

THE FUTURE OF GOALS-BASED INVESTING

An Award-Winning Four-Step Process to Improve Investor Outcomes*

In an industry often focused on maximizing returns or beating benchmarks, goals-based investment management offers a more personalized and effective approach. In our view, by aligning investment strategies with a client's unique financial goals, goals-based investing helps clients achieve meaningful life objectives such as retirement, funding education, or buying a home.

At the core of this approach is advanced wealth

optimization, which integrates sophisticated tools and technology to enhance decision-making and portfolio construction. This process follows a clear, four-step framework:

1. Define Client Financial Goals and Investment Policy

The first step in any goals-based investing strategy is understanding what truly matters





to the client. This involves identifying specific financial goals, whether it's retirement, educational funding, purchasing a vacation home, or creating a legacy for future generations. Advisors must also define the time horizons, priority levels, and cash flow requirements for each goal.

In addition to goals, understanding the client's risk profile is critical. While traditional models rely solely on risk questionnaires, goals-based investing takes a deeper dive, considering not just how much risk a client is willing to take but also how much risk they can afford to take based on their financial circumstances and goal timelines.

WHY IT'S IMPORTANT

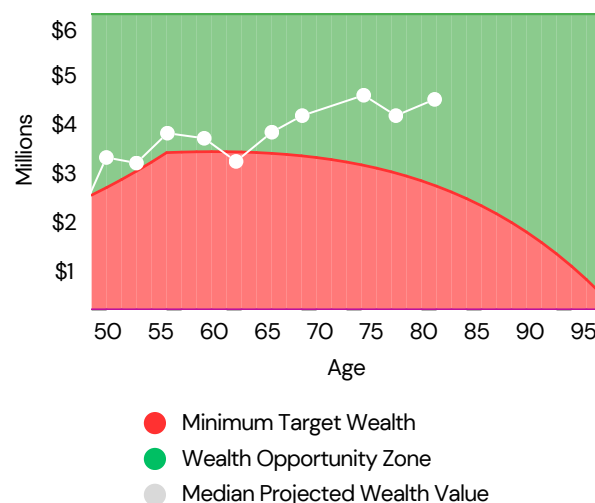
Clear goal definition provides a roadmap for the investment process, ensuring that every decision made serves a specific purpose. Without this clarity, portfolios can become misaligned, jeopardizing the client's ability to meet critical milestones.

2. Set Return Objectives and Wealth Path

Once goals and risk profiles are defined, the next step is to calculate the minimum required return to achieve each goal. This involves assessing the client's current financial position, expected contributions, and time horizon to determine the return needed to stay on track.

With this information, advisors can map out a minimum target wealth—a projection of how the client's portfolio should grow over time to meet their goals. This serves as a benchmark for portfolio performance and helps advisors assess whether the client is on track or needs adjustments to their strategy.

Sample Wealth Path



For Illustration Purposes Only.

WHY IT'S IMPORTANT

The minimum required return and target wealth path create a foundation for goal-specific planning and optimized portfolio allocation. Without these benchmarks,

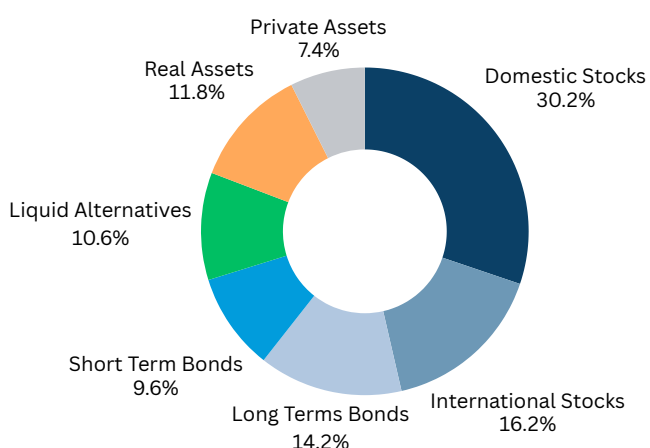
advisors risk over- or under-allocating risk, potentially causing clients to fall short of their objectives or take on unnecessary risk.

3. Craft a Tailored Strategy and Optimized Portfolio

With goals and return requirements in place, the next step is to build a personalized investment strategy. This involves constructing an optimal portfolio allocation, tailored to each goal's unique characteristics such as time horizon, risk tolerance, and liquidity needs.

Advanced wealth optimization tools play a crucial role in this process. They enable advisors to design a customized portfolio allocation that considers current market conditions and future return opportunities. This approach aims to minimize both the likelihood and severity of your wealth falling below the minimum target required to meet your financial goals.

Sample Optimal Portfolio Allocation



Hypothetical example. For illustration purposes only. Not all asset classes represented in the portfolio allocation may be appropriate for all investors.



WHY IT'S IMPORTANT

Generic, one-size-fits-all portfolios fail to address the nuances of each client's goals. Tailored strategies provide a more precise and effective way to allocate resources, ensuring clients are neither overexposed to risk nor underinvested in their long-term objectives.

4. Regular Review to Adapt to Evolving Client Needs and Shifting Market Conditions

Financial plans and portfolios are not static. Life changes—such as a career transition, health event, or new financial goal—require adjustments. Additionally, market conditions like interest rate changes or economic downturns can impact portfolio performance and goal timelines.

The final step in the goals-based investing process is regular review and realignment. This involves periodically reassessing the

client's goals, risk tolerance, and target wealth path, as well as making necessary portfolio adjustments to stay on track.

Advisors leverage advanced technology to monitor progress in real time, run scenario analyses, and stress-test portfolios under various market conditions. These tools help advisors proactively address potential shortfalls or risks before they impact the client's financial goals.

WHY IT'S IMPORTANT

Without regular reviews, financial plans risk becoming outdated, leaving clients vulnerable to misaligned strategies. Ongoing adjustments ensure the portfolio remains resilient and aligned with both the client's evolving needs and changing market dynamics.

How This Process Improves Investor Outcomes

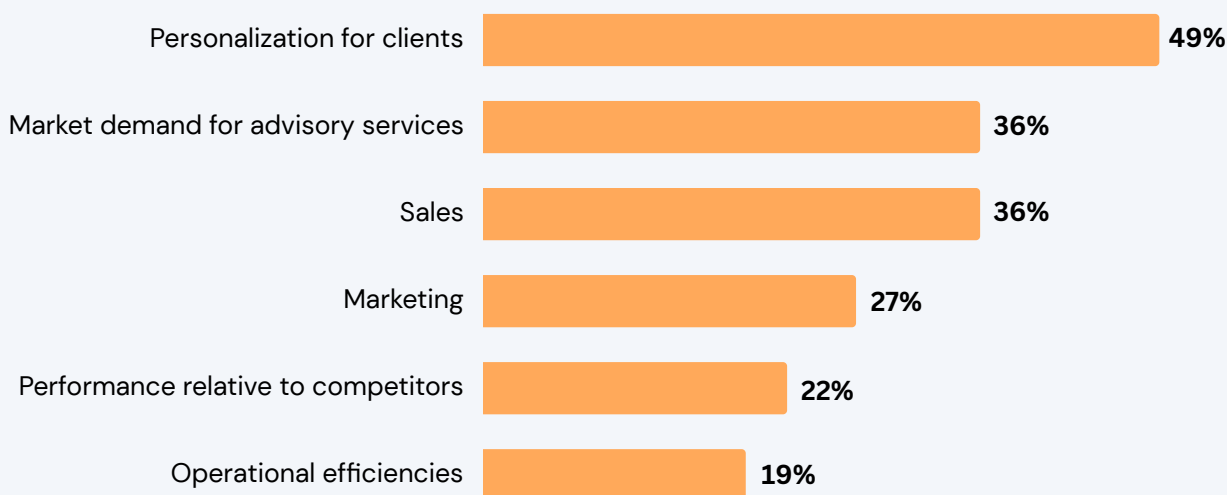
Implementing a goals-based investment management process improves investor outcomes in several ways:

1. Personalization: By aligning portfolios with individual goals, clients achieve outcomes that are directly tied to their unique financial aspirations rather than abstract benchmarks.

2. Improved Risk Management: Tailoring asset allocation to specific goals reduces the risk of overexposure in some areas and underperformance in others, creating a balanced and efficient portfolio.

3. Enhanced Client Confidence: Clients gain clarity and peace of mind knowing their

Advisor growth driven by increased personalization for clients ¹



1. Orion, WealthTech Survey 2024. Q16 - Which of the following are the reasons your firm grew in net new assets under management in the last 3 years, if any?

investments are working toward specific milestones. This transparency builds trust and strengthens the advisor-client relationship.

4. Resilience to Market Changes: By incorporating forward-looking assumptions and regular reviews, clients are better prepared to weather market downturns and economic shifts.

5. Dynamic Adaptability: The ability to reassess and adjust strategies ensures that financial plans remain relevant and effective, even as circumstances change.

Goals-based investment management,

powered by advanced wealth optimization, provides a highly effective and personalized approach to financial planning. Our research estimates that applying proprietary valuation-sensitive modeling to asset allocation can generate an implied alpha of 100 to 150 basis points.¹

By following a structured four-step process—defining goals, establishing required returns, crafting tailored strategies, and conducting regular reviews—advisors can deliver customized, resilient investment solutions. This approach not only empowers clients to achieve their financial goals with confidence but also fosters long-term success and stronger advisor-client relationships.

Ready to learn more?

Download a fact sheet or visit us at www.nebowealth.com to schedule a brief exploratory call and interactive demo.

DOWNLOAD

1. "Investing for Retirement II: Modelling Your Assets", Martin Tarlie, James Montier and Ben Inker, July 2022, for complete information and research. Available at www.nebowealth.com

* Nebo Wealth was named "Best Goals-Based Investment Platform" at the 2024 WealthManagement.com Industry Awards, 2024 Excellence Awardees "WealthTech Provider of the Year," InvestmentNews, 2025 WealthTech Americas "Best Investment Platform."

IMPORTANT DISCLOSURES

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