WEALTH MANAGEMENT & ESTATE PLANNING

The **Wealth Management & Estate Planning** panel is produced by the L.A. Times B2B Publishing team in conjunction with Citrin Cooperman; Greenberg Glusker LLP; Holland & Knight LLP; Miller Kaplan; The Private Bank at Union Bank; and Strategic View Advisors.

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There are 1,042,027 millionaire households in California – 7.7% of all households – according to Phoenix Marketing International. About 270,000 of those millionaire households are based in L.A. County, more than any other county in the nation.

Recent developments in the fintech market have opened private wealth management products and services to people with less disposable income. This, along with people's desires to better manage their finances and estates if they're faced with another crisis, indicate just how important wealth management has become.

For a closer look at the latest trends and concerns in wealth management, we turned to some of the region's leading experts in wealth management, accounting and law, who shared their insights.

Q: DURING THE COVID-19 PANDEMIC, WHAT HAVE YOU BEEN HEARING FROM YOUR CLIENTS ABOUT THEIR PORTFOLIOS?

A: Kaplan
At the start of the pandemic, we saw portfolios decrease rapidly because there was so much fear and anxiety as to what this would do to the global marketplace, and the volatility of the marketplace has had everyone on the edge of their seat. However, some people successfully predicted the impact the pandemic would have on supply chains, the way business would be conducted, and investments, so for a lot of my clients, their portfolios have done extremely well. They were overweighted in technology, consumer products and health care companies. From the 19,000 that the DOW dropped to in March 2020 to the 34,000 now – it has been quite a ride, but most clients have weathered the storm and experienced a relatively quick recovery.

Q: WHAT KEEPS YOUR CLIENTS UP AT NIGHT IN 2021?

A: Powell
No doubt it's the question, "Will my wealth help or hurt my kids?" Many clients cite Warren Buffet and say they want to give their kids enough to do anything but not enough to do nothing. If every client had $100 billion that would be easier to do because we planners could take the time to help our clients understand what "doing anything" really means. Too many times I read trusts with incentive clauses that say the trust will match a beneficiary's income. But as parents, we don't really want to boil the support we give our children down to a comparison of their paychecks, do we? We want to help them engage their energy in fulfilling activities.

Q: HOW DO YOU BUILD IN PROTECTIONS FOR YOUR CLIENTS?

A: Moyzes
Process, process, process. The biggest threat to a client's financial success isn't down markets, it's taking the wrong action at the wrong time by letting emotion override good decision-making. And the threat is not just to clients! Advisors can get emotional as well and let their own fears dictate their actions in a way that jeopardizes the people they are supposed to protect. To guard against that, our team puts processes in place before drawdowns occur. As a result, when the rubber hits the road, our actions are not driven by our emotions. For example, our processes dictated rebalancing into equities during the 2020 crash. Purchasing stocks during a global pandemic did not feel good, but we were able to provide significant value to our clients by simply doing what we had agreed in advance to do.

A: Herrmann
First and foremost, we evaluate the client's risk tolerance. In almost all cases, we strongly advise to set a well-diversified portfolio across various asset classes and discuss the short-term risks of such asset classes. In building the allocation, we build in protection by holding 2-3 years of cash (or cash alternatives). This provides a buttress in dramatically reducing or negating the possibility that our clients will be forced sellers. This cash cushion allows our clients to ride out negative market conditions or even a bear market (defined as a 20% peak to trough drawdown) and prevent a permanent loss of capital if they were forced sellers in the nadir. Risk is often defined as volatility; by holding liquid resources to ride out extreme volatility, one's medium and long risk is minimized.

> *"It's no secret that the tax laws are under scrutiny right now, and estate and gift taxes are no exception."*
> — Stefanie J. Lipson

Q: WHAT ABOUT BUSINESS OWNERS? WHAT ARE YOU TALKING ABOUT WITH THEM THESE DAYS?

A: Kaplan
Strategic planning. Cash management is a big issue; since logistics and supply chains are taking much longer, there's a huge demand and not a lot of supply – which means there is plenty of opportunity to reevaluate and diversify supply chains and service offerings. Companies who only had one or two supply chain sources have taken the biggest hit – many of those companies are still struggling to get back on their feet. Meanwhile, companies who have fared better are now positioned to acquire these struggling companies – to gain new market share, new products, new customers, and new supply chains. Certainly, the geopolitical and geoeconomic issues (U.S.-China relations, U.S.-Middle East relations, etc.) that are part of today's business world factor into the strategic planning and supply chain discussions as well. The companies that can diversify across those will be the most successful.

Q: HOW ARE CLIENTS REACTING TO NEWS OF THE BIDEN ADMINISTRATION RAISING CAPITAL GAINS TAXES?

A: Kaplan
Clients are mixed; some feel like they understand it and don't have an issue with paying their fair share while others (most) are rather unhappy with this news. Many clients feel it will lead to fewer investments in the market – and less money funneling into the market is bad for the economy. Along with a proposed increase in the tax rate on businesses, this would lead to less money for companies to invest in research and development of their products or services as well as their infrastructure. At a time when businesses are struggling to recover due to the constraints of the COVID pandemic, they believe that this would do more harm than good.

Q: WHAT ARE YOU ADVISING CLIENTS WHO ARE WORRIED ABOUT INCREASES IN CAPITAL GAINS TAX RATES?

A: Babington Falls
I advise them as follows: If you are planning to sell a business or other appreciated asset in the next 12 months and the increased tax would prove a material cost to you, acceleration of the sale and triggering capital gains in 2021 may very well make sense. Otherwise, if you like an asset and intended to hold it for a number of years, it is probably best to do just that – sit tight and enjoy the continued tax deferral. Tax rates fluctuate depending on the priorities of the individuals in power at that time and, thankfully, we are not in 1920 when the top capital gains rate was 77%.

Q: WHAT ARE SOME OF THE PROPOSED TAX CHANGES THAT COULD IMPACT BUSINESS OWNERS?

A: Kaplan
The proposed change to the tax rate on business owners could be devastating for small and medium sized businesses. Raising their rates – at a time when they are struggling to get back on their feet – makes it harder to reopen and rehire their previously laid-off or furloughed workers. This hurts their opportunity to rebuild, grow, and ultimately hurts the economy as we start losing the small businesses that are vital to our Main Street economy and the backbone of the American dream.

A: Babington Falls
Since 95% of businesses are pass-through businesses – sole proprietorships, LLCs, partnerships, and S corporations – an increase in individual income tax rates

could mean an increase in taxes on the business income of the owner. An early phase-out of the up-to-20% deduction for qualified business income could also increase a business owner's tax bill. For real estate investors, 1031 exchanges could be on the chopping block, as well as the current special tax treatment of carried interests that minimizes taxes on certain real estate and private equity investors. These changes reflect a shifting of priorities from incentivizing investment to incentivizing middle-class workers, which has been a stated goal of the Democrats for years. New incentives rewarding domestic investment and investment in renewable energy could prove a positive impact for some business owners.

Q: WHAT GEOPOLITICAL EVENTS ARE YOU WATCHING FOR, AND HOW MIGHT THEY AFFECT U.S. AND GLOBAL MARKETS?

A: Herrmann
To answer this question, we must address China first. U.S. policy and China's stance both affect the global financial markets and the world. China continues to flex its muscle, which can affect many areas – its ownership of U.S. Treasuries, our intellectual property protection and the listing of Chinese companies on U.S. exchanges. Both countries need each other, providing an uneasy equilibrium. President Biden's commission's findings are due in June and this could affect policy and move markets. Another area worth watching is energy policy, the Mideast, and cyber terrorism against our infrastructure. Recent events like the Texas winter storm and the Colonial Pipeline cyberattack exposed the vulnerability of our supply and our response to disruption. In 2019, the U.S. became net energy exporters; that said, because of supply chain disruptions and winter storms damaging infrastructure, recently prices spiked. With the price of gasoline rising over $1 per gallon in the past year, this large increase affects many areas of the U.S. transportation industry, ultimately causing inflation.

> *"Multiple research studies have shown that asset allocation is responsible for over 90% of long-term returns, making it the single most important decision an investor makes."*
> — Edward Moyzes

Q: THERE HAVE RECENTLY BEEN SEVERAL PROPOSED LEGISLATIVE CHANGES THAT WOULD IMPACT ESTATE AND GIFT TAXES. HOW WOULD THESE CHANGES IMPACT FAMILIES?

A: Babington Falls
Before Congress are proposals that would increase gift and estate taxes on certain transfers, by reducing the amount a person can give before a gift or estate tax accrues and by increasing the rate applied to taxable transfers. The proposals would also prevent the use of more complex estate planning strategies that have been used for decades to pass wealth to future generations of family. Proposals are also being considered that would eliminate the so-called basis step-up at death – currently a means of eliminating capital gains on inherited properties – or tax transfers at death as if the asset were sold for fair market value, thus triggering a taxable capital gain. Most experts agree that all of these are unlikely to pass in their current form and compromise is likely.

A: Lipson
It's no secret that the tax laws are under scrutiny right now, and estate and gift taxes are no exception. The current estate and gift tax exemption ($11.7 million in 2021, but subject to an inflation adjustment each year) is set to automatically expire at the end of 2025, and the exemption amount would be reduced by 50% on January 1, 2026, though the estate and gift tax rate of 40% would not increase. The current proposal in Congress would reduce the exemption to $3.5 million effective January 1, 2022, allow only $1 million of the exemption to shelter lifetime gifts (as in 2009), but would increase the estate and gift tax rates to 45-65%, depending upon the value of the estate. Reducing the exemption amount will result in more estates being subject to the estate tax or having an estate tax return filing obligation. In addition, if enacted, the legislation would reduce the effectiveness of current planning structures and change the taxation of both existing trusts and new ones established post-enactment of legislation.

A: Herrmann
The current proposed legislation (the American Families Plan) would remove the "step-up basis" tradition (after a $1 million exemption) for assets transferred at death on wealthy families. More specifically, an asset with a large unrealized capital gain would be taxed in the descendant's estate at 43.4% (if capital gains taxes are increased, also in this pending legislation). The remaining value of the assets will then be taxed at 40%. This results in a tax of over 60% on such appreciated assets!

Q: HOW HAS TECHNOLOGY AND THE INTERNET AFFECTED CONSUMERS' ABILITY TO MANAGE WEALTH?

A: Moyzes
There has been an exponential increase in information, as the internet has made available to the average consumer what once was only accessible to a select few. Unfortunately, there hasn't been a commensurate increase in knowledge, and the result is a mixed bag. The lack of training on how to determine which piece of information is accurate and applicable to their unique circumstances has led consumers to make significant mistakes with their finances. On the other hand, there have been huge strides made in the development and use of aggregation software, which allows consumers to see their full financial picture and make more informed financial decisions. Additionally, there's more transparency with their managed assets so they have a better sense of how their financial advisor operates.

Q: WHAT ADVICE CAN YOU SHARE FOR LONGER-TERM PORTFOLIO ASSET ALLOCATION?

A: Herrmann
The first step is to clearly discuss and understand the client's objectives and then develop the proper strategic allocation to achieve such objectives. For example, if the client is planning for the next generation, then the portfolio will be biased in favor of risk-on assets, such as equities and alternative assets. If the client requires cash distributions from the portfolio, we will suggest a more conservative portfolio to best protect principal and meet cash requirements. Most investors understand that historically, over a market cycle, equities outperform fixed income; however, equities are more volatile in the short term. In addition to a strategically set diversified allocation, we also will make tactical recommendations at certain times. For example, in current times, we might suggest a small allocation to ETFs in the growing cannabis or gaming industries. Lastly, taxes, fees and inflation matter! Over the long run, these factors can significantly affect your real rate of return after taxes – your true spending power. This often is overlooked.

A: Moyzes
Start with the end in mind. Multiple research studies have shown that asset allocation is responsible for over 90% of long-term returns, making it the single most important decision an investor makes. We work with our clients to determine what they are trying to accomplish and why it is important to them. We then model out a financial plan that helps determine the appropriate allocation to fund each goal. For example, if the current portfolio will fully fund the long-term goal, significant risk can likely be avoided. If not, more risk is likely necessary. It's important to avoid a one-size-fits-all mentality or to make excessive bets on one sector over another. Our team identifies what the client wants to achieve and what resources are available, and then works backwards to determine the proper asset allocation for that goal.

> *"Since 95% of businesses are pass-through businesses, an increase in individual income tax rates could mean an increase in taxes on the business income of the owner."*
> — Charity Babington Falls

Q: WHAT ADVANTAGES AND DISADVANTAGES DO YOU SEE YOUR HIGH-NET-WORTH CLIENTS EXPERIENCING AS A RESULT OF LIVING IN CALIFORNIA?

A: Herrmann
The obvious disadvantage here is taxes. California has the highest tax rate in the country (13.3% with a pending proposal of 16.8%) along with a very high cost of living in the Los Angeles area (where most of our California clients live). The problem could worsen as recent data shows that there are many high-net-worth clients moving out to more favorable state tax jurisdictions. Additionally, large businesses are following this pattern (CBRE, Charles Schwab, Oracle, etc.). This will create additional budget pressure for the state. Also, with the SALT tax deduction terminated at the U.S. level, there is a combined tax rate of over 50% for terminated high earners; this is quite disinviting. Lastly, there is talk of a 1-1.5% wealth tax on the ultra-wealthy. The two primary advantages for a high-net-worth resident of California are the absence of estate or inheritance taxes and gift taxes at the state level.

Q: WHAT TECHNIQUES CAN BE USED TO CREATE MORE EFFICIENT STRATEGIES TO PASS WEALTH FROM ONE GENERATION TO THE NEXT?

A: Powell
Suppose you're working with parents and their children on wealth transfer plans. After taking them through a values exploration process, you know they generally value security, resilience, and self-reliance. The vast majority of trusts I see today provide no guidance to the trustee beyond the IRS ascertainable standards of health, education, maintenance and support. A statement of purpose from the settlors to the trustees that encourages distributions to enhance the financial security of the beneficiaries, ensure their ability to rebound from life lessons, and help them live independently using their own abilities is one of the wisest strategies that can be used to ensure financial stability and values are a part of the settlor's legacy. Suppose the family's values instead called for distributions to help beneficiaries find new ways of doing things (innovation), pursue what they feel is morally right (justice), and support their current needs while planning for the long term (sustainability). Won't the trustee be glad to have these objectives spelled out?

> *"When setting up a trust, parents neglect the important discussion of what will be inherited, though; I always suggest having that discussion with their heirs."*
> — Michael Kaplan, CPA

A: Lipson
Someone once told me that most clients spend two-thirds of their lives accumulating wealth and the last one-third trying to give it away. Then we, as planners, use the tools in our toolbox to whittle away at it and find efficient, but imperfect, options for the client to transfer the accumulated wealth. However, the most effective wealth transfer occurs when assets are transferred to the next generation at a low value so that the next generation shares in the growth and appreciation as it happens. For example: a client is making an investment in a new startup – it's unknown whether it will be successful but certainly has potential. The client decides to make the investment with a small gift to a trust for the client's children, so that the trust will own 50% of the new investment and the client will own 50%. If the investment is successful, 50% of the appreciation already belongs to the children's trust, and the only "transfer" is the initial transfer to fund the investment.

A: Kaplan
Tax laws for trusts and estate play a critical role. Currently, individuals are allowed up to $11.7 million in lifetime gift exclusion, so that allows for a lot of wealth transfer from one generation to the next; one of the most common ways you can do that is through irrevocable trusts – passing assets from one generation to another while maintaining control as a trustee. That lifetime exclusion number is potentially going to drop significantly under President Biden's proposed legislation – potentially reducing the number down as low as $3.5 million for individuals. Biden is also proposing to eliminate the step-up in basis at death provision, which would consequentially impact wealth transfer from one generation to another and increase taxes paid by heirs in the future.

Q: HOW CAN INDIVIDUALS BEST PREPARE THEIR HEIRS TO RECEIVE AN INHERITANCE?

A: Moyzes
Be transparent with them, particularly as it relates to how the wealth was created. Tell your stories of the long hours at the office, the big purchases you deferred to save more, and the risks you took (or didn't take!) along the way. Involve them in the financial decision-making and invite them in on meetings with your financial advisor. Hiding your wealth won't magically make your heirs more responsible once they inherit it. Quite the opposite. Help them understand why this wealth is important to you and listen to why it's important to them. We encourage all our clients to have family meetings that involve their heirs, which we help facilitate, and to be open and honest about their hopes and concerns.

A: Lipson
Both as a planner and as a parent, I believe that you cannot teach through a will or trust what you did not teach during lifetime. This means that placing unfair conditions on an inheritance that are inconsistent with the messaging the beneficiary received during lifetime will not be effective and often leads to frustration and resentment. For example, if your desire is for the beneficiary to be self-supporting rather than relying on the inheritance, this will be a surprise if, during lifetime, the beneficiary was not

expected to be self-supporting and could rely on his or her family for funds. There is an entire industry focused on "NexGen" planning – educating the next generation about financial planning, introducing age appropriate information about wealth responsibility and teaching the younger generation to work with appropriate tax and investment advisors to help them understand their responsibility.

A: Powell

There needs to be an open line of communication about the family wealth among generation one and generations two or three while generation one is alive and well. Imagine receiving a $15 million wire into your bank account with the vague instruction, "Honor us." That's what most trusts do. They transfer wealth without transferring wisdom that older generations worked hard to gather. Without understanding the context in which the gift was made, the stories most important to the donor, and their north star guiding factors, the money is hard to contemplate. More importantly, these communications need to be thoughtful and ongoing over many years and include very fundamental training the beneficiaries will need. This may be the first time a beneficiary will talk to a lawyer, CPA or financial advisor. The family should make sure beneficiaries have the skillset to manage inheritances responsibly.

A: Kaplan

A lot of times people will put inheritances into trusts, and in doing so, they build in parameters for the distributions (ages, timing, etc.) which helps the heirs see into the future for and understand the circumstances under which they would receive that money or those assets. Most times, when setting up a trust, parents neglect the important discussion of what will be inherited, though; I always suggest having that discussion with their heirs. This is especially important when there are sentimental assets that should be given to specific heirs. You don't want your heirs arguing over the sentimental assets from your estate as it will just lead to animosity amongst them. Sometimes there is a concern that an heir could be disincentivized from working or earning their own money if they know the full extent of their trust. In those cases, some families may find it advantageous to distribute money before the inheritance. This enables the parents or benefactor to see their heir use and enjoy the assets, which can assist them in the timing of distributions and division of their assets.

Q: WHEN SHOULD INDIVIDUALS MAKE UPDATES TO THEIR ESTATE PLAN?

A: Lipson

An estate plan is a living document – it doesn't belong in a drawer for 20 years. Revisit the provisions of the plan every three to five years to ensure the plan is still consistent with your wishes and that your relationships with the fiduciaries (trustees, executors, agents) remain the same and you would want those individuals to carry out the plan. In addition, a significant life change – the birth or adoption of a child, a death, a move to another state, a significant change in net worth – are appropriate times to revisit the provisions of your estate plan to determine whether updates are needed. Finally, most plans are affected by hundreds of laws, ranging from California inheritance and property rules to federal and state tax laws, and so changes can impact how a plan would be carried out. Review the provisions with appropriate advisors every three to five years to ensure the plan would still be carried out as intended.

A: Herrmann

Individuals should review their estate plans at certain intervals of their lives. We like to suggest that at life cycle events – marriages, child births, divorces, death of a spouse, grandchildren, new home purchases, sale of business assets, sudden large increases or decreases in net worth, fractured or new close relationships – their plans should be reviewed, and consideration given to the relevant changes. If there are no such "events," the plan should still be reviewed at least every five years to ensure that all still seems to be in order. Additionally, we highly recommend always being cognizant of who you chose as your executor, POA, health care proxy, guardian (if you have young children), trustee(s), and successors to these individuals as they were chosen to carry out your wishes. Lastly, estate tax law changes (or pending legislation as we are experiencing now), should also influence a review.

> ***"Irrevocable trusts serve another, equally important purpose. They allow us to use structure to help wealth transfer between generations effectively."***
>
> — Mark Powell

A: Babington Falls

A trust avoids probate, and a will does not. A will directs where assets owned by the deceased at death go after payment of the deceased person's creditors. In order to ensure the will is valid, it must go through the costly judicial process called probate to prove its validity. Because trusts do not die but continue to exist as a legal entity after a person dies, assets owned by a trust do not have to undergo the probate process. This doesn't, however, mean you should have only a trust. Most wills in California act as a catch-all and direct that any estate assets not titled in the trust at a person's death pour from the estate into the trust to be distributed according to the trust's terms. Wills also serve as the document in which parents of minor children will nominate a guardian in the event of an untimely death.

The short answer is to make updates whenever the plan no longer accomplishes your goals. More importantly, review your estate plan regularly, at least every three years or sooner if your family makeup changes – due to births, deaths, marriage and divorce – or when tax laws change. Ensure those you name as beneficiaries are those you want to benefit from your estate. Ensure the selection of trustees and agents named in powers of attorney are in line with your wishes. And don't solely review your estate planning documents. Many death benefits, such as benefits under retirement plans, life insurance policies and bank accounts, are distributed to the beneficiary named in the plan documents regardless of what your will or trust directs.

Q: WHAT ARE THE PRIMARY REASONS FOR CREATING AN IRREVOCABLE TRUST?

A: Powell

Estate tax freeze and many transfer techniques use irrevocable trusts, and planners should always include appropriate tax planning for clients. Irrevocable trusts serve another, equally important purpose. They allow us to use structure to help wealth transfer between generations effectively. I recently met with a member of generation three after he became eligible to serve as a trustee of his family's charitable trust. He was distressed by language in the trust that prevented supporting LGBTQ+ programs. It made him question the support he received from his family after he came out to them and doubt whether he could be involved with the trust. Luckily, the trust employed a committee governance structure, and the committee was charged with involving future generations even if it meant altering course. This structure allowed a deeply personal conversation among family members, who rose to the occasion in tremendous ways.

A: Kaplan

To get it out of your estate – you only have up to $11.7 million in lifetime exclusions, so move appreciating assets out of your estate while they're at a low value. It reduces the amount that counts against the lifetime exclusion and the amount of estate tax your heirs would inevitably have to pay. It also ensures the added benefits that it is out of your estate for litigation purposes as well and could provide a sense of privacy for those assets.

A: Lipson

Trusts are not "one size fits all." Most commonly, we utilize an irrevocable trust to implement one or more tax planning structures, whether income tax, estate and gift tax, generation-skipping transfer tax or property tax, to name a few. That said, the purposes of the irrevocable trusts widely differ – for some, they are intended to create multi-generation benefits for the family to use and access, others are intended to provide an ongoing source of funding to charity while still providing for family members or friends, others facilitate business succession and cross purchase or "buy out" terms among business owners and others can be used to meet obligations, such as in the case of premarital agreement or divorce agreements.

A: Babington Falls

Irrevocable trusts serve many important purposes. A well-drafted irrevocable trust can protect assets from frivolous spending by an immature or less financially astute beneficiary by naming a more capable person to manage the assets for the beneficiary. A well-drafted irrevocable trust can provide some element of protection from a beneficiary's creditors, including divorcing spouses. A well-drafted irrevocable trust can supplement a disabled beneficiary's state and federal disability benefits without jeopardizing the beneficiary's right to receive those benefits. A well-drafted irrevocable trust can be the vehicle through which a person satisfies his or her philanthropic vision in a tax-efficient, thoughtful manner. Lastly, certain irrevocable trusts can provide estate tax benefits to the person funding the trust.

Q: IS THERE AN ADVANTAGE IN USING A TRUST INSTEAD OF A WILL?

A: Lipson

In California, the advantage of using a trust as the primary document in a core estate plan instead of a will is the opportunity to avoid a court-supervised public probate proceeding to transfer your assets to your intended beneficiaries at death. There are other forms of ownership that can likewise avoid a court probate proceeding, such as holding assets with "rights of survivorship," designating a beneficiary on a life insurance policy, retirement account or creating a "pay on death" or "transfer on death" designation for a bank or investment account. However, these non-probate transfers do not always offer flexibility when there are complex provisions for beneficiaries and are often limited in being able to specify "contingent" distribution options if the primary or secondary beneficiaries are deceased.

Q: WHAT ARE SOME MISTAKES INDIVIDUALS MAKE WHEN WORKING WITH THEIR WEALTH MANAGEMENT ADVISORS?

A: Lipson

Wealth planning, whether asset allocation, wealth transfer strategies, succession or tax planning, requires both an understanding of the big picture and a patience to be deliberate with each brushstroke. No one artist should paint the entire picture. The most effective planning often comes from a collaborative approach where advisors from multiple disciplines can pool their collective knowledge to provide the best advice to the client. Unfortunately, often there is resistance to this approach – sometimes it is the advisor's own personality, sometimes client fee sensitivity and other times it is a lack of communication. With the right team, the first two issues can be met with solutions. However, when there is a lack of communication, whether at the direction of the client who wants to keep information compartmentalized, or poor communication among the advisory team, it is often difficult to provide comprehensive, effective advice. For that reason, when selecting wealth advisors, it is most important for the client to feel comfortable freely communicating with them, so that the advisors can provide their best advice.

> ***"Risk is often defined as volatility; by holding liquid resources to ride out extreme volatility, one's medium and long risk is minimized."***
>
> — Arnie Herrmann, CPA

A: Moyzes

Not focusing on what really matters to them and, consequently, not having a written game plan around it. Our tagline is "Achieve Financial Peace of Mind," which is something that only comes with clarity of goals and a strategy to accomplish them. So many people come to us saying they have a "financial plan," but when we ask to see it, there is no actual plan. What they share with us is an investment strategy, which, while important, is like asking for home blueprints and being handed a hammer and nails instead. Clients should be pushing their advisors to demonstrate how the recommended strategies will directly translate into accomplishing their goals, rather than accepting the advisor's definition of success, which is often quite different from the client's.

A: Powell

I tell clients nearly every day that they shouldn't work with an advisor they can't understand. We estate planners can drive clients to frustration by using terms like "sales to intentionally defective grantor trusts," just as investment advisors might do by using terms like "a variable prepaid forward." It's our job as advisors to make sure our clients understand the strategies we're recommending, and we should be able to do that in plain English. If we don't, clients should feel absolutely comfortable pulling the brakes on a discussion they don't understand.

Q: WHAT SHOULD A CONSUMER LOOK FOR WHEN SELECTING A WEALTH MANAGER?

A: Moyzes

A balance of competence and care, and a succession plan. An advisor can have every credential on earth, but if they don't care to understand your desires and the "why" behind them, it is extremely unlikely they will be able to help you achieve them. Similarly, all the niceness in the world will get you nowhere if it isn't backed with a deep knowledge of financial planning. Lastly, any advisor telling you they "will always be there for you" is making a statement they likely don't intend to stand by and certainly can't promise. Ask your advisor how your planning will be handled when they retire or if they pass away suddenly. If they don't have an answer, start looking for a replacement now, because you're going to have to sooner or later anyway.

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