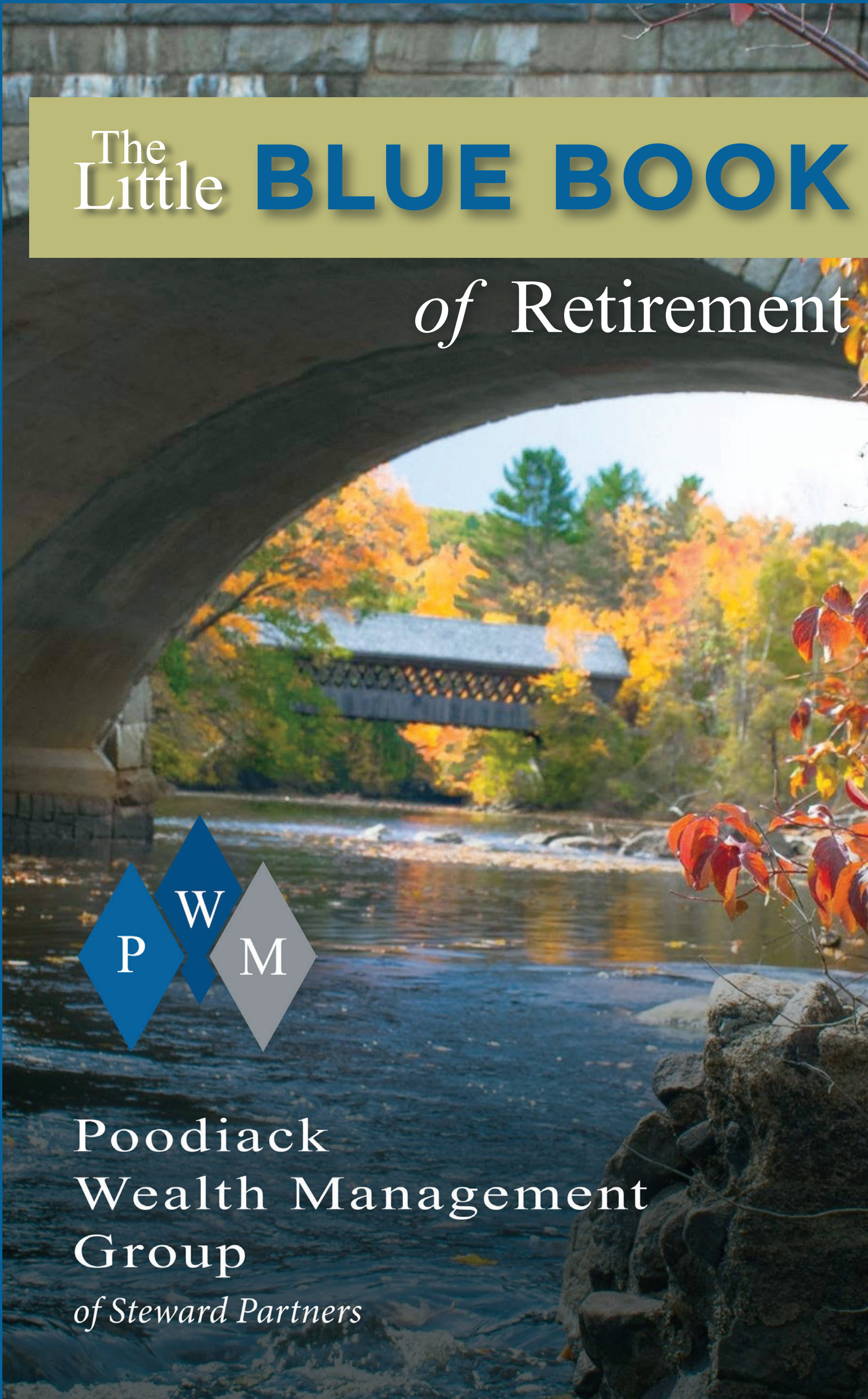
The Little BLUE BOOK of Retirement



PWM

Poodiack Wealth Management Group

of Steward Partners

The Little Blue Book *of* Retirement

HIGH NET WORTH INVESTOR EDITION

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FOREWORD

BY LIANA POODIACK

Choosing a financial advisor is like you're welcoming a new person into your family. You want the relationship to be a good fit and last a lifetime. Poodiack Wealth Management is a family-owned and operated group. We're not trying to grow a giant firm. In fact, we want to keep it small and intimate – a tight-knit family that serves your family's needs.

There are over 120 services we can offer you over the course of your lifetime. They're all included in our 7 pillars of financial wellbeing:

- Wealth Management
- Risk Management
- Tax planning
- Legacy Planning

- Cash management
- Philanthropy
- Value-added Services

All of that is incorporated in our process – The MagnaFORMula.

The word Magna comes from the latin word, "important". And that's at the heart of what we do everyday — helping you reach financial independence based on what's most important to you.

To achieve financial independence, you need to remain focused on two essential things:

What matters, and *what you can control*.

WHAT MATTERS:

We focus on matters with the "**FORM**" in FORMula.

"**F**" is for family and friends. They're at the heart of what drives you. Spending time with loved ones, and providing for them.

"**O**" is for Occupation – how you provide for yourself and those most important to you.

Good financial planning can help you find a balance between work and life. That's where the "**R**" comes in. For recreation. The fun part! We need to make sure that all of us take time to enjoy life. We want you to enjoy the things in life that are important to you while working and in retirement.

Family, Occupation and Recreation is the "WHY" around financial planning for all of our clients.

Lastly, the "**M**" is for money. Although money is important, it is simply how you make it all happen.

WHAT CAN BE CONTROLLED:

We focus on what can be controlled with our proprietary process, the Magna FORMula. It helps us discover the things that are most important to you so that we can design and deploy a plan to reach those goals. Because finding your true wealth is not just about money. It's about the lifestyle that your money affords you. Helping you find the balance between your wealth and lifestyle goals is where we come in.

This guide is designed to help you discover and focus in on your priorities. It provides valuable information about financial planning and tax and retirement strategies. It introduces terms you may not be familiar with, and how understanding them can help you make decisions about your future.

Highly recommended reading for those who want to take charge of their financial wellbeing!

Liana Poodiack, CFP®

Managing Director, Financial Advisor

Travis Poodiack, AIF®

Vice President, Financial Advisor

INTRODUCTION

CONGRATULATIONS! YOU'RE IN AN ELITE GROUP

Congratulations! You've worked hard, and have been a disciplined and successful investor. Now your game plan shifts to preserving and growing your investments. It's more than likely that your pre-retirement financial strategies are not aligned with the next 30 or more years of your life. If you're like most high net worth individuals, you want to maintain your current lifestyle for as long as you live…and pass a little on to people you love. That's why it's important to work alongside a team of trusted financial professionals who can help customize a plan to account for a lifetime of income. This book focuses on YOUR lifestyle, and the fundamental principles of saving, investing, and protecting your nest egg.

The perception of being "a millionaire" might have seemed to be out of reach for many when entering the work force, but based on salaries, home values, and the growth of the stock market, "the millionaire next door" is more commonplace than ever.

CHAPTER ONE

WHAT IS A HIGH NET WORTH INDIVIDUAL?

The financial services industry uses HNW as a classification to designate an individual (or family) of high net worth. Every region and financial institution classifies high net worth differently, but generally, they are grouped based upon a given dollar amount of their liquid assets. HNW can qualify for separately managed investment accounts instead of regular mutual funds depending on the financial institution and their minimum standards for HNW classification. Most banks will only give special HNW treatment for those who qualify by maintaining a specified amount in liquid assets and/or a certain amount in depository accounts.

All liquid and near-liquid assets (cash, brokerage and bank accounts, retirement accounts, 401(k)s, trusts, etc.) that can be readily converted into cash are known as investable assets. They do not include the value of certain "physical" assets such as real estate, automobiles, art, jewelry, furniture, collectibles, or equity in a business.

The specific definition varies, but by most standards a "High Net Worth Individual" (HNWI) has at least $1 million of liquid, investable assets. If that individual, either alone or together with a spouse has a net worth of over $1 million, they can also be classified as an "accredited investor."

For many, an "affluent" individual is someone who has less than $1 million, but more than $100,000 of investable assets. But once you achieve the 30-million dollar mark, you'll be considered an "Ultra High Net Worth" investor.[1]

1 Staff, Investopedia. High Net Worth Individual - HNWI. Investopedia, 20 Jan. 2016, **www.investopedia.com/terms/h/hnwi.asp**.

CHAPTER TWO

TAKE CONTROL

Look at the role of managing your money as becoming the CEO of the "YOU Corporation." This doesn't mean that you will be acting as a financial advisor, but you should be active in the decision-making process. You were active in the earning years…stay active in the preservation and growth years.

For the most part, it's important that you stick to the basics just like any other investor. Start by thinking about the goals you have now, and for the future. Then, write your goals down and prioritize them so that you can make sure you're consistently paying attention to those most important to you. This is where the help of a financial professional and their team of experts comes into play, as they will help you to outline a strategy for achieving those goals. We'll get into advisors in the next section, but for now let's keep the focus on solidifying your involvement in your own wealth.

One of the easiest first steps to increasing your involvement is to set aside time to go over your finances. Whether it's once per week or once per month, schedule a recurring event in your calendar to update your budget, review any previous or upcoming expenses, pay any bills that haven't been paid, review your accounts for accuracy, and handle any other pressing financial matters. Try not to think of this time as just another day, and make it as enjoyable as possible. It's difficult when it comes to personal finance, but throw on some music and create a fun atmosphere that makes you enjoy (or tolerate) the "wealth" date in your schedule.

Another scheduling adjustment you can make is to set aside 30 minutes or an hour every week to read about personal finance. Maybe you wake up a little earlier one day and incorporate it into your morning routine. Or, try printing out an article or bring a book with you to work and read it during your lunch break. There are several areas of opportunity within your week, and while you don't need to learn everything at once, making this commitment will allow you to digest chunks of financial education as you go, which will allow you to become a better "CEO" of your wealth. Try choosing one topic a week and read about that topic until you fully understand it before moving on to something else. If you find yourself struggling with where to begin, then perhaps you're better off starting with a basic overview on personal finance or a general guide to investing to see where your interests and lack of knowledge lie.

Another way to help get you more involved in your personal wealth is to try and reach out and talk to the people you look up to most. Seek out financial mentors who you respect and discuss their successes, failures, and what their goals were when they first started out as their own "CEO" of their wealth.

Ultimately, it's important that in whatever you do, the process is comfortable for you. Start small with a new article a week on finance, a brief review of your expenses in the week previous, and on your budget for the upcoming week.

CHAPTER THREE

PICKING THE RIGHT TEAM

Most people will spend more time planning a summer vacation than they do looking for a financial advisor. A good advisor, and their team of experts, should start the process by asking you questions about what's most important to you. Their goal should be to understand your current lifestyle, the lifestyle you want to have for life, and how much income you would need to support it. What will you do if you or your spouse need help with personal care? Will your plan take inflation into consideration? How will you transfer your wealth when you pass?

You may notice that none of these questions are directly related to money or specific investments. It's the beginning stages of the (potential) relationship and it's the time at which you both need to determine if it's going to be a good fit. You may want to ask the advisor about the different types of clients they service. Some advisors will require a minimum amount of assets or net worth before they consider working with you. Others may put more of their focus on a specific industry like athletes, celebrities, small business owners, doctors, educators, etc.

Whether you are already working with an advisor, or choosing one for the first time, here are 3 critical questions you need to ask:

1. **Are you held to a fiduciary standard?**

   An advisor held to a fiduciary standard is one who is obligated by law to act in the best interest of their clients. Advisors or broker-dealers held to a suitability standard stand a chance to gain from the financial advice they give you. You should ask the advisor to provide you with a description of their conflicts of interest in writing to truly see if they're working in a fiduciary manner. Those who sell insurance policies, securities, or mutual funds will have a business relationship with the companies that provide the products. If they are held to a fiduciary standard, then they must abide by a strict code of professional conduct and have both an ethical and legal obligation to put your personal needs first when providing any advice or recommendations.

2. **What are your financial credentials?**

   Ask them for a brief background description of their work experience and how it relates to their current practice. Their credentials or qualifications will help illustrate how up-to-date they are with their training and licenses. For a example, CERTIFIED FINANCIAL PLANNERS™ (CFP®) must have a minimum of 3-years planning experience.[2] They also have mandatory continuing education courses to expand their knowledge and stay current. Credentials, licenses, and areas of expertise are all factors that determine the services they can offer. For a detailed list of the specific financial credentials and designations, go to: **www.finra.org/investors/professional-designations**

3. **What is your specialty?**

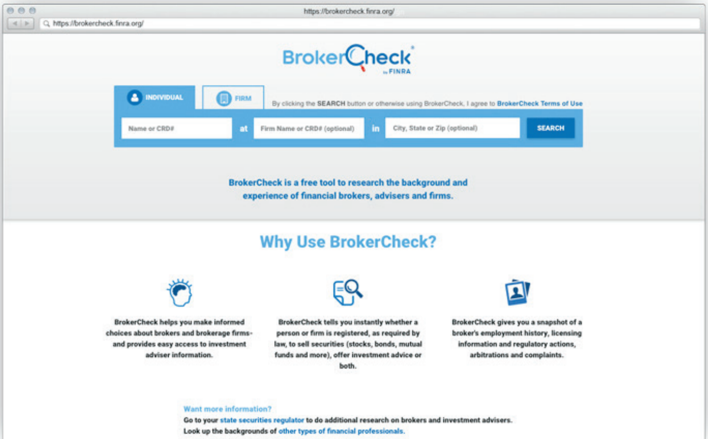
Ask about their approach to the financial planning process and what all the different types of services they offer are. You'll be able to begin to scratch the surface on some of their saving and investing philosophies to help understand if it's too cautious or overly aggressive for your personal situation. Also, depending on their certifications and specialties, you should ask how they carry out specific recommendations or tasks. Often, firms will designate or refer certain tasks to one of their team members. If this is standard practice, you should meet the team to learn more about their credentials and philosophies.

2 https://www.finra.org/investors/professional-designations/cfp

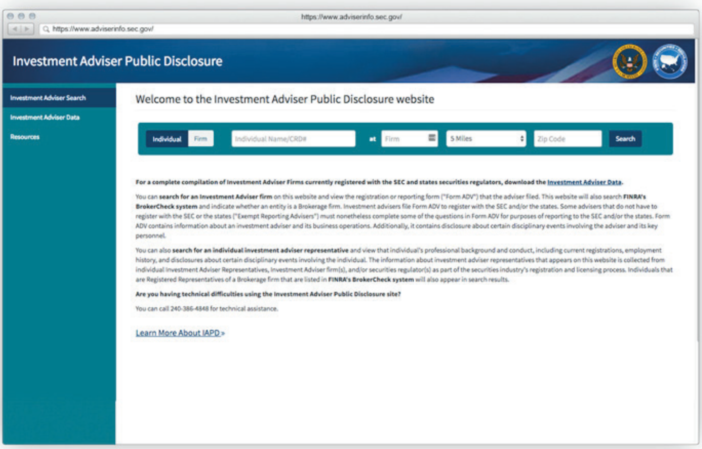
Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

You will find many advisory firms do not offer in-house accounting or tax planning services. Ask about the professionals they work with outside of their own office or practice. If they're working with a CPA, attorney, insurance agent, or tax specialist, you should ask for a list of their names to check on their backgrounds.

It is also important to know if anyone in the advisory firm's office has ever been publicly disciplined for any unlawful or unethical actions in their careers. Records on disciplinary history of financial planners and advisors are kept at the CFP Board, the Financial Industry Regulatory Authority (FINRA), and at local state insurance and securities departments. Ask which organizations regulate the advisor and contact those specific groups to conduct a background check. Here are some of the most common sites (FINRA and the SEC) to use for checking the advisor's background:



https://brokercheck.finra.org/



https://www.adviserinfo.sec.gov/

You have finished the interviewing process and completed your research. At this point, before moving forward, you need to understand the fee structure and the services provided in exchange for these fees.

CHAPTER FOUR

HOW FEES AND EXPENSES WORK

Financial advisors are paid in fees, commissions, or a combination of the two. Be sure to consult with your advisor to determine the estimated costs based on the potential work to be performed. Costs are related to their hourly rates, flat fees, and/or the percentage of commission received on the certain financial products and investments you may purchase. Here are six of the more common fees and expenses to ask about when working with your advisor:

Investment Management / Advisory Fee

- Generally, fees are assessed on the assets under management and can be paid with pre-tax or tax-deductible dollars depending on the account. For example, if the investment advisor charges a 1% fee on a $100,000 account, the annual fee will be approximately $1,000. Typically, one-quarter of the fee is assessed on the balance at the end of each quarter and is simply debited from the account.
- High-fee mutual funds may carry fees of 2% or more so be sure to consult with your advisor on the types of investments being utilized in your portfolio.
- Typically, portfolios that are $1,000,000 or more will not have fees higher than 1%, unless you are also receiving certain additional services such as comprehensive financial planning, tax planning, estate planning, budgeting assistance, etc.

Annual Account / Custodian Fee

- Brokerage and mutual fund accounts may charge an annual fee ranging from $25 to $90 per year. In the case of retirement accounts such as IRAs, there is usually an annual custodian fee which covers the IRS reporting that is required on those accounts and can be anywhere from

$10 to $50 per year. In addition, firms may charge an account closing fee from $25 to $150 per account that's being terminated. As always, be sure to check with your advisor as some of, if not all annual fees, will be waived if they charge you on a percentage of assets.

Transaction Fee

- Many brokerage accounts will charge a transaction fee every time a mutual fund or stock is bought/sold. These fees range from $9.95 per trade to over $50 per trade.
- Depending on your financial situation, it might make sense to allocate more money per trade to reduce transaction fees. For example:
  - A $50 transaction fee on a $5,000 investment is 10%.
  - A $50 transaction fee on a $50,000 investment is only 1%, which is minimal.

Internal or Expense Ratio Expenses

- Mutual funds charge operating expenses to account for the costs of simply putting together the fund. The total cost of the fund is expressed as an expense ratio. For example, if a fund has an expense ratio of .90%, its operating expenses will be approximately $9 per year.
- The expense ratio is not deducted from your account, rather the investment return you receive is already net of the fees.
- In the end, it's best to look at expenses in terms of your entire portfolio of mutual funds because

you cannot compare expenses in all types of funds equally.

  - International or small cap funds will typically have higher expenses than a large cap or bond fund.

Front-End Load Expense

- Mutual funds charge commission or a front-end load expense in addition to the ongoing operating expenses
  - A fund with a 5% front-end load in which you purchase shares at $10.00 per share will have a value of $9.50 per share the very next day

Back-End Load or Surrender Charge

- Funds may also have a back-end load or surrender charge in addition to the ongoing operating expenses.
- This is charged at the time you sell your fund, and usually decreases for each successive year you own the fund
  - A fund may charge you a 5% back-end load if you sell it in year one, a 4% fee if sold in year two, and so on.

For most, fees and expenses are complicated so it's important that you ask your advisor what your "all in" cost will be for investing and working with them. This is also the time in which you'll want to ask about potential hidden (additional) fees from certain investments like mutual funds or Exchange Traded Funds (ETFs). And, even if they say there are no hidden fees, make sure to do your due diligence and double-check. There are certain third-party websites, such as Yahoo Finance or Morning Star, that can help in verifying this information. If you own a mutual fund, enter the ticker symbol into the search bar to find the fund's internal expense and/or management fees.

Finally, be sure to double-check all of your statements because if you're paying an advisor fee, it should be clearly noted. If not, you should ask for specifics. As discussed, it is important to take matters into your own hands and be the "CEO" of your own personal wealth. Discover the truth about the fees you're paying, and act accordingly or as needed.

Investors should carefully consider the investment objectives, risks, charges and expenses of mutual funds before investing. The prospectus and summary prospectus contains this and other information about mutual funds. The prospectus and summary prospectus is available from your financial advisor and should be read carefully before investing.

CHAPTER FIVE

ASSET PROTECTION

Asset protection is simply a strategy designed around keeping your assets safe from things like certain legal situations. Asset protection planning is defined as taking assets that are subject to creditors' claims (non-exempt assets) and repositioning them as assets that are out of the reach of creditors' claims (exempt assets).

It's important to begin the asset protection planning process as soon as possible if you believe your personal assets could be exposed to creditors now, or in the future. Trying to move your assets after a legal proceeding has already begun is usually too late. Before putting together your comprehensive asset protection plan, it's important that you review and integrate two important goals: Your short/long-term financial goals and your estate planning goals.

The first step is to list all current and future sources of income. Next, determine how much money you'll need when you retire, and what will be left over to pass on to your heirs through your estate plan. After this is completed, you can begin to piece together your financial plan where you'll review all current assets to determine if they are exempt from creditors. Those that are not can then be repositioned to become exempt. Additionally, don't forget to have an asset protection plan in place for future asset acquisitions.

When your financial plan is in place, you can estimate your current net worth and how much wealth you expect to accumulate in the future. You should also create a comprehensive estate plan to address issues such as who will take care of you and your assets if you become incapacitated, who will take care of your minor children upon an unexpected death, and who will take care of your spouse and family after you die. Certain advanced estate-planning techniques such as irrevocable trusts or family limited liability companies can be used to protect assets using your estate plan.

CHAPTER SIX

DIVERSIFY AND GENERATE INCOME TO SUPPORT YOUR LIFESTYLE

The risk management technique of mixing a wide variety of investments within a portfolio is called diversification. Generally speaking, the purpose of a portfolio constructed in this manner is to give you a mix or a variety of investments to get as much of the upside as possible, without putting too much at risk.

Studies show that a well-diversified portfolio of 25 to 30 stocks yields the most cost-effective level of risk reduction. Additionally, diversification benefits can be increased by investing in foreign securities as they aren't highly correlated with domestic investments. If there is an economic downturn in the US economy, Japan's economy is not affected in the same way. This gives an investor a small cushion of protection against losses.

Mutual funds have been increasing in popularity because most non-institutional investors have a limited investment budget, which makes it more difficult to diversify. They are a good diversification option as you can invest across various asset classes and are relatively inexpensive to purchase. However, ETFs allow investors to access commodities and international plays that would typically be difficult to access. And, you can spread the investment dollars among multiple ETFs with no overlap.[3]

How will the concept of diversification manifest itself within your portfolio? How much retirement income will you need to sustain your lifestyle? With retirement being years away for many HNWI, it can be difficult to determine what your future expenses and lifestyle will be.

3 Staff, Investopedia. Diversification. Investopedia, 20 Jan. 2016, **www.investopedia.com/terms/d/diversification.asp**

International and commodity investing involves additional risks and may not be suitable for all investors.

Imagine, it is your first day of retirement. You're no longer working and earning a steady paycheck. Are you confident today that you will be able to live the lifestyle you desire in retirement? The first place to start is by adding up all your (known) retirement income sources that you expect during the first year of your retirement and multiply this yearly estimate by 30 years. Now, this is just a rough estimate of what you'll need (at a minimum) to keep your lifestyle because not all income streams will start at the same time, certain daily activities may change as you age, and potential health related or other unexpected expenses may occur changing the course of action for your retirement income strategy. Also, be sure to account for certain tax obligations that will continue to apply to your retirement income.

Ideally, retirement income might be 5% of income in your working years adjusted for inflation. For example, if you are earning $200,000 per year, you would need approximately $150,000 per year if you retired today. the 25% reduction is to account for your current saving levels as well as expenses that will go away in retirement.

Next, it is important to estimate the impact of inflation. For example, if you plan to retire in 10 years, with an inflation rate of 3%, your base income of $150,000 (from above and in today's dollars) would be $201,587 per year.[4] Now theoretically, to fully fund your retirement 10 years from now, you'll need to multiply that number by 30 (years) to determine the total amount needed when retiring at that time.

Your assets are now protected, you have a strategy in-place that incorporates diversification so you can maximize growth while minimizing risk, and now you have a better understanding of the estimated retirement income you'll be receiving. In the next section we'll focus on how you can allocate your income into a weekly or monthly budget that accounts for your lifestyle in retirement.

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4 Richard, President Randall J. "6 Retirement Income Do's And Don'ts For High-Net-Worth Individuals." Richard Brothers Financial, Richard Brothers Financial Advisors, 8 June 2015, **www.richardbrothersfinancial.com/blog/6-retirement-income-dos-and-donts**

CHAPTER SEVEN

BUDGET WITH YOUR DESIRED LIFESTYLE IN MIND

Although one of the most common retirement planning questions is, "How much money will I need for a successful retirement?", it may be more important to focus on how much income you'll need during each of your retirement years. While we briefly discussed this in the last section, we will now focus on how it relates to your budget and desired lifestyle.

One of the beginning stages of the overall financial planning process is writing down your goals, and what you want to achieve in retirement. Now, it's important not to be afraid about enjoying your life when creating your budget. Setting budgets is one of the most effective ways to get your spending habits under control. However, the monitoring of purchases and cutting back on expenses to better match your source(s) of yearly income is easier said than done. Day-to-day lifestyle habits and certain psychological instincts make it increasingly difficult for people to stay on-track when it comes to their budget. Given your HNW status, you may think it's not necessary to make or stick to a budget. While it's true that you have more wealth to spread around, it's highly recommended that you take advantage of smart budgeting techniques that can be tailored and made more flexible for you given the large amount of income coming your way.

Think about the different areas of your life that will need to be funded during retirement. It might be easier to address these items if you segment them into separate buckets like essential living expenses, health care, entertainment, and unplanned emergency situations. Having expenses segmented into buckets will make it easier to identify the income sources needed to fund them. The most secure income streams should be used to fund the highest priority items.

As a consumer, it's important that you mind your mood when spending. Studies show that unhappy people inherently save less, spend more, and have a higher propensity to consume whereas happy people showed characteristics that were exactly the opposite and they had more control over their spending habits.[5] When thinking about making your next big purchasing decision, try taking a step back to evaluate your personal state of well-being.

According to Thomas Stanley and William Danko's book, *The Millionaire Next Door*, millionaires make budgets, track their money, and figure out how they can cut spending so they can invest more. They say, "Operating a household without a budget is akin to operating a business without a plan, without goals, and without direction."[6] Think about where you're spending your money and ask yourself: "Will my purchase make a true, positive difference in my life without jeopardizing my wealth?" In the end, creating a more explicit budget will help you to decide

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5 Wells, Charlie. "The Hidden Reasons People Spend Too Much." The Wall Street Journal, Dow Jones & Company, 2 Nov. 2015, **www.wsj.com/articles/the-hidden-reasons-people-spend-too-much-1446433200**

6 Stanley, Thomas J., and William D. Danko. The Millionaire next Door: the Surprising Secrets of America's Wealthy. Taylor Trade Publishing, 2016.

what you can cut out in terms of the more desirable, maybe unaffordable, and perhaps unnecessary expenses.

CHAPTER EIGHT

INVESTMENT PLANNING OPTIONS TO MINIMIZE TAXES

It's impossible to talk about budgeting and expenses without strategizing about your largest single expense, taxes. Either way, it's important that you look for investment options that won't minimize your gains come tax time, or when it's time to begin withdrawing/distributing from them.

The first strategy you can utilize in helping to minimize your taxes on your investments is simply maxing out your retirement accounts. Maxing out your 401(k) with your employer, or if you're self-employed, contributing to a defined-benefit or defined-contribution plan will not only help to grow your investments, but will also help to reduce your tax burden. This is because your 401(k) is funded with pre-tax dollars that in turn decrease your taxable income. But be careful not to withdraw too early from your account because you could incur a penalty. Also remember that what you withdraw from a traditional retirement account is considered income and could be subject to tax. At age 72 and a half, you are required to take minimum withdrawals (RMDs) from your IRAs each year.

Don't miss out on tax deductions you could be making. If you claim itemized deductions, you can deduct your mortgage interest, up to $10,000 in state and local taxes, and charitable donations. Other deductions you can take if you itemize are health care expenses exceeding 10% of your income, job-related expenses, tax preparation fees, and investment-related expenses." Also, you'll likely want to try and take advantage of tax credits. Commonly used tax credits are for college expenses, saving for retirement, alternative energy equipment for your home, and adopting children. There's a Lifetime Learning Credit where anyone, no matter your age, taking college classes can receive a tax credit, even if they're not related to your career.[7]

We'll discuss charitable giving strategies in the next section, but one investment planning option to help minimize taxes is by gifting stocks. If there's a charitable cause you feel strongly about, then you can gift your stock in the short or long-term. For the short-term, where you're holding the stock in question for less than a year, you can receive a full deductible credit for your cost basis, but you'll give up the ability to deduct your additional investment gains. Note that the holding period starts on the day after you buy a stock, and ends on the day you sell it. However, if you hold for a full year, you can deduct the fair market value as of the date the gift was made. But, you must be able to itemize deductions to use these giving strategies.

In opposition to reducing taxes on your investment gains, there is a strategy called tax loss harvesting, which can also help to reduce your income tax liability. Here, you can use any investment losses to offset your investment gains each year. Your investment losses can be used to offset up to $3,000 of earned income if your overall losses exceed your gains. As a HNWI in a higher income tax bracket, the lower,

7 http://www.finaid.org/otheraid/lifetimelearning.phtml

long-term capital gains taxes - plus the additional net investment income tax - can make this tax loss harvesting strategy even more valuable to you.

CHAPTER NINE

CHARITABLE GIVING STRATEGIES

Philanthropy is an important aspect in many people's lives because there's no better feeling than knowing you're doing your part to help a great cause, and to help improve the lives of those less fortunate than you. But, being charitable doesn't always have to be a one-way street. As an added bonus, there are a lot of ways you can help reduce your tax burden by being strategic with your charitable giving.

In 2018, American individuals, estates, foundations, and corporations contributed an estimated $427.71 billion to U.S. charities.[8] Giving your hard-earned, retirement plan dollars to charity can be a highly tax-efficient use of your savings. But, before you choose where and how you're giving, here are five tips that you can consider to help ensure that you get the most out of your charitable giving.

Stress test your portfolio's longevity before making financial gifts to charity

> It's important to make sure your nest egg is secure and has the ability to last throughout a very long retirement before deciding how much to give to charity. If there's a possibility of falling short, a better option would be to defer charitable lifetime gifts and instead weave charitable giving into your estate plan and wills.

Check up on the charity's effectiveness

> Make sure the charity delivers the results you desire by analyzing some of their financial data.

8 USA, Written by Giving. Giving USA 2017, Dec. 6ADAD · https://givingusa.org/giving-usa-2019-americans-gave-427-71-billion-to-charity-in-2018-amid-complex-year-for-charitable-giving/

Even though it's a great feeling to make a financial contribution to a charity you have a personal or emotional connection with, be sure to know what percentage of their revenues go to actual programming and how much goes to administrative and fundraising expenses. A creditable resource, **www.charitynavigator.org,** rates charities on their efficiency, and downgrades charities that are not spending at least two thirds of their budgets on actual programming.[9]

Understand the rules about deductibility

Gifts to most public charities will be tax-deductible. However, contributions to certain organizations like political groups and foreign charities may not be. To reap the tax benefits, make sure that your charity is a 501(c)3 corporation, and not a 501(c)4. You can use the IRS database to double-check the status of the charity: **www.money.us/irs-charity**. If you're contributing a very high amount of your adjusted gross income to charity, the deductibility of your contributions may be limited. The limits depend on the type of charity. Most contributions to public charities are fully deductible as long as your contribution doesn't exceed 50% of your adjusted gross income.[10] It's important to note

9 "Charitable Giving: Make Giving Tuesday Count With This Guide | Money." Time, Time, Mar. 2011, **www.time.com/money/4583851/charity-donations-giving-guide/?xid=homepage**

10 "Charitable Contribution Deductions." Internal Revenue Service, Aug. 2017, **www.irs.gov/charities-non-profits/charitable-organizations/charitable-contribution-deductions**

that some charities may offer gifts in exchange for your donations. However, these gifts can reduce the amount you can claim on your taxes based on their value, so be extra careful before accepting without understanding the impact on deductibility.

Consider using RMDs for charitable contributions

If you don't need the money and you take RMDs from your IRA, you can put up to $100K from your RMD directly into a charity. This is known as a Qualified Charitable Distribution or QCD. This is beneficial because you won't owe taxes on the amount of the RMD you contributed to charity. However, be sure to discuss this first with your financial advisor before making the transfer, because the money must go directly from that firm to the charity to qualify for the special tax treatment.

Consider naming a charity as an IRA beneficiary

Make a charity the beneficiary of your IRA if you want to make charitable giving part of your estate plan. The charity will receive the assets tax-free and your estate will also be eligible for a charitable deduction. If you plan on giving part of your estate to charity, the rest of your beneficiaries are probably better off inheriting non-IRA assets and letting the charity benefit from the IRA.[11]

Ultimately, charitable giving is just one way that you can minimize your tax burden while still doing good for your community. But remember, the first word we started off with in this section was philanthropy. It's the desire to promote the welfare of others, expressed especially by the generous donation of money to good causes.[12] Yes, the tax benefits are a nice touch, but make sure you're donating and/or working with a charity because it means something to you, and because you have a personal and emotional connection to it. And lastly, because you want to make a positive difference in the world!

11 https://www.irs.gov/publications/p590b

12 "Philanthropy." Merriam-Webster, Merriam-Webster, **www.merriam-webster.com/dictionary/philanthropy.**

CHAPTER TEN

LONG-TERM CARE

After all the charitable giving talk, it's time to shift the focus back on you. No matter how healthy you are right now, or "plan" to be later on in life, it's essential for you to protect your retirement savings from potential Long-Term Care (LTC) and other health-related expenses. Without a solid plan in place that addresses the potential expenses associated with LTC / health risks, your savings could be at risk.

The “it will never happen to me” mentality plagues many people, and it does not fare well when a Long-Term Care event arises as it can drain your savings. It’s estimated that 70% of Americans age 65 and older will need long-term care at some point in their lives. On average, women will need 2.5 years of long-term care, men will need 1.5 years, and 14% of people need long-term care for longer than five years.[13] Ultimately, the stress and burden from a LTC related event is seemingly unnecessary when there are so many ways to help hedge against the risk.

Long-Term Care is simply a range of services that you may need in order to meet your personal care needs. LTC services are generally provided by an assisted-living facility, at home with the aid of a care-giver, or at a nursing home. The median annual cost of a room in an assisted-living facility is $45,000, and the median annual cost of a private room in a nursing home is over $97,000.[14] Cost for LTC varies depending on the type and duration of care you need, the provider you use, and where you live.

13 https://www.morningstar.com/articles/879494/75-must-know-statistics-about-long-term-care-2018-edition

14 “What Is Long-Term Care?” How much Care Will You Need? - Long-Term Care Information, Sept. 2017, **https://longtermcare.acl.gov/the-basics/what-is-long-term-care.html**

Most LTC revolves around assisting people with the basic personal tasks of everyday life. There are six Activities of Daily Living (ADLs): bathing; dressing; using the toilet; transferring to/from bed or chair, caring for incontinence, and eating. Generally, the inability to perform two or more ADLs is a trigger to begin receiving LTC benefits. Other LTC services and support are assistance with everyday tasks. There are eight Instrumental Activities of Daily Living (IADLs), housework; managing money; taking medication; preparing and cleaning up after meals; shopping for groceries or clothes; using the telephone or other communication devices; caring for pets; and responding to emergency alerts such as fire alarms, that again, if you cannot perform alone, you may need some sort of LTC.[15]

LTC insurance can be purchased via a stand-alone LTC policy, a fixed annuity with a LTC rider, or a life insurance policy with LTC benefits.[16] What's best for you depends on a variety of factors that are different for everyone. If you're looking for pure LTC protection, then a stand-alone LTC policy may be best for you on a dollar-for-dollar basis. It provides care that cannot be received from Medicare, acts as an insurance policy like you would have on your house or car, and it insures your financial security if an LTC Event

15 "What Is Long-Term Care?" What Is Long-Term Care? - Long-Term Care Information, Sept. 2017, **www.longtermcare.acl.gov/the-basics/what-is-long-term-care.html**

16 **https://longtermcare.acl.gov/the-basics/who-pays-for-long-term-care.html**

were to occur. If you're a risk averse investor who would rather not have the "use it or lose it" nature of a stand-alone policy, then a fixed annuity with LTC benefits may work best for you. Here, you can retain access to your money, get coverage without health underwriting, and the LTC rider may be less expensive than a LTC policy. However, the rider fee can eat into your annuities' interest income so be sure to examine all parts of the policy with your trusted financial professional before making a decision. Lastly, if you're investing in a whole, universal, or variable life insurance policy, you can select the LTC coverage terms in the rider. If you need coverage, it will come out of the death benefit and your beneficiaries will receive any remaining value. In the end, it's crucial to plan for what can go wrong before being able to afford the luxury of what can go right. This is not a one size fits all type of deal, so be sure that you fully understand the benefits and potential risks associated with each available option. And, don't wait until you're in your 60s or 70s to purchase Long-Term Care because if your health deteriorates, you can end up paying significantly more up-front and in your monthly premiums.

Even if we don't need care for another decade or two, we all know that we're not going to be in perfect health forever. And if we prepare for it now, it will be a lot easier when we actually do need it, for ourselves and for our families.

CHAPTER ELEVEN

ESTATE TAX PLANNING

In keeping with the theme of easing the burden on our loved ones, let's shift our focus to your estate, and how you can strategize to help reduce the amount you'll pay in estate taxes. The Estate Tax is a tax on your right to transfer money or property at your death. According to a survey, 57% of U.S. adults do not have estate planning documents such as a will.[17] When you pass, your estate will have to pay federal estate taxes if its net value is more than the exempt amount set by Congress at that time. To calculate the net value of your estate, first add-up your assets, then subtract your debts. Be sure to include your home, business interests, bank accounts, investments, personal property, IRAs, retirement plans, and death benefits from your life insurance.

The Tax Cuts and Jobs Act raised the estate and gift tax limits significantly. The estate and gift tax exemption is $11.7 million per individual, up from $11.58 million in 2020. That means an individual could leave $11.7 million to heirs and pay no federal estate or gift tax, while a married couple could shield $23.4 million. [18]

The maximum tax rate on estates in excess of the exemption amount is now at 40%.[19] Therefore, as a HNWI you'll want to keep an eye on your estate because anything above the threshold can be hit with up to a maximum 40% federal estate tax. The federal gift tax is tied to the estate tax so be sure to keep track of all gifts during your lifetime as they count against the eventual estate tax exemption

17 https://www.caring.com/caregivers/estate-planning/wills-survey/

18 https://www.forbes.com/sites/ashleaebeling/2018/11/15/irs-announces-higher-2019-estate-and-gift-tax-limits/#1b37f8114295

19 https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax

amount. However, gifts related to medical, dental, and tuition expenses that are paid to the provider directly do not count towards any of the limits.

Sometimes estate tax is referred to as a "death" tax where the executor of your estate, or whoever has been charged with distributing your money and property to heirs, has to pay the federal and/or state government when you die. Currently, there are 12 states and D.C. that have an estate tax as well, which may kick in at a lower threshold than the federal estate tax does. For example, in Connecticut the threshold is $7.1 million. In Maryland and D.C. the threshold is $4 million, so if you live in, or own property in a state that imposes an estate tax, then your estate may be affected by that state's estate tax.[20] Essentially, there are three ways in which you can help reduce or eliminate your estate taxes.

First, if you're married, then use both estate tax exemptions. Assuming your spouse is a U.S. citizen, you can leave them an unlimited amount when you die with no estate tax, but estate tax issues may arise at the time they pass away. A living trust with tax planning will use both spouses' estate tax exemptions, double the amount protected from estate taxes, and ultimately save a substantial amount for your loved ones.

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20 "4 Things to Know About The Estate Tax | Money." Time, Time, **www.time.com/money/4272083/estate-taxes-who-pays/**

Second, remove assets from your estate before you die. We previously discussed one way to do this in the Charitable Giving section where you can make annual, tax-free gifts. This is a simple, no-cost way to save estate taxes by reducing the size of your estate. Another way is by transferring life insurance policies to an irrevocable life insurance trust. Here, you remove death benefits of the existing policy from your estate. However, if you die within three years of the transfer, it will be included in your estate. Using a qualified personal residence trust is a way to remove your home from the estate at a discounted value, while still being able to live there. A grantor retained annuity trust or grantor retained unitrust is a way to remove income-producing assets from the estate at a discounted value, while still being able to receive income. You can start transferring assets to your children now to reduce your taxable estate by creating a Limited Liability Company or Family Limited Partnership. Here, you're also able to protect your assets from future lawsuits, creditors, or even spouses. By using a Charitable Remainder Trust, you can convert appreciated assets into lifetime income with no capital gains tax. This saves both estate and income taxes where the charity receives trust assets after you die. Lastly, you can remove assets from your estate before you die using a Charitable Lead Trust. This will remove assets from your estate, saving estate taxes, and distributing the income to a charity for a set period of time after which the trust assets then go on to your loved ones.[21]

Third, buy life insurance to replace assets given to charity and/or pay any remaining estate taxes. This is done through an Irrevocable Life Insurance Trust (as discussed previously) where death benefits are not included in your estate because you are paying estate taxes and/or replacing charitable gifts with the trust.

In the end, there are many different strategies for HNWI to properly manage and transfer their estate. But, if not planned for carefully, estate taxes could end up diminishing the value of your estate for your heirs.

21 https://www.estateplanning.com/Understanding-Estate-Taxes/

CHAPTER TWELVE

BUSINESS SUCCESSION AND VALUATION

Business succession planning is the process of transferring ownership and management authority to a successor group. It is similar to the estate planning process of transferring wealth to your loved ones. 51% of business owners and two thirds of large corporate owners plan to leave their businesses within the next five years. But, only 28% have a plan for selling or transferring ownership to family as an exit plan and 43% said the impact of their retirement on key employees is an important consideration.[22] It's important to obtain a professional business valuation before beginning the business succession planning process.

Business Valuation is the process of determining the economic value of a business or company. Typically, a valuation is used to determine the "fair" value of a business to help establish partnership ownership, evaluate potential divorce proceedings, and to value the potential sale of a business. The most common approaches to valuing a business include a review and comparison of similar companies, a review of financial statements, and discounting cash flow models. A valuation professional will help to determine what your business is worth by providing a range of values based on accepted methods that are independent, and thus free, from the biases of the business owner. Here are three business valuation methods that are frequently used by business owners:

Asset-Based

With this approach, you begin by totaling up all of the investments in the business. It's not so much

22 https://www.privatebank.bankofamerica.com/articles/insights-on-wealth-and-worth-business-owners-2018.html

about the profit generating capabilities of your business, but rather the net value of the assets in your business. *The Going Concern method* takes all the business' net balance sheet value of its assets and subtracts the value of its liabilities. *The Liquidation method* determines the net cash that would be received if all assets were sold and liabilities paid off. However, these valuation methods are more difficult to use for a sole proprietorship than a corporation. This is because the assets in a sole proprietorship fall under the owner's name and it can be difficult to separate assets from business and personal use.

Earnings Value

Here, the valuation is predicted based on a company's ability to produce wealth in the future. *The Capitalizing Past Earning method* is when a valuator uses the records of past earnings, normalizes them for unusual revenue or expense, and multiplies the expected normalized cash flows by a capitalization factor to help determine an expected level of future cash flow. Basically, it's a reflection of what rate of return a reasonable purchaser can come to expect on their investment. It also includes a measurement of risk to be expected on whether the earnings will be achieved. Using a *Discounted Future Earnings* method is where an average of the trend of predicted future earnings is used and divided by the capitalization factor.[23] According to a Grand Thornton report, an established business with a history of strong earnings and market share will typically trade with a capitalization rate of 12% or 20%. However, an unproven business in a fluctuating and volatile market will likely trade at a higher rate of 25% to 50%.[24] For a sole proprietorship, past earnings can be a tricky valuation method due to customer loyalty tied to the identity of the business owner and how it transpires under a new owner.

Market Value

Using this approach, the goal is to establish value of a business by comparing it to similar businesses that have been recently sold. However, it's important to note that there needs to be a sufficient number of related businesses in order to draw up an accurate comparison and valuation. One of the biggest issues that arise with a comparison or market value approach is that you're often comparing apples-to-bananas because businesses typically are not identical, and can have slightly different target markets/industries or competitive advantages. Once again, sole proprietorships are difficult to assign a value to as they are individually owned and will likely have

23 Ward, Susan. "3 Ways to Discover What Your Small Business Is Really Worth." The Balance, 25 Sept. 2017, **www.thebalance.com/business-valuation-methods-2948478**

24 "How Much Is Your Business Worth." Grand Thornton LLP, 2017

limited public information available on prior sales of like businesses.

In the end, the Earnings Value Approach is probably the most popular business valuation method, but using a combination of methods tends to be the most appropriate and fairest way to set an actual selling price.

Now that you have a better understanding of what your company is worth, it's time to put together a succession plan in order to protect its value for your shareholders as well as your families over the long-term. The transition from one owner or generation to the next is difficult, and it starts by reviewing all operational and financial goals. First, do you want to keep or sell your business? How do you decide when you should sell it if that's your intended course of action? Do senior executives (whether family members or not) want/need to fully retire, or are they simply trying to cut back on their workload? Are you even able to retire, as the owner, without causing a cash-flow problem with the business? Who will take over the business if you (and/or your partners) were to pass away or become incapacitated for an extended period of time? As you can see, there are a number of different questions that need to be answered before laying the rest of the foundation for your business succession plan. Here are five important steps to consider when creating a viable succession plan for your business:

1. **Establish Goals and Objectives**

   Developing a vision and outlining goals/objectives for the future with everyone on the same page is key. You want the next generation of management to closely align with business goals, as well as have a better understanding of their personal wishes.

2. **Establish a Decision-Making Process**

   This is where the governance processes will be created in terms of how family members are included. You may want to create a method for resolving disputes if needed.

3. **Establish the Succession Plan**

   Now is the time to identify successors, both managers and owners of the business. You'll also want to list out the roles, whether active or non-active, for all family members. And, if there's additional support required for the successor from family members, then be sure to include that as well.

4. **Create a Business and Owner Estate Plan**

   Certain tax implications need to be addressed for the owner and business when the time comes to sell, or in the case of a transfer of ownership, death, or divorce. You'll also want to address the buy/sell agreement to make sure it's fair, accurately reflects the value of the business, and aims to minimize taxes.

5. **Create a Transition Plan**

   Here, you want to try and establish a timeline for implementation of the overall succession plan. If the business is going to be purchased, you may need to look into financing options, either from an external party or self-financed on a deferred payout basis from the retiring owners.[25]

A proper valuation of your business and a detailed succession plan will help save you and your family (or business partners) time, money, and ultimately preserve the continued success of your business.

25 Evans, Michael. "5 Steps To Create A Viable Succession Plan For Your Family Business." Forbes, Forbes Magazine, 12 Oct. 2013, **www.forbes.com/sites/allbusiness/2013/08/28/5-steps-to-create-a-viable-succession-plan-for-your-family-business/#445acd6b76f2**

CHAPTER THIRTEEN

ALTERNATIVE INVESTMENT STRATEGIES

Alternative investments are options outside of the conventional investment types such as stocks, bonds, and cash. They are used to create more diversification within an investor's portfolio by providing exposure to investments whose expected returns and risk characteristics are not correlated with those of traditional investments. Many of these investments are complex, have limited regulations, and are often held by institutional investors or accredited HNW investors. This is because they often have high minimum investments and fee structures as compared to something more traditional like a mutual fund or exchange-traded fund (ETF). Because of this, these investments are not suitable for all investors. However, they tend to have lower levels of turnover thereby resulting in lower transaction costs as compared to conventional assets. And, any alternative investment held over a prolonged period (more than 12-months) are subject to a lower capital gains tax in comparison to shorter-term investments. Private equity, hedge funds, managed futures, real estate, commodities, and derivatives contracts are a few of the more popular alternative investments you can consider as part of your financial/retirement planning process.[26]

According to a MainStay Investments study, HNW investors who are utilizing alternative investments have more than one-fifth of their portfolios in alternatives. The top-three reasons why HNW investors utilize alternative investments is because they want

26 Staff, Investopedia. "Alternative Investment." Investopedia, 31 Jan. 2016, **www.investopedia.com/terms/a/alternative_investment.asp**

to protect their principal, diversify, and increase their potential for investment growth/returns.[27]

The main alternative investment strategy we're going to look at here is real estate. More specifically, we're going to focus on the 1031 Exchange, a Real Estate Investment Trust (REIT), and Delaware Statutory Trusts (DSTs).

From Section 1031 of the Internal Revenue Code, a 1031 Exchange allows an investor to defer capital gains taxes on any exchange of similar properties for business or investment purposes. A personal residence does not qualify for a 1031 exchange, and typically a "fix and flip" type property does not qualify either because it fits in the category of property being held for sale. Additionally, vacation or second homes that are held as rentals do not qualify. With a 1031 Exchange, when a property sells, taxes on capital gains are not charged so long as the money is being used to purchase another property. Thus, the payment of tax is deferred until the property is sold with no re-investment. Basically, the tax code exists so that anytime an individual or business sells a property to buy another, no economic gain is

27 Wilkinson, Emily. "High Net Worth Investors Taking Alternate Routes." Banking and Financial Services, Biz Journals, Apr. 2014, **www.bizjournals.com/houston/morning_call/2014/04/high-networth-investors-taking-alternate-routes.html**

achieved.[28] It's simply a transfer from one property to another.

So, if you're a real estate investor looking to sell an apartment complex to buy another one, you won't be charged tax on any gains that are made on the original property. However, it's important to note that you must either close on, or identify in writing, a potential replacement property within 45-days from the closing and transfer of the original property. This time period includes weekends and holidays and if you exceed the time limit, the IRS can disqualify your entire exchange making the taxes due on the property. Once a replacement property is selected, you now have an additional 135 days to close on the new replacement property.[29] Ultimately, if you intend on re-investing the proceeds from the sale of your investment property for more investment property, you can help avoid capital gains taxes with the power of a 1031 Exchange.

Some investors will utilize a Real Estate Investment Trust (REIT) to invest in real estate where they can add it as an investment within their 401(k) or IRA qualified retirement plan. This type of security invests in real estate through property or mortgages and

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28 https://www.irs.gov/businesses/small-businesses-self-employed/like-kind-exchanges-real-estate-tax-tips

29 Weintraub, Elizabeth. "Real Estate Tips: What Are the Tax Benefits of 1031 Exchanges?" The Balance, May 2017, **www.thebalance.com/how-to-do-1031-exchanges-1798717**

often trades on major exchanges just like a stock. They typically offer high dividend yields and special tax considerations for investors, in turn giving them an extremely liquid stake in real estate. Both small and large investors are able to acquire ownership in real estate ventures so long as the REIT has at least 100 shareholders, in which no five hold more than 50% of shares between them. At least 75% of a REIT's assets must be invested in real estate, cash, or U.S. Treasuries. They are required by law to maintain dividend payout ratios of at least 90%, and while investors still pay income tax on the payouts they receive, the REIT can deduct the dividends to help avoid most of the tax liabilities.[30] The Tax Cuts and Jobs Act added the options of a deduction up to 20% for the ordinary income portion of a REIT distribution and of a lower tax rate.[31] Three of the most popular kinds of REITs in the U.S. are: Equity, Mortgage, and Hybrid REITs.

With a DST, an accredited investor can reap the benefits of owning real estate without becoming a landlord. And, if you're a current real estate investor and no longer want the responsibilities associated with active property management, you can utilize a DST. In order to be an accredited investor, you must have earned income that exceeds $200,000 (if

30 https://www.federalregister.gov/documents/2016/08/31/2016-20987/definition-of-real-estate-investment-trust-real-property

31 https://inland-investments.com/education-insights/new-tax-act-provides-substantial-tax-savings-reit-shareholders

single or $300,000 if married)[32] in each of the prior two years and have a reasonable expectation for the same amount or greater for the current year. When a property is acquired under the DST umbrella, it opens up a trust for potential investors to purchase a beneficial interest. Here, investors can either deposit their 1031 exchange proceeds into the DST or they can purchase an interest in the DST directly. DSTs can have up to 100 investors (sometimes more) with each investor owning a beneficial interest in the trust, which in turn, owns the underlying asset.[33] With the potential for capital appreciation and hedging against inflation, you also have the ability to leave an easily divided and lasting legacy for your heirs. Ultimately, investing in a DST gives you the ability to receive passive income from real estate without the hassles of property management.

On a side note, you can also take advantage of tax-free rental income using your current property. You might not think you're a landlord, but if you live in a popular destination, you can potentially rent out your home on a temporary basis. There is a special provision allowing you to rent a home for up to 14 days a year without having to report a dime of the money you receive as income.

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32 https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/updated-investor-bulletin-accredited-investors

33 Weintraub, Elizabeth. "Learn About Delaware Statutory Trust and If It's a Safe Investment." The Balance, Sept. 2017, **www.thebalance.com/delaware-statutory-trust-1798719**

In the end, there are many types of alternative investment strategies, but as a HNW investor, one of the biggest opportunities for you lies within real estate.

Be advised that investments in real estate and in REITs have various risks, including possible lack of liquidity and devaluation based on adverse economic and regulatory changes. Additionally, investments in REIT's will fluctuate with the value of the underlying properties, and the price at redemption may be more or less than the original price paid.

Real estate investments can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Section 1031 Exchanges and Delaware Statutory Trusts are complex investments and may not be suitable for all investors. You should consult with the appropriate professionals in regards to your situation.

CHAPTER FOURTEEN

CORPORATE TRUSTEE SERVICES WITH FIDUCIARY OVERSIGHT

Many HNW investors will utilize Trustee Services as the base for their asset management and personal financial services strategy. A corporate trustee is a trust company or bank trust department where the employees can help you to build, manage, and protect your wealth once your assets are placed in a trust. As we previously discussed, a trust is a legal document that allows you to retain control over your assets. It can help reduce unnecessary legal fees, save taxes while you are living, or if you become physically or mentally incapacitated, and after you die. Corporate Trustees have years of experience managing many trusts on a daily basis and are familiar with tax and estate planning as well as the legal responsibilities required of a trustee.[34] Basically, if you were to set-up an irrevocable trust such as a charitable or life insurance trust, you would likely need to name someone other than yourself as a trustee for tax reasons. Therefore, a corporate trustee is a natural choice to make sure your irrevocable trust is administered properly.

A corporate trustee has full responsibility for managing your trust assets according to your instructions. You can also work with corporate trustees in a "co-trustee" way where you'd take advantage of their investment experience, but you would still be involved in the process. Because the trustee gives their full attention to managing the assets in your trust, they often achieve better results than an individual would as they simply have more time, experience, and resources to devote to your trust. Corporate trustees are regulated by both state and federal agencies, so your wealth will be protected with the utmost care. Most courts deem them to

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34 "Understanding Corporate Trustees." EstatePlanning.com, Wealth Counsel , 2017, **www.estateplanning.com/Understanding-Corporate-Trustees/**

be "experts" and corporate trustees are held to higher standards than a non-professional would be. That being said, it's important that you work with a Corporate Trustee Service who includes a Fiduciary Oversight.

Many trustee situations include a corporate fiduciary relationship; however, you can appoint an external corporate fiduciary as an agent for you. Their role can include assisting in the management of your financial assets as well as other services related to investment management, retirement planning, and analysis of wealth planning strategies in conjunction with your tax and legal advisors. When you select a fiduciary, you're creating a trusting relationship with that party in which they are legally obligated to operate in your best interest, and not for their own (or company's) personal gain.[35] In addition to their investment oversight, they can also provide recommendations and support in the decision-making process and in executing approved transactions. A fiduciary can be critical in helping you plan for the management of your investments, funding your income strategies for retirement, implementing plans to work toward other important goals, and developing a legacy strategy for your estate.

35 Your Mullen, Sally. "Potential Advantages of a Corporate Trustee and Fiduciary." Private Wealth Management 2014, **www,privatewealth.usbank.com/insights/corporate-trustee-fiduciary**

CONCLUSION

A DEDICATED APPROACH FOR HNW INDIVIDUALS

Retirement has a way of sneaking up on you. It's one of those things that seems off in the distance until one day it isn't. And, it's not like you set an alarm clock for 5 or 10 years in the future and suddenly wake up in retirement. During the time you're approaching retirement, the business of life occurs on a daily basis. With that, you encounter unanticipated events that change the course of your life in ways both big and small. That's why we design our retirement plans with enough flexibility to help you navigate through life's little unplanned events. But even so, that doesn't mean the plan won't need adjusting from time to time. Not every day or event can be planned for, so it's important to have a dedicated team on your side to help make adjustments if things deviate more than anticipated.

If your definition of winning is solely based on beating some market-based metric, there's a good chance you're missing the point. While striving to get the best results isn't a bad thing, you should be focused on achieving the goals that are important to you. A successful retirement may be better judged by its ability to help you live the way you want to live, and do the things you want to do, without taking on unnecessary risks. Retirement should be about living life on your terms and a solid plan should take into account things like: where you want to live, how you want to live, and how you want to spend your time. People that are too fixated on market-based metrics sometimes lose sight of the purpose of their retirement.

Retirement planning today is so much more important than it was for people in the past. And, as much as the media makes retirement out to be a blissful and relaxing way to enjoy your later years, we all know there are still apprehensions among the retirement community, especially with the high net worth crowd. A recent survey by the Transamerica Center for Retirement Studies explains that the top concern facing retirees and pre-retirees is the fear of outliving their money. Now as good a time as any to combat your biggest retirement fear.

At Poodiack Wealth Management Group, we specialize in helping HNW retirees and pre-retirees plan for a nest egg that lasts as long as they do, and help minimize the burden placed on their loved ones in any outcome. Take control over your personal wealth and work with a team of retirement planning experts to devise a custom strategy that carries you to and through a safe, successful, and enjoyable life in retirement.

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https://poodiackwealth.stewardpartners.com/

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3. Bank CDs are insured by the Federal Deposit Insurance Corporation and offer a fixed rate of return, whereas both the principal and yield of variable products will fluctuate with market conditions and are not guaranteed.

4. Securities are not guaranteed by the FDIC or any other government agency, fluctuate in value, and may be worth more or less when redeemed.

5. Interest, if any, will vary depending upon the allocation option you choose for your annuity. Choosing several allocation options ("diversifying") does not ensure that interest will be credited. No allocation option provides the most interest in all market scenarios.

6. Dollar-cost averaging does not ensure a profit or protect against loss. This type of plan involves continuous investment in securities, regardless of fluctuating price levels. Investors should consider their ability to continue purchases through periods of low price levels.

7. Guarantees are backed by the financial strength and claims-paying ability of issuing insurance company and do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

8.All annuity contract and rider guarantees, or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased, or any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the life insurance company Guarantees do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

9. Although an external index may affect your interest credited with in a Fixed indexed Annuity, the contract does not directly participate in any equity or fixed income investments. You are not buying shares in an index. The index value does not include the dividends paid on the equity investments underlying any equity index or the interest paid on the fixed income investments underlying any bond index. These dividends and interest are not reflected in the interest credited to your contract.

10. Any transaction that involves a recommendation to liquidate a securities product, including those within an IRA, 401 (k), or other retirement plan, for the purchase of an annuity or for other similar purposes, can be conducted only by individuals currently affiliated with a properly registered broker/dealer or registered investment advisor. If your financial professional does not hold the appropriate registration, please consult with your own broker/dealer representative or registered investment advisor for guidance on your securities holdings.

11. Any distributions may be subject to ordinary income tax and, if taken prior to age 59 $^1/_2$, an additional 10% federal tax.

12. Fixed indexed Annuities are designed to meet long-term needs for retirement income, and they provide guarantees against the loss of principal and

credited interest, and offer the reassurance of a death benefit for your beneficiaries.

13. No one crediting method credits the most interest in all market scenarios.

14. This hypothetical example is shown for illustrative purposes only and is not guaranteed. The characters in this example are fictional only. Your actual experience will vary.

To be an accredited investor, an individual must have had earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years and "reasonably expects the same for the current year", according to the SEC.

Or, the individual must have a net worth of more than $1 million, either alone or together with a spouse. With the passage of the Dodd-Frank Act, this now excludes a primary residence as being an eligible part of an investors net worth (investors who had existing accredited investments but who now fail the net-worth test without their residence being valued were grandfathered.)

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