

# Application for Financial Advisory Listing/Advertising on The White Coat Investor Website

## Personal and Firm Information

Your Name: **Preeti Shah, CPA, CFP®**

Name of Firm: **Enlight Financial LLC**

Insert link to your website: **[www.EnlightFinancialMD.com](http://www.EnlightFinancialMD.com)**

Insert link to your ADV2:

**<http://enlightfinancial.com/wp-content/uploads/2021/01/ADV-2A-and-2B-1-16-2021-Enlight-Financial.pdf>**

Which services do you provide:

### **Financial Planning**

- Nothing is off the table, but typically includes Education/Student Loan, Small Business, Insurance, Investments, Budgeting, Tax, Cash Flow, Retirement, Estate planning, Asset Protection, Cyber ID Theft, Foreign Assets, Estate Planning, and anything else that has an impact on finances.

### **Investment Management**

Years of financial experience:

**12 yrs as a Financial Planner, 29 yrs as a CPA (previously in Audit and Tax)**

Years of experience with financial planning or investment management for individuals: **12 yrs**

Years your firm has been in business: **8 yrs**

Which of the following designations do you hold:

- **CFP® (Certified Financial Planner)™**
- **CPA (Certified Public Accountant)**

Have you had any events in the past that are reportable to regulatory agencies? **No**

Have any of your former clients sued you? **No**

Are you currently involved in a lawsuit by a client or former client? **No**

## Fee Structure

How do you get paid: **- Planning Fee** **- Low AUM Fee**

*How much do you charge? Please list your fee structure. If there is a range of possible fees readers can expect to pay, what is the range and what determines where in the range they would fall. If you use AUM fees, be sure to list what a reader would pay with \$100K, \$500K, \$1M, and \$2M in assets.*

### FINANCIAL PLANNING ONLY

- **\$4000 for 1st year, \$2500 for ongoing years**

### INVESTMENT MANAGEMENT AND FINANCIAL PLANNING

- **1%** from 0 to \$500k (**\$3k minimum**)
- **0%** from \$500k to \$1 mil (**no additional fee**)
- **0.5%** from \$1 mil upwards

**\*Note: Fees may be negotiated higher or lower for residents/early career professionals with low net worth balances, or for plans of increased complexity.**

*What is the minimum amount of assets required for you to take a client?*

**Around \$100k because I want to be able to invest in 15-20 different Asset Classes, and some funds have minimums. But I can be flexible for new physicians who don't have as much saved up yet.**

*If you receive payment for insurance product commissions, what percentage of your business revenue do they make up?*

**Less than 5%. I rarely sell insurance or any type of commission products, and since I don't work under a Broker-Dealer, the only types I am allowed to sell are fixed products (ie Term or Disability, not Variable Life or Annuities). I usually refer clients to an outside agency but stay highly involved in the process.**

*Do you consider yourself a fiduciary?* **Yes. I find it odd there is even a distinction in our industry - all planners should by default be "fiduciaries"!**

*Do you routinely sign a fiduciary agreement with clients?* **Yes, that is the only one I sign.**

## **Investment Philosophy**

*Do you use tactical asset allocation? If so, please explain your process.*

**Not really. Occasionally I will eliminate an Asset Category or Sector that I may have previously used, but this rarely happens and is not really tactical.**

*Do you believe you can time the market sufficiently well to beat a comparable low-cost index fund after fees?*

**No, I do not believe in market timing, I believe in long-term investing. But occasionally we may tilt the portfolio if a client wants to take advantage of strong interest rates or a down market with any new money the client has to invest. However once we are invested, we usually stay the course.**

*Do you pick individual stocks for clients?*

**No, I mainly use funds. But if a client has specific stocks they bring in and really want to keep (such as employer stock), I will help manage them. The same goes for hedge / alternative funds – I don't favor a majority of them due to lack of transparency and liquidity, and insufficient returns for the risk being taken – but if a client has them, I will watch them.**

*Do you believe most physicians should own a cash value life insurance policy of any type? If so, what type and why?*

**Not usually – I have never recommended one. But when they already have one, sometimes I advise the client to keep it because they've already put many years of premiums into it. I believe Term and occasionally a Guaranteed Universal Life with Indemnity Long-Term Care policy (no Cash Value) makes more sense.**

**There may be a rare exception in the future - for example, I MIGHT consider a Whole, UL, or VUL with Cash Value when the client has millions and has already exhausted all other avenues of investment and needs to diversify further. But overall I find them to be expensive products with limited benefits.**

*Do you believe you can select mutual fund managers who can beat an index fund in the same asset class over the long-term going forward?*

**Yes and no. I am agnostic as to what funds I choose for the 18-20 Asset Classes I use for client portfolios (Large/Mid/Small Value/Growth, International Equity, International Bonds, High Yield Bonds, Floating Rate Bonds, Munis, Preferred Stock, etc.)**

**I spend a large part of December and January going through ALL the available funds for a particular Asset Class – whether they are Index, ETFs, or active Mutual Funds doesn't matter, they are all included. Whichever funds float to the top of my analysis based on Returns, Ranking, Turnover, Expense Ratio, Management Team Tenure, Fund Tenure, Volatility, Yield, and a dozen other factors, get chosen for client portfolios. Some of them happen to be Index funds, some ETFs, and some Active funds.**

That said, most of my Active funds are probably closet Index funds, because I look for low turnover of holdings (ie stocks are being held long-term and not churned in the fund) and low expense ratios where possible.

*What percentage of a typical client portfolio would you place into actively managed mutual funds or ETFs?*

It depends, but usually 50% ETFs, and 50% Mutual Funds, so 1 Large Growth ETF, 1 Large Growth Mutual Fund, etc. They are mostly index with some low-turnover active funds.

I am aware that Whitecoat Investor advocates passive investing in passive Index funds like Vanguard and DFA. However, my approach is not that far off – I passively invest in low turnover, low expense, and low volatility Active funds. So they are funds that are more value-based, rather than speculative or high risk (unless the client insists on an aggressive portfolio). But they leave some room for weeding out any dead weight which is not always seen with extreme passive funds.

In addition, once I put a client in a portfolio, they usually stay in the funds I have chosen for years, except for the occasional rebalancing. The only time I switch a fund is when it has significantly dropped in its Asset Class ranking more than 2-3 years in a row.

*What role do fees play in your selection of individual investments?*

I do look at them, and will definitely eliminate funds with unusually high fees for their category. But a Small Cap fund is allowed to have higher fees in my book, because it takes a lot of effort to find good opportunities in that Asset Class, whereas a Long-Term Bond fund should not have high fees, since those holdings are easier to vet.

So I try to ensure that fees are average, or below, for their respective Asset Class.

*What fund companies do you routinely use?*

I don't believe in putting too much of client money in one particular Fund Family,

that's too many eggs in one basket. As a former Auditor, I'm a bit paranoid about a Madoff scenario for my clients, so I don't trust any one company to have all of my client's money. Yes, Vanguard is a well-known name, but so were Enron, Arthur Andersen, and Lehman Brothers.

In addition, a typical client portfolio has 18-20 Asset Classes, and one company cannot be the best in ALL of those categories. Each company has its own areas where it excels. So a portfolio will have a variety, including Morgan Stanley, Pimco, Oppenheimer, Vanguard, Fidelity, BlackRock, TRowe, and more, depending on which funds I find to be at the top of their respective Asset Classes.

*Do you routinely engage in tax-loss harvesting for clients in their taxable accounts?*

Yes, having a strong tax background, I review that every year. But since I invest long-term, in funds, there are rarely any trades to make for tax loss harvesting.

In addition, I do a lot of other tax work with clients— making sure their small business expenses are properly documented in case of an audit, ensuring prior loss carryforwards are taken and not forgotten, checking for audit flags on their tax returns, and giving a 2<sup>nd</sup> opinion review of 3<sup>rd</sup> party or self-prepared tax returns for clients before they file. For clients with less complicated returns, we sometimes prepare them together.

## Investment Philosophy

*How many physicians and/or dentists are you currently advising? (i.e. managed assets of or met with in the last year):*

I have about 30 physicians, nurses, or other medical professionals from a total of 35 clients. I am looking to stay a sole-proprietorship, and know each of my clients personally, so I am selective in who I work with and add only a few clients each year.

*What do you feel is your biggest value-add for a doctor?*

I am surrounded by doctors in my South Asian community, and I know their psychology well. My brother and sister-in-law, both MDs, have the usual high

income but they spend their money like it's water. Here are just a few points I have noted in my work with physicians:

- 1) Physicians tend to think they are more financially comfortable than they are. A lot of the cash flows I do for my clients are scary – it shows them running out of money in their 70s and 80s at their current rate of spending.
- 2) Physicians tend to take lots of risk with tax deductions just to avoid a few thousand in taxes.
- 3) Physicians are sold lots of ugly Cash Value Life Insurance products which they don't need.
- 4) Physicians tend to think they need to do fancy investments with high risk, when they have already won the financial game if they just invest safely.
- 5) Physicians can have a 30 yr monkey-on-their-back (student loans) if they are not careful.

This is just a glimpse of the long list I could write. To be honest, I started out wanting to work with entrepreneurs and single women (since I used to be both). I thought there were more than enough planners for physicians. But because most of my friends and family are doctors, I got pulled into serving this group, and now I enjoy working with them.

*Do you consider yourself qualified to give high-quality advice on all of the following student loan related issues: IBR, PAYE, REPAYE, PSLF, deferment, forbearance, and student loan refinancing? Why or why not? Is this advice included in your regular fees listed above?*

Yes, everything is always included in my fee, once someone is my client, I don't watch the clock and I don't draw any lines on where my services end. I am happy to help wherever I can.

In terms of my experience with student loans, I have taken courses in this area and have worked with a few new graduates on consolidation, but I bring in my student loan expert for help on unusual cases. In addition, I find accurate student loan calculations to be very important since every bit of savings helps, so I always get a second opinion on any advice I give from my roster of consultants / colleagues who also work with physicians.

*How many clients have you assisted with a Backdoor Roth IRA in the last year?*

**I have worked on many over the years, with multiple clients. I probably do about 10 of these per year, including for myself.**

*Which of the following accounts do you consider yourself an expert on?*

401(k)

403(b)

457(b)

Individual 401(k)

SEP-IRA

SIMPLE IRA

Traditional IRA

Roth IRA

HSA

Profit-sharing Plan

Defined Benefit/Cash Balance Plan

**I have worked with all of these. In fact, I've also been on the other side and helped companies implement their 401K or other retirement plans and educate employees on how to use them, so I am well versed on all ends.**

*What steps do you proactively take in a market downturn to improve investor behavior?*

**So far I have not had a problem with clients in this area because I teach them exactly what I do and have them participate in the investment process. They are aware of the Beta, or Volatility of their own portfolios, and as long as the Beta / Standard Deviation / Sharpe Ratio of their portfolios in a bear market is roughly the number we had agreed upon from day one, they are prepared for any downturns.**

*Anything else that you would like me to take into consideration with regards to your application? (Attach additional documentation as desired)*

**Investments is only 10% of what I do. I have helped clients set up Quickbooks and create financial projections for their Business Plan (I am a former entrepreneur), I review tax returns before they get filed, I print out every page of their Home, Auto, Umbrella, Disability, Life, and Business Insurance policies and review all coverages and costs.**

**I have helped immigrant clients discover thousands of dollars in credit card and airline points that they didn't know they had, which we exchanged for a Sears gift card that paid for a new set of kitchen appliances.**



I do Cash Flow projections to confirm there are sufficient savings until end-of-life, What-If analysis for those wanting to retire early or have more children, and education on Trusts, Wills, the Probate process, Reverse Mortgages, Social Security timing, and the Estate/Inheritance tax for estate planning. I have helped clients fill out the FAFSA, open 529 plans, and consolidate Student Loans.

But these days few planners are simply insurance and investment product peddlers - holistic planning is becoming the norm for most of us (as it should be, and is long overdue in this profession!)

So besides comprehensive planning, what really distinguishes me from other planners is 1) Personal Attention, 2) Education, 3) Collaboration, 4) Off-Hours, 5) Unlimited Hours, 6) Deep Dives, 7) Open-Minded, and 8) Ethical.

- 1) **PERSONAL ATTENTION:** As mentioned earlier, I am looking to remain a sole proprietorship. I am not looking to grow into a large company with hundreds of clients whose details I can't commit to memory. I want to be good friends with my clients for many years to come, and become their children's planners as well.
- 2) **EDUCATION:** In addition, I call my firm "Enlight Financial" because it is my natural habit to educate clients along the way, so they can participate in the planning process, and also learn to become self-reliant. In fact I am a tutor, volunteer, and enjoy teaching in my free time, so expect to obtain a solid foundation in the basics of planning when you work with me.
- 3) **COLLABORATION:** I treat my clients like peers, and involve them in all decision making. We discuss the pros and cons of every strategy we are considering. This often triggers additional ideas and discussions that we may not have had otherwise.
- 4) **OFF-HOURS:** I am available to meet weekdays, weeknights, and weekends. All of my clients have my cell phone number and can call me anytime - even on a Saturday night in case of an emergency! (I simply ask that they try to be considerate and not abuse the privilege.)
- 5) **UNLIMITED HOURS:** I am simply not able to tell a client that I will only work with them for x hours, and then cut them off when time is up. Once someone

is my client, I am all in, and they can meet with me as often and as long as they need to.

- 6) **DEEP DIVES:** My “financial plan” for a client can take as long as a year, because each topic – taxes, investments, insurance, estate planning – can take hours, weeks, and sometimes months to properly address. It’s not really a plan, it’s a *financial process*. For example, one of my processes during a tax review is to ask for the last 3 years of tax returns. Sometimes they can be hundreds of pages long, and I will actually print out every page, go through the numbers with my highlighter, and bring a detailed list of errors or audit flags to their attention.
- 7) **OPEN-MINDED:** I understand the need to get a 2<sup>nd</sup> opinion at times, and I am very hard to offend! If a client disagrees with my suggestion or wants to run it by “Uncle Joe” or perhaps have me debate an issue with their CPA, I am happy to do what it takes to make them feel comfortable.
- 8) **ETHICAL:** I am appalled at how many physicians have come to me with much of their cash trapped in awful, expensive insurance products sold to them by vulture-like salesmen. It’s sad because some of my clients were so trusting and that trust was completely betrayed. Although I do not mix my hobbies with work, I am the author of a spirituality book and I have a strong “Do Unto Others” mentality. Every one of my clients is treated with the same respect and diligence that I would offer my own family.