PROFESSIONAL FINANCIAL
Purposeful Wealth Management

Wealth Planning Report

Why Consider Advanced Wealth Planning?

It can be all too easy to focus on just one aspect of your financial life, like investing—and in doing so, miss opportunities and overlook risks that could negatively impact your family and the lifestyle and legacy that you hoped to enjoy.

That's where wealth planning comes in. Advanced wealth planning examines your complete financial picture—not just the investments, although they're important, of course, but also examines related needs connected with enhancing, protecting, preserving, and passing on wealth. These might include lifestyle income flooring, asset protection, tax mitigation, legacy transfers, and charitable giving.

Armed with a fuller view of your situation, values, preferences, and goals, you can consider and evaluate a variety of applicable financial, tax and legal strategies—including some you could be completely unaware of—that might be good options for accomplishing your family's goals and intentions more successfully and confidently.

Here's a brief look at some more popular wealth tools and techniques, and why they are important to many successful families for implementing advanced wealth planning.

Major tools and techniques

The basics of wealth planning include legal strategies and financial products that are readily recognized and generally appropriate for most wealthy families. For example:

1. Trusts. In many ways, a well-designed trust is a cornerstone solution for individuals and families that have enjoyed much success. A trust is nothing more than a means of transferring property employing a third party—securely holding assets for the benefit of those important to you. Specifically, a trust lets you transfer title of assets to a trustee for the benefit of those you deeply care for (your designated beneficiaries). The trustee will carry out your wishes on behalf of those beneficiaries in ways that protect their long-term interests.

Well-designed trusts can be highly flexible wealth planning instruments. You can use them in all sorts of ways to privately transfer your wealth and determine how it will be deployed—even for yourself, in the event of diminished capacity at an older age. Trusts can be useful in shielding your assets from plaintiffs and creditors.

Different trusts have different tax consequences. For example, one type of trust could enable selling highly appreciated assets without paying any taxes on the increased value of those assets from the time you acquired them, and so provide a greater future income stream for your life and that of your spouse.

2. Partnerships. Just as with trusts, there are various types of partnerships. These vehicles can determine how the partners address ownership issues such as tax benefits. For example, within the business world, disharmony among family members or unrelated business partners can mean a higher tax bill if the owners are forced to divide assets among the partnership's members. Using certain partnership structures, business owners can divide their companies' assets in ways that can reduce or eliminate taxes.

3. Life insurance. One area that has captured the interest of affluent families is the use of life insurance policies to help pay estate taxes and income taxes occurring after death. Estate and income taxes may need to be paid. Extensions and loans can be helpful in some cases rather than rely on insurance, but those approaches can be problematic, especially if your situation involves extensive family businesses, transfers and significant nonliquid assets.

Life insurance especially within a trust can mitigate and offset a potential tax loss. Where life insurance is a significant component of your overall approach for estate equalization, policies can help effectively orchestrate orderly transfer of assets and assure a family legacy for the spouse and future generations.

CORE WEALTH PLANNING PRINCIPLES

Effective wealth planning goes far beyond simply technical solutions and expertise. A wealth planning professional that you engage for guidance should adhere to seven ideals, all of which work together and should be prerequisites for planning:

- **Flexibility.** Wealth professionals can work with you to adapt your planning to evolving circumstances and shifting financial and legal environments. They can accommodate changes and assist in analyzing a range of possible scenarios.

- **Discretion.** A high degree of discretion is necessary for those working with the affluent. Discretion regarding certain legal strategies or financial products can help avoid unwanted attention, troublesome questions by tax authorities, and possible retroactive changes to tax rules or interpretations.
- **Transparency.** In some situations, neither you nor your wealth professional would benefit from sharing the intricacies of some sophisticated or customized legal and tax solutions. Nonetheless, it is important for any solution to be as transparent as possible and open to scrutiny by appropriate authorities.
- **Cohesiveness.** While the legal strategies and financial products can be employed on a stand-alone basis, integration and coordination should inform your wealth planning. This can help ensure that your goals and objectives and not the solutions remain the focus—and enable various legal strategies and financial products to work in concert for better outcomes and avoid potential conflicts.
- **Risk sensitivity.** The spectrum of wealth planning solutions ranges from the plain vanilla to the truly exotic. Without overstepping legal boundaries, there is ample room for creativity. But you and your legal and tax advisors must understand the level of assertiveness associated with some strategies and consider your capacity for risks other than those related to investing.
- **Cost-effectiveness.** Often possible solutions could have much greater costs, direct and indirect, than the benefits likely to be delivered. Mainstream solutions could be sufficient for achieving your goals. Wise planning will weigh tradeoffs of financial and psychological benefits and costs.
- **Legitimacy.** Your wealth planning should never incorporate tools or techniques that are—or may be perceived to be—illegal or unethical.

Stress Test Your Situation

Stress testing by a wealth planning professional is available for affluent and successful families. You may want to consider putting your present financial, tax and legal strategies through their paces and determine if they're arranged to deliver the family planning results you want —or just to discover if some better approaches are available.

Working with the right wealth planning professional can provide a level of financial security and confidence about the future for peace of mind that can be priceless.

Disclosure: Tax laws are subject to change, affecting how a strategy may perform. Always consult with a competent and knowledgeable tax advisor.

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Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary planning firms in 1993 that now specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer who acts in the best interest of clients. He brings together a distinctive management process and a network of specialists for making informed decisions for structured investing, secure income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award, the Humanitarian Award, and featured him with others in *The Wall Street Journal* and other publications.

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