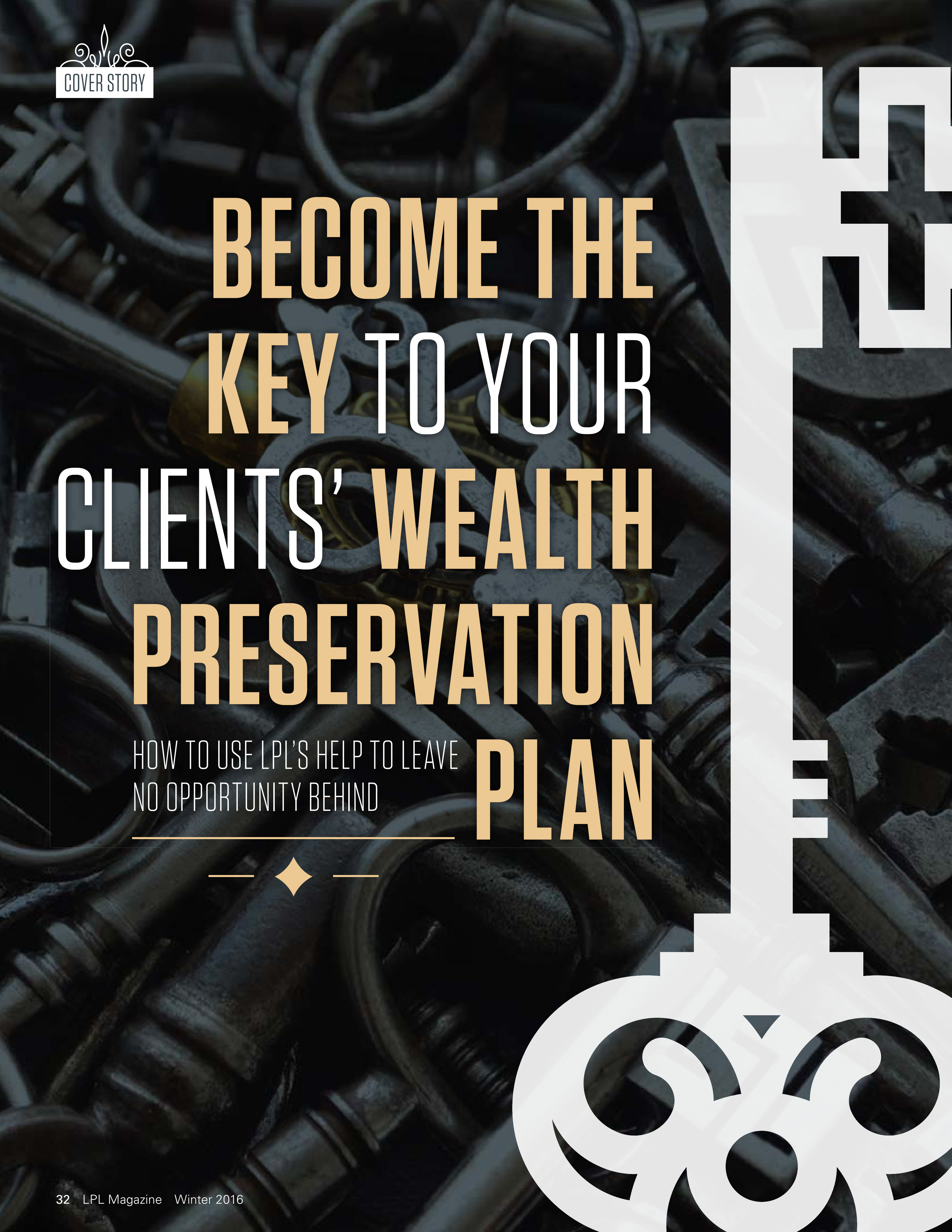

COVER STORY

BECOME THE KEY TO YOUR CLIENTS' WEALTH PRESERVATION PLAN

HOW TO USE LPL'S HELP TO LEAVE NO OPPORTUNITY BEHIND

Only 18% of affluent investors are receiving estate planning advice, and only 36% believe their advisor will be involved in executing their estate plan.[1] This situation presents a significant risk to clients and an opportunity to you—one where you can best serve your clients in an area of need and remain involved in their finances throughout their lives.

So why aren't more advisors engaging their clients on wealth preservation? On the surface, it's a complex topic involving many different strategies and options. However, when broken down into its simplest form, estate planning covers familiar areas you're likely already comfortable discussing with clients, such as their future plans and desires.

When it's time to get into the more complicated areas of wealth preservation, you can bring in specialists to help consult with you and your clients. LPL Financial offers support for estate planning, so you can help your clients ensure their wealth isn't serving them only during their life, but after their death as well. Initiating the estate planning conversation keeps you involved in the process and gives you the chance to help your clients in an area of wealth management that may be confusing for them.

In addition, without the proper planning, your clients' assets may go to another advisor upon their death. In many cases, your clients will want you to remain involved in their finances, even when they're no longer around. But most of the time, this won't happen unless you participate in their estate planning.

Breaking Down Wealth Preservation

Christopher McCutcheon, national sales manager and senior vice president of the Private Trust Company, N.A. (PTC), explains that wealth preservation is essentially determining three key pieces of information:

- What the client owns
- To whom they'd like to leave their possessions and assets
- In what form they would like to leave their possessions and assets

"Before you even get to what type of trusts or other estate strategies are needed, you need to figure out how your clients are thinking about wealth preservation," McCutcheon said. "Do they feel they have enough to live on comfortably for the remainder of their lives? Are they planning on having extra to pass on to someone else? Who are those individuals, and does the client have any concerns about the process?"

Sorting through these issues can help you and your clients determine what their estate planning path should be.

When to Bring Up Wealth Preservation with Clients

All of your clients will be different, but many individuals start thinking about the future of their wealth in their late 50s. "Once retirement planning is on track and clients feel comfortable that they'll have enough money to live on for the rest of their lives, the next logical step is estate planning," McCutcheon said. "But remember that most of your clients are unlikely to bring this topic to your attention, either because they're uncomfortable discussing it or they don't think you can help them with it."

It will likely be up to you to initiate the conversation. It can be a difficult topic, but phrasing it as "preserving wealth," or the "wealth preservation conversation," can make it easier to approach. Your client has trusted you to help them with their wealth and this is simply the next step in your guidance. "A wealth transfer is not so much a transfer of wealth, but more a transfer of values and wishes from one generation to the next," McCutcheon said. "Helping your clients understand that is key."

If you feel you've covered all the bases with retirement planning, financial planning, and college planning for your clients' children or grandchildren, estate planning is the next topic to address.

Questions to Ask

To determine if your client wants your help with estate planning and to figure out what their first tentative plans might be, go through this series of questions:

Getting Started

- Do you feel you have enough money to comfortably live on throughout retirement?
- If you plan to have excess funds, where would you like them to go?
- Have you thought about how you'd like to preserve your wealth for your family or cherished causes?
- Would you like me to help you think through some of those issues and help in putting together a plan to ensure your wealth is preserved in the way you want?
- In addition to the ones I currently manage for you, are there any other assets or possessions that we should consider in this plan?

Determining Client Wishes

- If something happened to you, who would you like your assets and possessions to go to? Children, grandchildren, friends, charities, a combination?
- How would you like your assets and possessions to be distributed?
    - Outright, as a one-time gift
    - In chunks over the course of their life
- Are there any contingencies we should consider?

When it comes to contingencies, they're as varied as your clients themselves. Because you know your clients, you're in the perfect position to help them think through all the possible issues. For example, maybe your clients have a son-in-law whom they don't necessarily trust and want to make sure their daughter retains control of the assets they'll gift her, even if she gets divorced. Or maybe clients aren't sure if their children are responsible enough to handle the amount of assets they'll receive. Another scenario is a couple who would like to leave a lot to their favorite charity, but don't want their children to feel slighted.

Dig into any issues that come up until you clearly understand your clients' concerns and wishes. This will help you plan and decide which steps to take next.

Even if you know the client already has a comprehensive estate plan in place, ask if they fully understand and are satisfied with it or if they'd like you to review. Doing so can offer new opportunities to serve your clients. Many people simply don't associate their advisor with estate planning, but would be more than happy for the help if it was offered.

Wealth Preservation Strategy: Wills

Before you go any further, ensure your clients have wills that clearly communicate their wishes should something happen to them. Once this safety net is in place, you can move on to more detailed estate strategies.

Wealth Preservation Strategy: Trusts

You don't need to understand all the strategies out there or even how they work, but being aware of the basics can help you decide where to turn next to help your clients to complete their estate plan.

Trusts are one of the best wealth preservation strategies, as there are almost unlimited options for clients and clearly communicate their wishes, values, and desires. "Trusts can be structured in so many different ways," McCutcheon said. "They can continue for a number of years and then end, they can be set up to distribute a percentage to each child per year, they can have discretionary distributions to help a child start a business or buy a house, or they can distribute assets over the lifetime of multiple generations. If a client wants something specific in their estate plan, a trust is often the best way to accomplish it."

Even if your clients aren't 100% clear on what they want to do with their wealth or if they'll have enough to distribute to heirs, trusts can be a good strategy. Revocable trusts prevent the estate from having to go through the lengthy probate process and record your client's wishes should something unexpected happen, but they can also be changed at any time during the client's life. In fact, it's important to remind clients that estate plans can be flexible, so they don't have to make final decisions today. They simply need to get their wishes down on paper, knowing what they know now. As with their financial plan, their estate plan can—and should—be revisited and revised to line up with life changes and goals.

> Many individuals simply don't associate their advisor with estate planning, but would be more than happy for the help if it was offered.

Wealth Preservation Strategy: Insurance

Insurance can be used in a variety of ways as part of an estate plan. For example, life insurance can be used to pay death taxes or expenses, as well as to fund business buy-sell agreements. In many cases, individuals use irrevocable life insurance trusts (ILITs) to help give heirs flexibility in settling the estate, as assets owned by the ILIT generally aren't considered part of the estate for tax purposes. Again, you don't need to know or understand these strategies in detail, but simply be aware they exist.

Wealth Preservation Strategy: Gifting

Make sure your clients have thought about gifting during their lifetime. "Sometimes people forget about the federal government's gifting allowances," McCutcheon said. "Currently, one individual can gift up to $14,000 to another individual each year. If a married couple is gifting to a child and his or her spouse, that's up to $56,000 per year. If you have clients who can afford to do this, there are a lot of benefits—the assets are growing tax free and won't be considered as part of the estate."

Where to Find the Experts

Once you've helped your clients think through their wealth preservation wishes, you can turn to some experts to help you execute their plan.

LPL Private Client and Financial Planning Group

Work with LPL Private Client or the Financial Planning Group to help you put together an estate strategy for your clients. Private Client can help you with clients who have $2 million in liquid assets or more, and the Financial Planning Group can help clients with less. Based on your initial estate conversation with your client, the groups can recommend which strategies the client may want to consider. If insurance is suggested, the LPL Insurance Planning team can be consulted as well. In some cases, if you so choose, the groups can join you in client meetings via conference call to help present various strategies.

Estate Planning Attorney

Some clients may have their own attorney. However, in many cases, clients believe they have a wealth preservation attorney, but in fact, the attorney doesn't truly specialize in estate planning. Make sure the attorney brought in to draft the estate documents is a genuine trust and estate attorney. If the client doesn't have such an attorney, find someone you can recommend. If you don't already have someone you feel comfortable referring, do some research to locate an attorney in your area whom you might like to work with going forward, and make an effort to connect with him or her. Such an attorney could also become a valuable center of influence for you and send referrals your way.

Private Trust Company

When you know trusts will be involved in the estate plan, and your client has at least $1 million in investable assets, give PTC a call. PTC is a nationally chartered trust company wholly owned by LPL's parent company and is able to help advisors in all 50 states. Although PTC doesn't draft trust documents—you'll still need an estate planning attorney for that—the team does work with attorneys during the drafting phase and provides trust language that helps ensure you remain part of the client's estate team.

PTC can serve as trustee, co-trustee, or even as agent for individual trustees for all personal and charitable trusts. They also provide trust administrative duties, such as principal and income accounting, distributions in accordance with the trust document, and the preparation and filing of tax returns on behalf of the trust.

Using PTC to Stay Involved in Your Clients' Estate Plan

"Even if you initiated the wealth preservation conversation, don't assume you'll automatically be kept in the picture," McCutcheon said. "Without proper planning, you may be removed from the conversation and unable to assist the family going forward. That's not what the client typically wants, but it can happen, depending on how the plan is written."

To ensure you remain involved, ask your clients if they would like you to continue helping their family if something should happen to them. If this is something they desire, you can suggest the use of PTC. By naming PTC as your client's trustee, the team can help ensure the client's desires come about and that you remain in the picture.[2]

If you have a client who has an existing trust and wants to get you involved, PTC may still be able to help. PTC often comes across advisors with clients who are unhappy with the trust service or investment options they're receiving from their current administrator and are looking to change. In many cases, it's fairly straightforward to switch administrators and even named trustees. Although it's more difficult with irrevocable trusts, it may still be possible, depending upon the situation.

"We can help your clients connect the dots between you and their estate plan," McCutcheon said. "You have your own trust company at your disposal, and taking advantage of it can help you best serve your clients and find new opportunities for your business."

Why You Should Remain in the Picture: A Trust is an Investment Account

At its heart, a trust is an investment account with instructions, no matter what type of trust it is. Who should be managing that trust account? You. Clients don't often think of their advisor in relation to trusts, because they don't understand exactly what a trust is. Since it's an investment account, it makes sense that it should be run by their investment advisor, which you can do with the help of PTC. In many cases, clients do want their advisor involved and thus ask him or her to be a trustee, which is not permitted. But you can assure them you can be involved as the named investment advisor for the trust.

"Without the help of PTC, it's very hard to remain part of the trust management team," McCutcheon said. "For example, if the client has a Wells Fargo trust, the assets will transfer to Wells Fargo upon the client's death. Even Merrill Lynch advisors who have clients in Merrill Lynch trusts will lose the assets to the trust when the client dies. We've found a better model and a way to give clients what they want—their advisor involved in the process."

Client Question: Why PTC and Not My Child?

While some clients will immediately agree to naming PTC as a trustee to keep you involved, others will ask why PTC should serve and not their child. If this issue comes up, ask them to think about what they're asking their child to do as successor trustee: recordkeeping, distributions in line with trust document instructions, accounting, taxes, and investment management. While many clients will think naming their children as trustees is an honor, oftentimes it becomes a burden for those children.

Issues can also arise if clients have more than one child. For example, the trustee's sibling could ask for more money than the yearly trust payout, putting the trustee child in an awkward situation. Or, the trustee child could say no to all requests, even reasonable ones, frustrating their siblings. Why risk impacting sibling relations? Instead, clients can have an objective trustee partner who simply uses the trust as a guidebook. No emotion is involved.

Advisor Question: Won't Heirs Leave Anyway?

Some advisors don't bother with trusts or engaging PTC because they think the heirs will take the assets and run anyway. Having the estate planning conversation with your clients presents a good opportunity to talk about the future and potentially meet clients' heirs. Invite your clients to bring their children or grandchildren into the office for a moderated estate discussion. Throughout your wealth preservation work with clients, make an effort to connect with the next generation.

But even if you don't know the next generation when your clients pass away, the settlement process can take up to a year, giving you plenty of opportunities to work with the beneficiaries.

Leave No Opportunity Behind

It can be difficult to hit the pause button on the daily running of your business to search for new ways to grow, but LPL's support can make it easier than you might think. Wealth preservation in particular is a complex topic involving many different strategies and options. But it's also an area in which clients desperately need your help—and an area for which LPL offers a great deal of expertise and support. Make sure you're leaving no opportunity behind in the area of wealth preservation by taking advantage of the available tools today. ■

Wealth preservation in particular is a complex topic involving many different strategies and options. But it's also an area in which clients desperately need your help—and an area for which LPL offers a great deal of expertise and support. Make sure you're leaving no opportunity behind in the area of wealth preservation by taking advantage of the available tools today.

1 "Today's affluent investors: insights and opportunities," The Spectrem Group, 2014.

2 There is a charge when PTC has officially accepted and funded a trust. However, there is no charge to simply name PTC as trustee in a future capacity.