the Treaty on European Union or, if later, loses its ability to passport financial services between the United Kingdom and the remainder of the EEA), J.P. Morgan Bank Luxembourg S.A., London Branch is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from us on request. In the event of Brexit, in the United Kingdom, J.P. Morgan Bank Luxembourg S.A., London Branch is authorized by the Prudential Regulation Authority, subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. In Spain, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Sucursal en España, with registered office at Paseo de la Castellana, 31, 28046 Madrid, Spain. J.P. Morgan Bank Luxembourg S.A., Sucursal en España is registered under number 1516 within the administrative registry of the Bank of Spain and supervised by the Spanish Securities Market Commission (CNMV). In Germany, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Frankfurt Branch, registered office at Taunus Tower 1 (TaunusTurm), 60310 Frankfurt, Germany, jointly supervised by the Commission de Surveillance du Secteur Financier (CSSF) and the European Central Bank (ECB), and in certain areas also supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). In Italy, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Milan Branch, registered office at Via Catena Adalberto 4, Milan 20121, Italy and regulated by Bank of Italy and the Commissione Nazionale per le Società e la Borsa (CONSOB). In the Netherlands, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Amsterdam Branch, with registered office at World Trade Centre, Tower B, Strawinskylaan 1135, 1077 XX, Amsterdam, The Netherlands. J.P. Morgan Bank Luxembourg S.A., Amsterdam Branch is authorized and regulated by the Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A., Amsterdam Branch is also authorized and supervised by De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM) in the Netherlands. Registered with the Kamer van Koophandel as a branch of J.P. Morgan Bank Luxembourg S.A. under code 29009. In Sweden, this material is distributed by J.P. Morgan Bank Luxembourg S.A., Stockholm Bankfilial, with registered office at Håmgatan 15, Stockholm, 11147 Sweden. J.P. Morgan Bank Luxembourg S.A., Stockholm Bankfilial is authorized and regulated by Commission de Surveillance du Secteur Financier (CSSF) and jointly supervised by the European Central Bank (ECB) and the CSSF. J.P. Morgan Bank Luxembourg S.A., Stockholm Bankfilial is subject to the supervision of Finansinspektionen (Swedish FSA). Registered with Finansinspektionen as a branch of J.P. Morgan Bank Luxembourg S.A. In France, this material is distributed by JPMorgan Chase Bank, N.A., ("JPMCB"), Paris branch, which is regulated by the French banking authorities Autorité de Contrôle Prudentiel et de Résolution and Autorité des Marchés Financiers. In Switzerland, this material is distributed by J.P. Morgan (Suisse) SA, which is regulated in Switzerland by the Swiss Financial Market Supervisory Authority (FINMA).
In Hong Kong, this material is distributed by JPMCB, Hong Kong branch. JPMCB, Hong Kong branch is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong. In Hong Kong, we will cease to use your personal data for our marketing purposes without charge if you so request. In Singapore, this material is distributed by JPMCB, Singapore branch. JPMCB, Singapore branch is regulated by the Monetary Authority of Singapore. Dealing and advisory services and discretionary investment management services are provided to you by JPMCB, Hong Kong/Singapore branch (as notified to you). Banking and custody services are provided to you by JPMCB Singapore Branch. The contents of this document have not been reviewed by any regulatory authority in Hong Kong, Singapore or any other jurisdictions. You are advised to exercise caution in relation to this document. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. For materials which constitute product advertisement under the Securities and Futures Act and the Financial Advisers Act, this advertisement has not been reviewed by the Monetary Authority of Singapore. JPMorgan Chase Bank, N.A. is a national banking association chartered under the laws of the United States, and as a body corporate, its shareholder's liability is limited.

With respect to countries in Latin America, the distribution of this material may be restricted in certain jurisdictions. We may offer and/or sell to you securities or other financial instruments which may not be registered under, and are not the subject of a public offering under, the securities or other financial regulatory laws of your home country. Such securities or instruments are offered and/or sold to you on a private basis only. Any communication by us to you regarding such securities or instruments, including without limitation the delivery of a prospectus, term sheet or other offering document, is not intended by us as an offer to sell or a solicitation of an offer to buy any securities or instruments in any jurisdiction in which such an offer or a solicitation is unlawful. Furthermore, such securities or instruments may be subject to certain regulatory and/or contractual restrictions on subsequent transfer by you, and you are solely responsible for ascertaining and complying with such restrictions. To the extent this content makes reference to a fund, the Fund may not be publicly offered in any Latin American country, without previous registration of such fund's securities in compliance with the laws of the corresponding jurisdiction. Public offering of any security, including the shares of the Fund, without previous registration at Brazilian Securities and Exchange Commission—CVM is completely prohibited. Some products or services contained in the materials might not be currently provided by the Brazilian and Mexican platforms.

JPMorgan Chase Bank, N.A. (JPMCBNA) (ABN 43 074 112 011/AFS Licence No: 238367) is regulated by the Australian Securities and Investment Commission and the Australian Prudential Regulation Authority. Material provided by JPMCBNA in Australia is to “wholesale clients” only. For the purposes of this paragraph the term “wholesale client” has the meaning given in section 761G of the Corporations Act 2001 (Cth). Please inform us if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

JPMS is a registered foreign company (overseas) (ARBN 109293610) incorporated in Delaware, U.S.A. Under Australian financial services licensing requirements, carrying on a financial services business in Australia requires a financial service provider, such as J.P. Morgan Securities LLC (JPMS), to hold an Australian Financial Services Licence (AFSL), unless an exemption applies. JPMS is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (Cth) (Act) in respect of financial services it provides to you, and is regulated by the SEC, FINRA and CFTC under U.S. laws, which differ from Australian laws. Material provided by JPMS in Australia is to “wholesale clients” only. The information provided in this material is not intended to be, and must not be, distributed or passed on, directly or indirectly, to any other class of persons in Australia. For the purposes of this paragraph the term “wholesale client” has the meaning given in section 761G of the Act. Please inform us immediately if you are not a Wholesale Client now or if you cease to be a Wholesale Client at any time in the future.

This material has not been prepared specifically for Australian investors. It:

- May contain references to dollar amounts which are not Australian dollars;
- May contain financial information which is not prepared in accordance with Australian law or practices;
- May not address risks associated with investment in foreign currency denominated investments; and
- Does not address Australian tax issues.

References to “J.P. Morgan” are to JPM, its subsidiaries and affiliates worldwide. “J.P. Morgan Private Bank” is the brand name for the private banking business conducted by JPM. This material is intended for your personal use and should not be circulated to or used by any other person, or duplicated for non-personal use, without our permission. If you have any questions or no longer wish to receive these communications, please contact your J.P. Morgan representative.