

Wealth Management Planning

Wealth Manager Issues

Wealth Management

Wealth Management

In general, [wealth management](#) is more than just investment advice, as it can encompass all parts of a person's financial life.

Individual Wealth Issues

- Income
- Job
- 401 K
- Insurance
- Disability
- Pensions
- Social Security
- Options

Wealth Analysis

- Home
- Second Home
- Family Stock
- Parents and Grandparents
- Dividends? Private?
- Stock Options
- Trusts ? Operative? Will they inherit?
- Property and Land
- Real Estate
- Gold or Arts

New Trends

- Taxes
- High Net Worth Growth
- Full Service
- Tax Dynamics

Services in Demand

- Some of these typical services include: Investment portfolio management
- Tax management and advisory
- Cash flow management and budgeting
- Multigenerational wealth transfers
- Family business and financial advisory
- Donations to nonprofits and major gift plans
- Political donations

Wealth Mgt and Private Banking

- **What Does *Private Banking* Mean?**

Personalized financial and [banking services](#) that are traditionally offered to a bank's rich, high net worth individuals (HNWIs). For wealth management purposes, HNWIs have accrued far more wealth than the average person, and therefore have the means to access a larger variety of conventional and alternative investments. Private banks aim to match such individuals with the most appropriate options.

Case Study – What to do?

- Doctor with 20 million in assets
- 5 children
- Wife
- Home
- Beach House
- Children in Private Schools
- 55 years Old
- 12 million in the market in growth stocks with 2 mil in 401k
- Doctor Makes 1 million per year
- Has 500 thousand per year burn rate.

Case Study Doctor

- What Else?
- What more would you ask?

Doctor Questions

- Health of Doc and Wife?
- Liability Protection in business and home
- College Funding?
- How long will he work?
- What is the value of the practice?
- Disability
- Life insurance
- Trusts and Estate Planning
- Tax Planning

Stock Positions

- Concentrations?
 - Tech, Banking, Energy, Consumer, Telecom, Alternatives...
 - Dividend Stocks
 - CDs
 - Bonds Bills or Treasuries
- The goal would be to analyze the positions in totality from all of the accounts held. There are many good software systems that will show pie charts, asset allocations etc.

Business Transfer

- Succession Planning for the business.
- Some partners etc will have cross insurance on each other so that the surviving partners spouse can be bought out at a set price.
- Shares of regular businesses to spouse and kids annually etc. if feasible

Wealth Protection

- Life Insurance Trusts
- Marital Transfers
- Gifting To Children
- 529 Plans
- Payments to educational Institutions
- Term Policies
- Paid up Life Policies

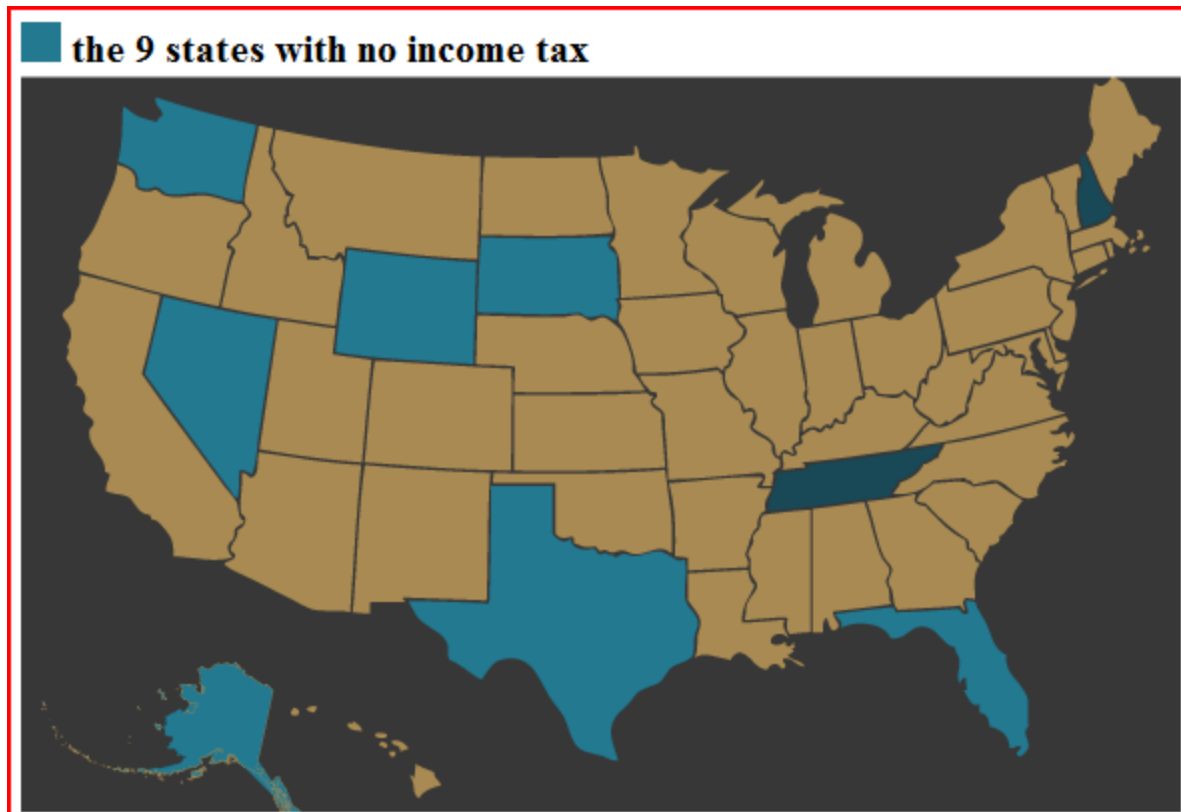
Case Study

- 30 Years Old
- Un-Married
- Silicon Valley
- 30 million in stock value with no tax basis
- Engaged
- Resident of California
- Can sell stock in Dec 2010
- Stock has been held for 3 years

Cap Gains Federal 2010

Type of Capital Asset	Holding Period	Tax Rate
Short-term capital gains (STCG)	One year or less	Ordinary income tax rates up to 35%
Long-term capital gains (LTCG)	More than one year	5% for taxpayers in the 10% and 15% tax brackets (zero percent starting in 2008) 15% for taxpayers in the 25%, 28%, 33%, and 35% tax brackets
Collectibles	One year or less	STCG tax rates up to 35%
Collectibles	More than one year	28%
Small Business Stock Gains (Section 1202)	More than five years	28% on the gain not excluded
Real Estate Main Home	One year or less	STCG
	More than one year	LTCG taxed at 5% or 15% after any exclusion amount

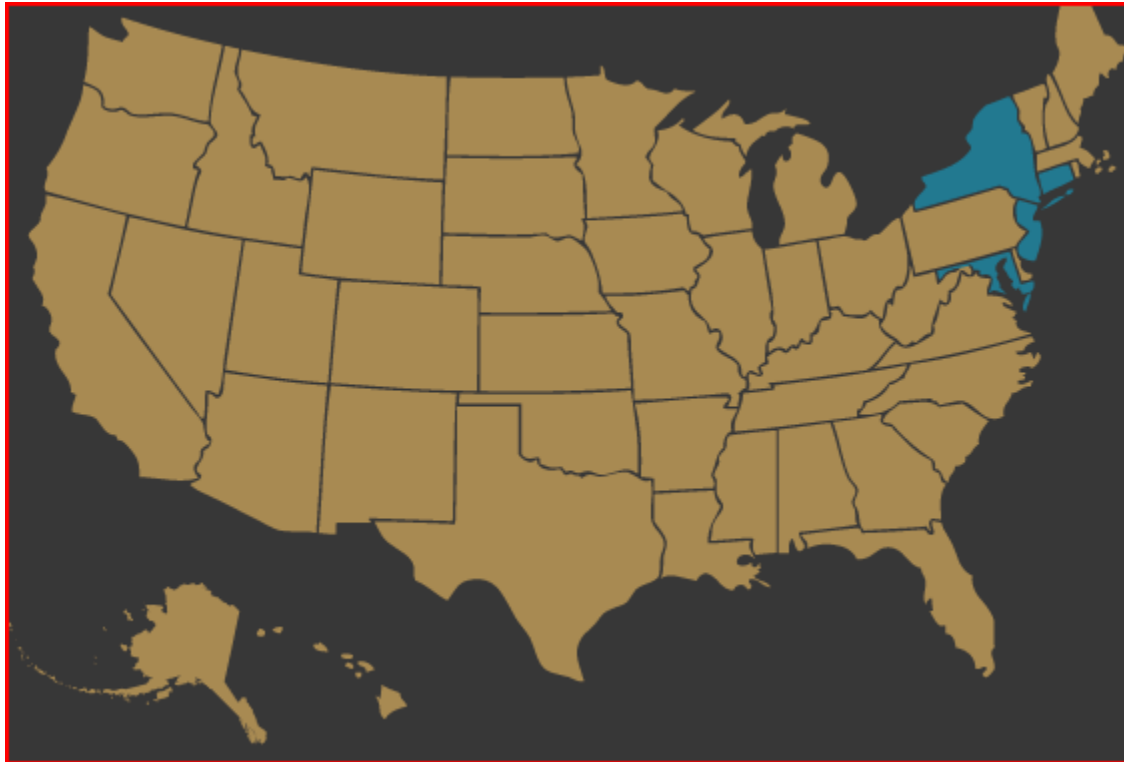
State Taxes



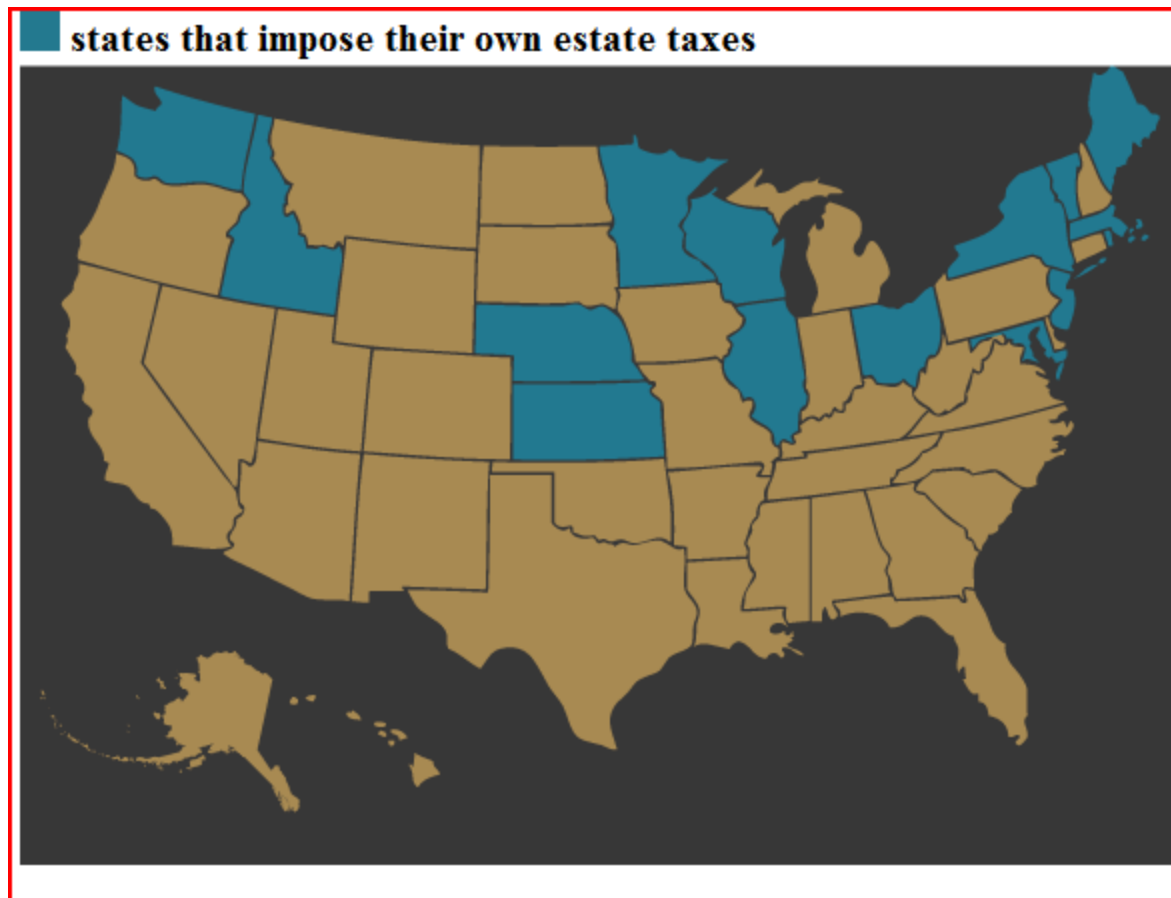
- <http://articles.moneycentral.msn.com/Taxes/Advice/TheBestAndWorstStatesForTaxes.aspx>
- <http://www.taxfoundation.org/taxdata/show/228.html>

Highest State Income Taxes

http://www.kiplinger.com/tools/retiree_map/index.html?map=7#anchor



State Estate Tax



What do you need?

- Copies of Broker Accounts
- Bank Accounts – Are they protected
- Home and Second Home value
- Land/Property
- Insurance and their values?
- Company Income and value
- Spouse's wealth
- Separate Property??? Common and Community Issues
- Life, Health, Long Term, Disability etc.
- Are assets insured for risk i.e. Flood, Fire, Umbrella

Other Wealth and Tax Issues

- State of Residence
- State where other property is held?
- Second Spouse and Rights/Calculations Pensions
- Second Set of Kids
- Beneficiaries
- Adoption
- Corporations? Convert to LLC?
- Liquidating concentrated investments
- When to use tax deferred or tax free tools

Lawyers

- Wills
- Trusts
- Powers of Attorney
- Succession Planning
- Tax issues

CPAs

- Individual tax issues
- Spousal
- Company
- Corporation
- Options and AMT
- Estate Tax Filings with Lawyers

Insurance professionals

- Life
- Health
- Insurance trusts with Attorney
- Disability
- Home
- Flood
- Umbrella
- Children and Health/Life
- Long Term Care

Banks and Trust Dept.

- Trust Department
- Management of Trust
- 1% to manage?
- Manage Portfolio
- Manage Bills
- Manage Insurance
- Manage Property
- Preservation and CDs

Broker or RIA Port. Mgr.

- Portfolio Managers
- Personal management with discretion
- Hedge Funds
- Online Access
- Custodian
- Stocks, ETFs, Funds and more.

Policy

- When taxes are set to go up, people tighten their belts
- People Spend more on legalized tax strategy
- When the tax policy is not too high, people bring their money home to the USA.
- The Federal Estate Tax may kill some small businesses; but will drive people to use more insurance, trusts, and gifting.
- Charity may benefit from higher tax rates.

Case Study

- Individual is worth several million dollars
- Individual has a dozen life insurance policies of varying values that she has purchased over a lifetime.
- What to do?

Insurance Policies

- Put each policy beneficiary and owner as a child or grandchild.
- Hope that the insured survives for 3 years.
- Give some of the policies to charity
- Cash value sometimes can be more than death benefit. Can borrow against it and buy more insurance.
- The IRS has rules that determine who owns a life insurance policy when the insured person dies. Gifts of life insurance policies made within three years of death are disallowed for federal estate tax purposes -- and often for state estate tax purposes, too. This means that the full amount of the proceeds are included in your estate, as if you had remained owner of the policy.
- <http://www.nolo.com/legal-encyclopedia/article-29585.html>

No Incidents of Ownership

- Specifically, the proceeds of the policy will be included in your taxable estate if you have the legal right to do any one of the following:
- change or name beneficiaries of the policy
- borrow against the policy, pledge any cash reserve it has or cash it in
- surrender, convert, or cancel the policy, or
- select a payment option -- that is, decide if payments to the beneficiary can be a lump sum or in installments.

ILIT

- Under Internal Revenue Code Section 2035, if the insured gifts a life insurance policy to a third party (such as an irrevocable life insurance trust, or ILIT) within three years of his or her death, then the policy proceeds will be included in the insureds estate for estate tax purposes. The only safe way to avoid this result is to have the ILIT apply for and own the policy from the outset (even if done with the insureds gifted funds). Even momentary ownership of the policy by the insured within three years of his or her death will require inclusion of the full policy proceeds in the insureds estate.

End of Class

- Thanks for being here.

Kindest Regards, George

References

- **Investopedia**
- **SEC**
- **IRS**
- <http://lawyers-law.com/avoiding-the-three-year-life-insurance-transfer-rule/>
- **Nolo.com**