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Media Mention: John Sloan's Insightful Discussion on Wealth Management

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March 27, 2017

It's always a great idea to have a back-up plan, even in uncertain times.

And one way to secure your future, at least financially, is through wealth management. Recently, the Greater Wilmington Business Journal asked four financial professionals about the importance of long-term planning, common mistakes in financial planning, and advice for transferring assets. This article only focuses on the responses given by Ward and Smith's trusts and estates attorney John Sloan.

From the Insightful Discussion on Managing Wealth for Longevity and Legacy:

> **The stock market got off to a good start this year, but a new presidential administration can often make investors feel hesitant. What is your outlook for the market in 2017?**
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> As an estate planning attorney, not a financial advisor, I have no deep insight into the market. In fact, in estate planning, our approach to the stock market often is counterintuitive. We spring to action in falling markets because effective gifts to avoid future estate tax are best made in a down market.
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> Don't misunderstand me, I personally appreciate a strong market as much as the next person. Wearing my estate planning hat, however, I am not upset by an occasional down market, during which I can help clients make strategic gifts for the benefit of their families ahead of the next bull market.
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> **How has investing changed now that we've moved from low to higher interest rates?**
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> Interestingly, low interest rates also can be beneficial to estate planning. We often assist clients with the transfer of assets to family members by sale instead of a gift. A low interest rate environment allows more effective intrafamily sales because the cost of transfer is less. Rising interest rates increase the cost of such estate planning techniques.
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> **What common mistakes do people make in financial planning?**
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> Again, financial planning is not my bailiwick. Estate planning, however, is closely related. The most common mistake I see is chasing results, not developing and following a plan. The planner, regardless of specialty, first should listen to clients, then help them develop a plan designed to meet their stated goals, work with them to follow the plan and adjust plans from time to time as appropriate.

In my experience, the long-term results for the client typically are much more effective when they are part of a well-conceived plan.

What advice would you give about transferring assets to future generations?

Planning for the transfer of assets to future generations is exactly what I do. My first action is to listen. I want to hear about a client's family and learn goals, concerns, and other relevant information. We also provide new clients with an estate planning information form to help gather family and financial information that is also important to the process. Armed with this information, I can provide advice tailored to their specific circumstances and goals. The recommended strategies and tactics are built from the client's input, not a "one-size-fits-all" approach.

The next step is to establish or update a sound set of basic documents that address control, use and distribution of assets, either during incapacity or after death. Other key decisions are made during this step, including whether to use a revocable trust as the main distributive document instead of a will to keep beneficiaries and asset information out of the public record after death. Privacy opportunities are very well received by clients in today's world.

I advise clients to consider their goals, implement basic estate planning documents consistent with those goals and address matters that are key to a successful estate plan. This comprehensive approach is critical to meeting the client's goals.

What measures exist to ensure clients' assets are used responsibly by their children and/or grandchildren?

Many of our clients are interested not only in addressing typical estate planning matters, but also molding future generations into productive people. Often, a client's most important legacy is to encourage progeny to impact their families and communities positively, not to act like "trust fund babies" who sit by their mailboxes waiting for checks.

There are many tools to help clients encourage their families to be productive. We have developed what we believe is an excellent set of forms to encourage positive productivity from cradle to grave. In the early years, the trustee is encouraged to use funds to support the best education possible for the trust beneficiaries. When beneficiaries reach working age, their income from work can be supplemented by trust distribution up to an amount equivalent to salary. Essentially, the trust is designed to encourage productivity by recognizing that productivity means different things at different stages of life.

We also help clients develop methods for teaching children how to manage money with the assistance of the parent. For example, a small amount of funds can be set aside in an account owned by the parent and child or a trust account with the parent and child as co-trustees. In this context, the parent and child work together to address investment and use of funds, so the child has input and the benefit of the parent's experience.

Is addressing the needs of millennials - now and in the future - becoming more of a focus for your industry?

The practice of my estate planning colleagues and I at Ward and Smith is comprised 100 percent of estate planning and estate administration (assisting families with estates after the death of a family member). Although, as noted previously, estate planning covers many topics, so we need to be in a position to help all potential clients - young, older and everyone in between.

Different stages of life - marriage, children, sickness, grandchildren, etc. - dictate different considerations for an estate plan. We are geared and ready to assist millennials and want to continue to focus on their needs. Our fee schedule approach to new estate planning document preparation, for example, has been very well received by younger couples operating on a budget. They know exactly what the work will cost the day they agree to proceed with the planning.

Additionally, we are seeing more younger entrepreneurs that are financially successful and in need of planning beyond the typical early-year goals. Millennials are an important segment of our work.

How do you advise clients regarding income tax-deferred investments, like IRAs and other retirement plans, versus other investments?

Many of our clients have large IRAs or retirement plans. We leave the investing of IRA assets to financial advisors, but we can add value by addressing tax-efficient methods of leaving IRAs to beneficiaries.

As with planning for other assets, clients often prefer to use trusts to protect the IRA benefits for their beneficiaries. The rules for using a trust as beneficiary, however, are confusing and counterintuitive. A wrong decision with beneficiary designation can accelerate the income and cause significant income tax soon after receipt of the IRA. A well-planned beneficiary designation approach can stretch the income tax consequences over the life of the beneficiary. We also often address the benefits of leaving IRAs or a portion of them to desired charities. Income and estate tax can be avoided completely with this strategy.

The beneficiary designation of an IRA or retirement plan can be as important as how the IRA assets are invested. Clients need to be strategic with both aspects of their retirement plans.

What would a repeal of the existing estate tax mean for current and future clients?

The estate tax is a concern for many of our wealthier clients and sometimes a primary reason they walk through our door. If the estate tax were repealed with no replacement, then an area where we help many clients would no longer be necessary.

The counterintuitive estate planner would view this as an opportunity. If clients could plan their assets without limitations, then we would advise them to place as much as possible in trust now to protect them from any possible future rules to come.

The estate tax has been implemented and repealed three times during the last century. What goes away now could come back later. Those who plan well in the meantime likely will have put themselves and their families in a positive place. Even if the tax completely disappeared, estate planning will remain important for clients.

What are your predictions for the industry under the new presidential administration?

In the estate planning world, the estate tax is a great driver of business. People often are motivated to maximize the value of their assets for their family, instead of the government.

The uncertainty of the estate tax has led some to delay certain aspects of planning. My initial prediction is uncertainty and, thus, some planning inaction during the initial stage of the new administration.

As the direction of the estate tax is clarified, uncertainty will dissipate, and those waiting for clarity will proceed. Regardless, many of the other matters we address with clients will remain critical without any anticipated impact of the administration.

You can read the entire article on Managing Wealth for Longevity and Legacy here.