

Investing With Independence For PWC Partners



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Summary

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

Pre-Clearance Through Checkpoint & BSP

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 well¹.

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.



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.

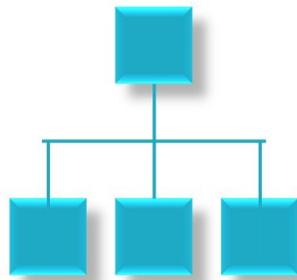
So, how does it work? Paul's firm uses Charles Schwab to custody partner accounts. **Partners will assign responsibility for pre-clearing securities and relationships to Paul, and he will pre-clear everything on behalf of the partner.** Once Paul pre-clears a security in Checkpoint, and it is approved, 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?

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 such².

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

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 pre-approvals 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

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.

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 checkpoint³.

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 requirements⁴.

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.

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

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.



Summary

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

References & Disclosure

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.
- *<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.

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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*.

Paul teamed up with Claro Advisors in 2018 to provide his clients with a deep bench of resources. Prior to joining Claro, Paul managed successful investment practices as a Vice President at another boutique investment firm and Morgan Stanley. Before transitioning to investment management, he worked for a public accounting firm in Boston as a CPA. Paul serves on the Board of Directors of The Miss Massachusetts Organization, a subsidiary of the Miss America Organization. He is the founder of AdVenture International, a 501(c)(3) non-profit that he created after spending a summer teaching math and English in Africa.

Paul received a Bachelor's degree in both accounting and finance from The University of Massachusetts at Lowell and graduated Summa Cum Laude as a Commonwealth Honors Scholar. He holds a Master of Business Administration from The University of Massachusetts at Lowell with high honors. Paul also served on the advisory board at the University of Massachusetts Lowell.

Paul enjoys spending time with his family and supports the following causes: our service men and women, education, and helping mentor future generations. Paul is also a private pilot and enjoys flying airplanes in his spare time.

