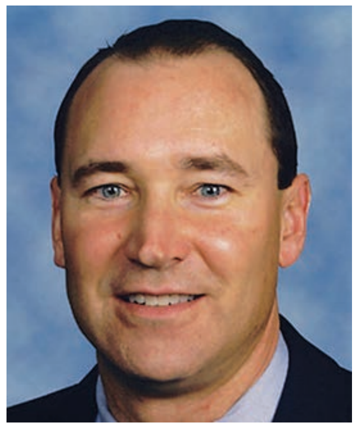
WEALTH MANAGEMENT ROUNDTABLE

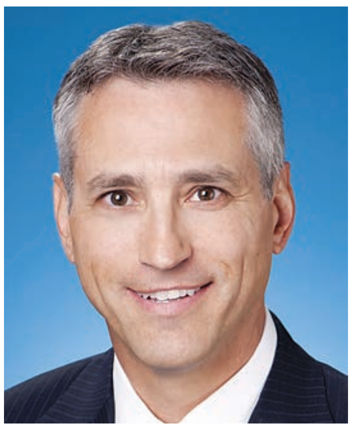
We all need to think about how to protect what we've earned and how best to help our investments grow. At the Los Angeles Business Journal, our ears are always to the financial ground, and there are a number of questions that we've been hearing repeatedly from readers navigating the wealth management landscape. But how best to answer those questions? We have once again assembled a think-tank's worth of wealth management professionals and invited them to participate in an open forum, Q&A-style roundtable. We then proceeded to assemble a roster of some of the most knowledgeable experts in the field of wealth management in Southern California. Several questions were posed to this fund-protecting brain trust and what follows is a transcript of their responses.

Nichole Baker
Vice President, Development & Donor Relations,
California Community Foundation

Lisa Detanna
Senior Vice President, Investments; Managing Director, Global Wealth Solutions Group of Raymond James



Marc A. Doss
Chief Investment Officer,
Wells Fargo Bank, N.A.



Michael Pagano
Executive Vice President,
Private Client Services,
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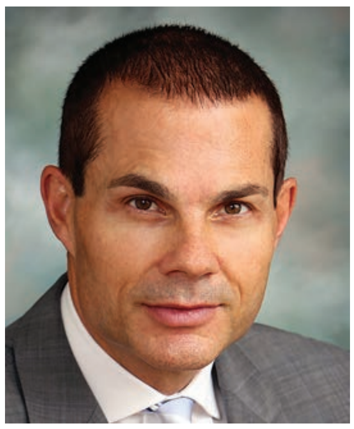


John P. Schlatter
President and CEO,
Salient Consulting Group

Laura A. Zwicker
Partner & Chair,
Private Client Services Group,
Greenberg Glusker

WEALTH MANAGEMENT ROUNDTABLE

‘A charitably inclined person can transfer the property to a charitable trust, defer tax on the sale, receive an income tax deduction for a percentage of the value, and reinvest the proceeds to generate a stream of income for life.’
NICHOLE BAKER

‘Interest rates are expected to rise modestly. Expectations for equities are more modest in the US than 2013 and emerging markets are beginning to look more attractive than they have in the last two years.’
LISA DETANNA

◆ Describe the current investment environment and what you consider to be the best investment approach, in general terms.

PAGANO: Tapering has begun, but short-term rates are anchored at low levels. We believe the Fed will remain highly accommodative. Central banks around the world are printing enormous amounts of money to fully support their economies/banking systems to counter balance financial system stresses and subpar economic demand. The US is in a self-sustaining recovery giving way to moderate economic expansion. Corporate profits continue to grow on improved outlook and sustainability of the U.S. expansion. We believe the best long-term approach is to have a strategic, long term plan to help you meet your goals/objectives and to stick with it. Changes should only occur as your personal situation changes. With all the changes in wealth management landscape, there remains one constant: Patience and discipline are required to be a successful investor.

DOSS: This is the 59th month of the economic recovery after the Great Recession. The U.S. economy has recovered to a new high and that is reflected in the equity markets. For example, the S&P 500 is at or near an all-time high. Yields, on the other hand, remain at exceptionally low levels. The 10 Year Treasury closed below 2.8% today. Investors are faced with some important decisions on how to allocate their investment portfolios in this environment. We continue to recommend highly diversified global portfolios that include a 4 Asset Class approach. The 4 Asset Classes are fixed income, equities, real assets, and complementary or alternative investments. Investors will have different percentages in each of these categories depending on their particular investment objective. Diversification will become more critical as the economic expansion matures and the Federal Reserve continues its interest rate normalization process.

SCHLATTER: At the end of the first quarter, we were left largely where we were at the beginning of the year. We have encountered quite a bit of volatility already this year with the crisis in the Ukraine and Crimea in March and even with the reaction to the new Fed Chair Janet Yellen suggesting that the Fed might raise short-term interest rates by the middle of 2015. In addition, the last two weeks of March and into early April saw some pretty sharp selling of high flying momentum equities along with many Biotech Companies. We are a bit cautious as we continue to monitor the effect of Fed Tapering and the possibility that revenue and profit projections may not meet expectations. In addition, considering the market is up over 170% since March 2009, and 32% just last year alone, we have suggested to clients to take some profits and get a bit more defensive in their portfolios.

◆ How important is developing a comprehensive wealth plan in achieving a client’s long term financial objectives?

BAKER: A comprehensive wealth plan is essential for individuals not only to achieve financial objectives, but also to support their family in the way they deem best and to support their communities and charities in ways that align with their personal value system. CCF is often at the table with financial and legal advisors to help clients achieve their financial, family and philanthropic goals in the most advantageous way possible.

DOSS: We believe a comprehensive wealth plan is essential for clients to meet their long-term financial objectives. If a client does not have such a plan, they are essentially flying an aircraft without a flight plan. The result could be ending up in a location you do not want to be and without the ability to ever fully recover.

DETANNA: A road map or future value cash flow retirement plan helps determine if financial plans are on target — having enough saved to live life with a desired lifestyle. We snapshot current assets and liabilities aiming to reduce debt and debt service. Subtracting expenses from current income to determine savings. We set a rate of return for each asset. We invest with a written policy statement that determines suitability and which accounts are most tax efficient to house certain investment types. We can anticipate extraordinary expenses like college, long term care and inflation building them into the plan. Sometimes we use pension plans to build wealth pretax. The numbers tell us if we’ve met our retirement goals or if we need to save more. To save we decrease expenses and debit. If we have a surplus we can live better or look at estate planning to pass excess to our heirs.

SCHLATTER: One of the first lessons that we teach our clients is that “Wealth isn’t primarily determined by investment performance, but by investor behavior.” It’s an absolute must to determine what kind of investor you are before investing in various markets. Otherwise, it could prove to be an expensive proposition. This responsibility falls on your current investment advisor. Every client should develop a comprehensive wealth plan with their advisor that covers asset protection, wealth transfers and wealth manage-

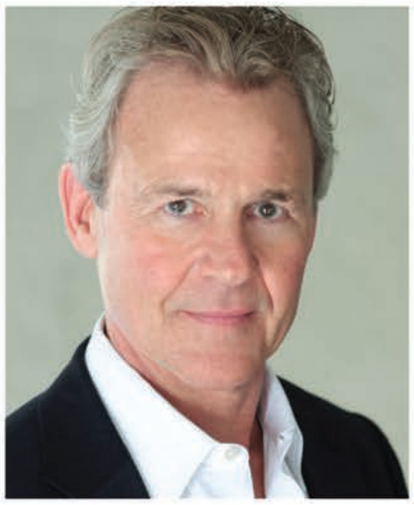
44

WELLS FARGO ADVISORS

We congratulate **James McCabe**, Senior Financial Advisor, **Brian Firring**, Senior Financial Advisor, and **Philip Walters**, Senior Financial Advisor on being named to Barron's Top 1,200 Advisors list

At Wells Fargo Advisors, we recognize the importance of service and dedication, and we proudly celebrate the accomplishments of James McCabe's, Brian Firring's, and Phil Walters' inclusion in the list of *Barron's* Top 1,200 Advisors. This distinction is widely regarded as a benchmark for putting the needs of clients first — one of the core foundations of our firm.

Together we'll go far



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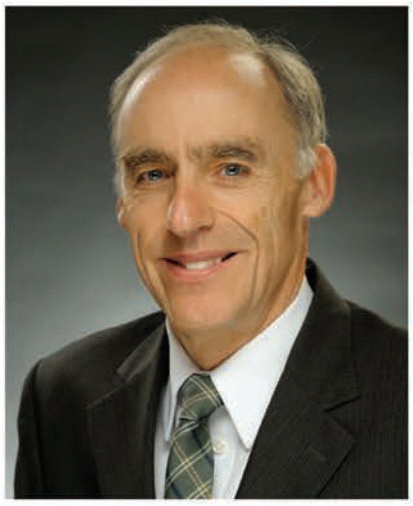

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The rankings are based on data provided by over 4,000 of the nation's most productive advisors. Factors included in the rankings: assets under management, revenue produced for the firm, regulatory record, quality of practice and philanthropic work. Investment performance isn't an explicit component because not all advisors have audited results and because performance figures often are influenced more by clients' risk tolerance than by an advisor's investment-picking abilities.

Past performance cannot guarantee future results.

Investment and Insurance Products: ▸NOT FDIC Insured ▸NO Bank Guarantee ▸MAY Lose Value

‘We have not had a ten percent correction in the S&P 500 since 2011, so we fear there is some investor complacency. Issues such as the Federal Reserve ending its bond buying program is just one example of how markets could become more volatile.’

MARC A. DOSS

‘Corporate profits are growing, productivity remains high, energy costs are continuing to fall, manufacturing is doing well, and exports are growing. Therefore, we expect positive returns for equities in 2014, although not a repeat of 2013.’

MICHAEL PAGANO

Continued from page 42

ment - which should include a risk analysis. Without a proper plan in place, you’re setting yourself up for failure.

PAGANO: It’s the foundation upon which to build. With a well thought out plan, families can avoid distractions and achieve their intentions and goals. Many people focus on just the financial aspects instead of spending more time determining what those financial objectives are intended to enable. For example, saying they have a goal to have $20 million in their portfolio doesn’t really say anything about lifestyle or family goals are and how that portfolio fits in to that picture.

◆ What is your general market outlook for the remainder of 2014?

DOSS: We are modestly bullish on the equity markets for 2014. Our year-end target is 2000 on the S&P 500, which represents decent upside to today’s levels. When you add in the dividend, the potential return on the S&P 500 rises to the high single digits. We also think it is important for equity investors to be prepared for higher volatility this year. We have not had a ten percent correction in the S&P 500 since 2011, so we fear there is some investor complacency. Issues such as the Federal Reserve ending its bond buying program (or tapering) is just one example of how markets could become more volatile in 2014.

DETANNA: Q1 2014 was more lackluster with flat indices compared to the fifth anniversary of the stock market’s Bull Run. The equity markets showed some resilience during the last week of the month after the Federal Reserve Chair signaled that “considerable slack” in a “tough” labor market means the central bank will continue its monetary support for some time. Growth in the US economy is likely to pick up during the remainder of the year while inflation is expected to remain low. Interest rates are expected to rise modestly. Expectations for equities are more modest in the US than 2013 and emerging markets are beginning to look more attractive than they have in the last two years. Concerns continue to remain over the low current yields in fixed income sector coupled with rising interest rates, and municipal bonds are a bright spot for clients in higher tax returns.

SCHLATTER: Even though the consensus still appears to be that the severe winter weather caused only a temporary slip and that the economy continues to move along, we are a bit cautious. Domestically speaking, we are in a transition period with a less accommodative Fed and an increasing interest rate environment. As a result, increased volatility has returned to the markets along with some profit taking. Considering last calendar year’s return of 32% in the S&P 500 was the equivalent of three good years packed into one, any gains this year will be hard earned.

PAGANO: With the economy entering period of modest self-sustaining growth, we expect corporate earnings growth of 7%-9% in 2014. Our proprietary economic indicators show that new job creation and wage increases will continue to support consumer spending, which accounts for about 70% of GDP. In addition, we believe interest rates will remain low for a considerable period, helping both housing and business spending, two key economic drivers. Corporate profits are growing, productivity remains high, energy costs are continuing to fall, manufacturing is doing well, and exports are growing. Therefore, we expect positive returns for equities in 2014, although not a repeat of 2013. Returns on investment grade bonds should be flat to low single digit while high yield bonds should provide more yield to income seeking investors who can tolerate the additional risk.

◆ Given your firm’s outlook and forecast for the year, what is your best advice for longer-term portfolio asset allocation?

DOSS: One of the most important investment decisions is getting the long-term asset allocation correct for our clients. Each client’s situation is different, so we first start with a comprehensive financial plan and then develop the overall asset allocation strategy. We expect somewhat normal returns for equities, but traditional fixed income investments remain at risk given our assumption that 10 Year Treasury yields will have an upward bias in 2014. Our year-end forecast is 3.5% on the 10 Year Treasury. That would mean negative returns for longer maturity fixed income investments in 2014. Given this fixed income forecast, it remains critical to be broadly diversified across multiple asset classes. Investors should pay particularly close attention to the strategies they are employing within fixed income. We recommend most investors perform a detailed diagnostic of their fixed income portfolios to make sure they are not taking undue risk.

PAGANO: The reality is that our nation is at the forefront of a global, synchronized expan-

46 ➜

'Considering last calendar year's return of 32% in the S&P 500 was the equivalent of three good years packed into one, any gains this year will be hard earned.'
JOHN P. SCHLATTER

'Once wealth has accumulated at a more senior generation, sales and loans can be used very effectively using the historically low interests rates seen today to pass wealth even after a client has fully used his or her credit against gift and estate tax.'
LAURA A. ZWICKER

Continued from page 44

sion that includes Asia and Europe and that we believe will gather strength in 2014. We see continued performance in equities, opportunistic income strategies, and cash-yielding alternatives. We remain uninterested in long-dated fixed income investments until interest rates finish what we believe will be a gradual advance and reach levels where these types of investments will be more rewarding. For the first time since the onset of the global financial crisis, markets are seeing significant positive cash flows into stock funds and negative flows out of bond funds. Buybacks by corporations, purchases by foreigners, and increase in margin debt add to positive demand outlook for stocks.

◆ What can advisors do to keep news-driven distractions out of clients' heads to keep them focused on their long term plan and goals to grow wealth and prevent them from exiting out and entering into the market at the wrong times?

DOSS: We strongly believe that investors who also have a comprehensive financial plan will be more likely to ignore the daily distractions of sometime volatile markets. Globally diversified portfolios of multiple asset classes will also help smooth long-term returns and should allow investors to stay the course, despite periodic short-term headwinds. Education is also critical for clients so they are prepared for short-term volatility. The lessons of behavior finance should be shared with clients, so they understand it is important to fight against short-term emotional reactions that may damage their long-term financial plans.

◆ What tax planning and reporting issues are your clients facing as mobility and wealth have become global?

ZWICKER: As clients and their wealth have begun to move globally, a vacation house in Portugal, a stint as an investment banker in London, it has become very important for advisors to make certain that their clients are complying with the foreign asset reporting requirements imposed by the United States, including the FBAR and 8938 filings. In addition, it is important to help their clients be aware of and find appropriate local advisors to comply with non-US reporting requirements. Finally, to provide the best advice to clients, advisors need to be aware of planning pitfalls for non-US persons. For example, funding a revocable trust for a UK national could trigger an immediate inheritance tax charge and for a French national could create a presumption of tax evasion as well as significant penalties if it is unreported.

◆ What tools, products and processes can assist advisors in helping clients be more tax efficient while growing wealth and still maintaining cash flow needs?

DOSS: Tax efficient investing is critical, since many clients face higher tax rates, which are unlikely to decline over the next few years. Active management of portfolios should include frequent monitoring of gains versus losses. Advisors should not just perform this process at year-end, rather it should be ongoing. Market volatility should be used to periodically recognize losses. Losses have become more valuable given higher tax rates. Clients should stay focused on long-term investing and avoid short-term trading of securities so that gains are converted to long-term. The placement of tax-inefficient investments in IRAs when possible should also be employed when possible. This asset location approach is an important concept in addition to asset allocation. Exchange traded funds and mutual funds should also be carefully selected not only in relation to their long-term performance, but also how they manage their tax exposures and gains.

BAKER: We employ a full array of strategies to meet the needs of advisors and their clients. One example is a Charitable Remainder Unitrust, a wonderful vehicle for charitably inclined clients who have appreciated assets and wish to establish a tax efficient income stream. Frequently people will donate an appreciated asset(s) to the trust. The trust will then sell the asset, avoiding immediate tax on the gain. The trust will have a stated payout rate based on the annual market value. Assuming the sale proceeds are reinvested to earn a return greater than the payout rate, the annual cash flow will increase over time. The assets can be invested to maximize after-tax payments. Once the trust terminates the corpus will go to charity, but the donor receives the tax deduction at the beginning when the asset is transferred into the trust. The financial analysis is often quite favorable for the client.

◆ What advantages and disadvantages do you see your high net worth clients experiencing as a result of living in California?

DOSS: California has the highest marginal personal income tax rate in the country. This high tax

48

Continued from page 46

rate requires greater coordination between a client's tax and investment advisors. Tax-efficient investing strategies should be used as well as other strategies such as charitable giving. We continue to favor tax-free municipal bonds as another way for investors to generate higher after-tax yields, particularly for those investors in the highest brackets. At the same time, the California coastal communities have experienced significant recoveries in their real estate holdings. Add in gains in equity portfolios, and the total net worth for many Californians is at peak levels. There has also been a resurgence in the technology sector. This resurgence continues to favor the coastal communities in California. Overall, the California economy continues to recover and is poised to grow faster than the rest of the U.S. in 2014.

◆ How can asset allocation help a client focus on investing to build wealth in lieu of day trading or taking big bets in the short run?

PAGANO: Research suggests, over 90% of a portfolio's returns can be attributed to asset allocation. A wise decision involving asset allocation will have far more impact than a wise decision on a particular investment. With asset allocation being of upmost importance, clients should also be aware of tax drag and concentration risk. First off, day trading is tax inefficient and highly risky. Even for a sophisticated investor, big bets can be extremely risky. While many clients generate their wealth through concentrations in owning their own business, few generate their wealth through "big beats" in individual equities. Clients come to us to preserve and growth wealth, concentration risk can potentially erode wealth. Clients must remember they are investors, not traders; those are two very different things requiring very different approaches.

DOSS: Asset allocation is one of the keys to successful investing. Trading and taking big bets is not something we recommend. Trading is not investing. Investing for the long-run requires patience and discipline. Investors with the correct asset allocation will be much better equipped to handle the peaks and valleys today's capital markets often experience.

◆ What are some of the most effective ways you have seen donors, financial advisors, and charities partner together?

PAGANO: There are countless charities in our communities that do important work. Those who are most effective bring together money, ideas and execution. Donors today are more involved than just writing a check. Where advisors can help is assisting clients turn a passion or hobby into a greater good. Our advisors spend time understanding which philanthropies are important to clients and then help them find the best way to help.

BAKER: CCF frequently works with financial advisors and their clients to maximize donors' philanthropic objectives. A donor can establish a Donor Advised Fund (DAF) at CCF and recommend that their financial advisor invest the assets. In this way, the donors benefit from CCF's expertise in the charitable sector, while retaining their advisor's expertise in the financial sector. All parties work together to develop a customized plan that takes into account the donor's anticipated grantmaking schedule and risk tolerance.

◆ For clients who own real estate, what strategies are you recommending for 2014? Would you recommend different strategies for investment property versus property that the client is living in?

BAKER: In cases where Angelenos have rental property that is significantly depreciated, a 1031 exchange can be an option to sell a property, purchase another and avoid immediate tax on the gain. In cases where a client no longer wants to manage property this is an insufficient alternative. A charitably inclined person can transfer the property to a charitable trust, defer tax on the sale, receive an income tax deduction for a percentage of the value, and reinvest the proceeds to generate a stream of income for life. Donors who live in the property can establish a Retained Life Estate, allowing them to live in the house for their lifetime, and then donate to charity upon their passing. While this doesn't establish an income stream, it generates an immediate significant tax deduction that can be carried forward for a total of 6 years, which is equivalent to a short-term income stream.

◆ What tax planning issues should clients be considering given the changes in the tax law that became effective in 2013?

SCHLATTER: For clients that have seen their income taxes increase at both the Federal and State level, they should consider investing their fixed income investments into tax-free municipal bonds and/or tax advantaged investments such as master limited partnerships (MLPS) or publicly traded and non-traded REITS. The former provides double tax free income and the latter provides partial tax-free income. For clients considering wealth transfers, the exemptions have actually increased to 5.34MM per spouse. With proper planning, these exemptions can be used to help facilitate tax-free wealth transfers in excess of $100 million.

DOSS: Investors may be surprised how much more they owe in taxes than in past years. Individual tax rates and capital gains rates have increased for many Californians. There is also a 3.8% surcharge for the Affordable Care Act that could catch a number of higher tax payers. We highly recommend that clients keep their investment advisors informed of their unique tax situations in a coordinated effort to help minimize taxes in 2014 when possible.

ZWICKER: The dramatic increase in the top California and federal rate brackets on capital gains coupled with a decrease in the estate tax rate has meant that income tax planning is an ever more essential part of estate planning. California has increased the top rate imposed on capital gains to 13.3% and the top federal rate has increased to 23.8% over the last year, making California the state with the highest tax rate on capital gain income in the country. When you add to this the fact that much of California's wealth is in low basis real estate investments and zero basis founder's stock and the fact that the exemption from federal gift and estate tax rate has risen to $5.34 Million with a drop in the gift and estate tax rate to 40%, it is clear that the income tax cost of traditional estate planning techniques has to be rethought.

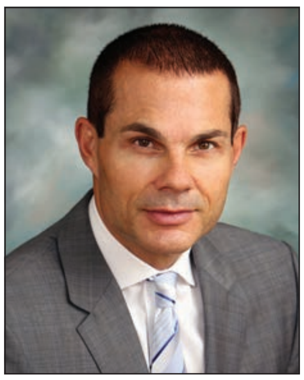
◆ What techniques can be used to create more efficient strategies to pass wealth from one generation to the next?

DETANNA: Gifting techniques can be used to pass assets from an estate to heirs. Using annual giving, a client can gift $14,000 per year to each beneficiary, without it reducing their lifetime annual gift. Couples can gift $28,000 per year per person. In lieu of gifting cash, clients may gift appreciated fractional shares of real estate and thus gifting a value "over" $14,000. This is called discounting and should be planned with your advisor, accountant and estate attorney. A person can also gift up to $5,340,000 using the Unified Estate and Gift Tax Exclusion amount. This lifetime credit can offset the estate tax up to $5,340,000 on assets. It can be gifted during life or at passing with no federal estate tax. Spouses can combine their credits and together gift up to $10,680,000. This gift requires your accountant filing a gift tax return.

SCHLATTER: It's very simple. At death, your estate is taxed on what it owns (above allowable exemptions). However, there are no estate taxes on assets that your family does not own. Therefore, while you're alive, and at death, it's imperative that careful planning is utilized to transfer as much wealth as possible into "Legacy" trusts that will avoid estate and generation skipping taxes. In addition, these Legacy trusts can protect your assets from creditors, bankruptcy, and divorce for your children and grandchildren. By combining a well-planned gifting strategy along with strategic sales of particular assets, affluent families can transfer virtually an unlimited amount of assets through multiple generations.

50 ➔

Salient planning helps the right choices reveal themselves.



John Schlatter, CFP®

Salient Consulting Group's private wealth services helps multi-generational clients with assets between $20 and $500 million. Our services are rooted in developing deep personal relationships to help guide families as they look to grow, enjoy, and protect their wealth. We meet regularly with our clients to consult on best practices to help navigate the challenges of managing family wealth. Our services include:

- Intergenerational Wealth Transfers and Legacy Planning
- Private Wealth Services and Wealth Management
- Philanthropic and Family Foundation Planning

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Continued from page 48

BAKER: There are several strategies available including a Charitable Lead Trust. In this case, a trust is created and funded with an asset that will eventually be transferred to heirs. The value for transfer purposes is "locked in" at the time of transfer to the trust. Over the duration of the trust an income stream is donated to charity and at the termination of the trust the asset is transferred to the heirs at the appreciated value.

ZWICKER: Some of the most efficient wealth transfer planning involves no actual asset transfers, but allows new business/wealth accumulation opportunities to be taken by entities owned either directly or through trusts for younger generations of family members. The Lauder family has engaged in this wealth transfer strategy with enormous success, with Clinique being owned almost entirely by Joseph and Estee Lauder's children and the Origins and Prescriptives lines being owned almost entirely by their grandchildren. Once wealth has accumulated at a more senior generation, sales and loans can be used very effectively using the historically low interests rates seen today to pass wealth even after a client has fully used his or her credit against gift and estate tax.

PAGANO: Many estate plans for high net-worth (HNW) individuals are based on Wills or Trust provisions that take effect at death and are founded on uncontrollable assumptions (e.g., whether there will be an exemption from the federal estate-tax at death). HNW individuals who successfully transfer wealth do so during life, not at death, using federal gift-tax planning techniques such as:

- Annual gift-tax exemption transfers
- Grantor Retained Annuity Trusts (GRATs)
- Qualified Personal Residence Trusts (QPRTs)
- Self-Cancelling Installment Notes (SCINs)
- Intentionally Defective Grantor Trusts (IDGTs)
- Valuation adjustment (family partnership and/or LLCs)

Gift-tax plans require a detailed budget and start with a solid financial plan created by a financial advisor. After a detailed budget is created, gift-tax plans can be structured by a coordinated team consisting of your attorney, banker, financial advisor, accountant, and insurance professional. It's often not "estate-tax" planning that is important… It is often "gift-tax" planning that carries the day.

◆ Do you ever get involved in helping clients pass along their values to younger generations?

BAKER: Absolutely! In fact, it's an area of specialty for us. CCF consults with multigenerational families on their philanthropic goals, often bridging viewpoints and different generational perspectives. As CCF is a neutral party for philanthropy, we can help family members and different generations pursue philanthropy together or separately. CCF's Centennial Legacy Campaign, inspired by the foundation's 100 years of building donor legacies, is a great avenue for families to think about how their charitable giving can make a meaningful difference for future generations. We encourage families to visit www.myLALegacy.org to hear from other donors about how they are transforming their values into a legacy that will benefit Los Angeles communities in perpetuity.

ZWICKER: Helping clients think about their values and how they would want the wealth they have accumulated to further their values for generations of family members is just as important as, if not more important than, the tax planning we help clients with. Depending on the client's values, this kind of planning can take the form of a private foundation with a junior board to help involve the client's grandchildren in philanthropy from a young age to trusts to support higher education for an unlimited number of generations of family members.

DETANNA: After clients' complete retirement and estate planning steps, we advise they write a family mission statement and have family meetings to prepare heirs to be good stewards of wealth. These meetings go beyond money working to create meaningful positive conversations that foster communication, trust and harmony. Heirs understand what's important, expanding their knowledge about wealth and how to better the world with it while carrying on the family's vision. There is growing belief that family's willingness to talk to their heirs about money can develop a philanthropic outlook and avoid fostering some negative stereotypes of underachieving, non-motivated beneficiaries. Families want successors to have better and easier lives. They want heirs to be fruitful productive citizens. Over time family meetings make heirs fall in sync, become aligned, know and understand the family history and values.

◆ How can advisors better address the fact that many times within three generations of the wealth creation by the patriarch and matriarch, the money has been lost by their heirs?

ZWICKER: As advisors, we can help our clients craft plans that provide support for financial education and literacy as well as tax efficiency. In addition to providing younger generations with the financial tools necessary to make wise decisions, planning should involve engaging younger generations in a way that allows them to feel responsibility toward younger generations as stewards for the family's wealth.

DETANNA: Advisors must encourage and assist their clients to take charge of the wealth transfer process within their family, working to create a supportive environment to teach successors about the money and how to preserve it. Open communication that touches issues beyond the assets creates family cohesion. Trust among the members of the family with clearly defined roles allows the mission and vision of the family to permeate. The vision must be learned, understood and shared and communicated. Historically a family didn't talk about wealth or wealth transfer and many times heirs had no idea of the family fortune until after their loved ones' death. The heirs must learn how to successfully manage the assets and understand the risk verses the rewards of investing. These beliefs should be memorialized in an investment policy statement, which is a playbook or rules and goals of the family. Quarterly investment meetings should be held.

◆ What issues should same sex couples be considering following the Supreme Court's decision in Estate of Windsor?

ZWICKER: Same sex couples should be working with their tax and financial advisors to understand the tax and financial implications of their current status and how the federal benefits now available after the decision in Estate of Windsor would impact them if they were to get married.

PAGANO: The Defense of Marriage Act (DOMA) defined "marriage" as being between one man and one woman. Several court cases (including U.S. v. Windsor) found DOMA to be unconstitutional (due process and equal protection) and reaffirmed that the definition of "mar-

52

Continued from page 51

riage" remains a States issue. Thousands of benefits and pitfalls potentially are impacted based on the status of being "married," and married same-sex couples must learn a whole new ball-game when it comes to estate and financial planning.

- Retirement plans (and beneficiary designations) must be updated.
- Wills and Trusts must be redrafted.
- Income-tax withholding may have to increase.
- Pre-marital / post-marital agreements should be discussed.
- Community Property law should be understood.

Married same-sex couples should assume that everything that they have in place needs to be updated. They should assemble their advisors (e.g., banker, financial advisor, attorney, accountant, insurance professional) and have every aspect of their financial and estate plans reviewed.

◆ What planning should non-US clients consider before becoming US residents?

ZWICKER: Once a client moves to the United States, the client is likely to fall within the US gift and estate tax system and the client's worldwide assets will be subject to that system without regard to whether the person they are passing assets to is a US or a non-US person. Therefore, before any immigrant visa is issued and before a client acquires significant assets in the US, the client should work with advisors in his or her home country as well as in the US to determine whether any pre-immigration planning is appropriate. Pre-immigration planning can be as simple as making gifts of non-US assets to non-US beneficiaries at a time before the client becomes a US resident to establishing an appropriate multi-tiered structure to accommodate ongoing business and investments interests.

◆ How do investors manage the complexities of the current investment market?

DOSS: The capital markets continue to get more complex. Yet, investors need to focus on their long-term objectives first such as retirement planning, income generation, and maintaining purchasing power. Life spans are increasing, so planning for longevity is critical so that investors do not outlive their portfolios. For example, there is a 72 percent chance that one person from a couple will live to 85. One out of three people born today will live to 100. This means investors need more than ever to invest for the long-run and learn to overcome the daily noise of the capital markets.

◆ What are the issues that are causing your clients and investors to lose sleep at night?

DETANNA: Bad news creates worry about not having enough money for clients especially since we have experienced two market crashes in 15 years. Advisors need to interpret news – filtering out "noise" and talk big picture. Rebalancing investments captures advantages in falling and rising markets – tactical shifts help portfolios meet client's goals. History says panic selling and exiting at bottoms has been wrong. Those without financial advice experience portfolio underperformance compared to the benchmarks, because they jump in and out of markets during the wrong times. Solid financial plans and investment processes –increase the probability that wealth creation to take care of families and their offspring. Multigenerational planning teaches heirs to be good stewards of wealth so clients worry less. Families want their children to have a better life that is easier and more productive and have assets grow for future generations.

◆ What should a client be asking his or her advisor in 2014?

PAGANO: The same as every other year:
- Confirming what is important to me.
- What are you doing to make sure my plan stays on track?
- What should I worry about that I am not even thinking about?
- Are there any economic or political developments that could cause me to make changes in how I invest, borrow, or plan?
- Are there unique opportunities I could be taking advantage of?
- What happens to me if you are unavailable or if you retire?

DETANNA: Some good questions to ask are:
- What investment process do you use to reduce volatility in an "all – time" high market?
- How do you approach investing in fixed income with interest rate risk, reinvestment risk, and a very low interest rate environment?
- How can you help me ensure I can meet my financial goals and be able to retire in the same lifestyle as my highest earning income years?
- How do you provide education to me and my family so that we can make rational informed decisions about our money and our future?
- Do you help me with other financial things like college plan for the kids, my 401k at work, get ting a loan to purchase a home?
- Explain your financial planning and investment process and what are your all inclusive fees?
- How do you makes changes in the portfolio as the economy shifts?

SCHLATTER: Here is a list of questions to bring into your next meeting with your advisor:
- How can I protect my assets and my children's assets from creditors and/or divorce?
- How can I transfer my business and/or assets through multiple generations without paying gift taxes or estate taxes?
- How can I transfer more than the available amount of exemptions (currently 5.34MM per spouse) to my family while I am alive without paying taxes?
- How much risk am I currently taking in my portfolio?
- How do you measure that risk?
- Am I getting enough in return to warrant the amount of risk I am taking in my portfolio?
- How do you measure that?

BAKER: CCF recommends asking financial advisors how best to combine financial and philanthropic objectives, particularly in light of recent tax changes. There are many vehicles and strategies that can be financial beneficial to clients, their families and their favorite charities, but too often that question is not asked.

◆ How has the wealth management landscape changed when compared to ten years ago?

SCHLATTER: In the past 10 years, the amount of assets a wealthy family can transfer by way of gift to younger generations has increased from 2MM to 10.68MM and by way of sale from 20MM + to 100MM +. As a result, younger generations will need to do additional planning to maintain proper stewardship of family assets. Therefore, affluent families will look to their advisors to be well educated in the transfer tax system as well as asset

54 ➔

> ‘Access to financial and investment information, banking and lending, and protection of assets with insurance – three parts of financial services, can be done online. However, without help, “do it yourselfers” often misstep in their investment choices, overtrade, or don’t step out of the trees to see the whole forest when building a plan.’
>
> LISA DETANNA

Continued from page 53

protection and asset management. Finally, it will be important for wealthy families to work with advisors that can provide a continuity of planning services for younger generations.

PAGANO: The deluge of information and broader selection of investment options come to mind first. Clients are better informed, but not necessarily better investors. It has always been difficult for investors to shift through the noise for meaningful and relevant data; it is harder today. To the extent clients are able to be better informed, there is more risk to be misinformed and succumb to making investment decisions deleterious to one’s long-term financial health. Patience is a rarer virtue nowadays. As far as investment options, there is much more available to the high net worth investor outside of the traditional asset classes of stocks and bonds, like alternatives investments, opportunistic fixed income, specialized equity investments that, when implemented properly, can result in more efficient and diverse portfolios. Today it is possible for an individual to have a portfolio structured in a way available only to institutions a decade ago.

DETANNA: Technology has made information accessible and free. Some investors feel advice is a commodity. Access to financial and investment information, banking and lending, and protection of assets with insurance – three parts of financial services, can be done online. However, without help, “do it yourselfers” often misstep in their investment choices, overtrade, or don’t step out of the trees to see the whole forest when building a plan. Years ago, clients had a banker, insurance agent, and investment advisor. Clients demanded that this service model change. Thus, the financial advisor was born; one person knowledgeable in all three areas. Breaking down silo’s and having an advisor that’s non-biased, conflict free, with reasonable fees is what wealthy families want. This trusted advisor can get to know you and all issues about money within your family to help you build futures.