
FIVE STRATEGIES FOR PRESERVING AN INHERITANCE

*Strategies to help ensure that
inherited wealth makes life better.*

Mark Gordon Huffman, J.D., CFP®



Securities offered through Royal Alliance Associates, Inc. Member FINRA/SIPC. Investment advisory services offered through Genovese Burford & Brothers Asset Management, a registered investment advisor, not affiliated with Royal Alliance Associates, Inc.

FIVE STRATEGIES FOR PRESERVING AN INHERITANCE

STRATEGIES TO HELP ENSURE THAT INHERITED WEALTH MAKES LIFE BETTER.

BY: MARK GORDON HUFFMAN, J.D., CFP®

TABLE OF CONTENTS

Welcome.....	2
Understanding Inheritors	3
Confronting the Loss	5
Confronting the Gain	7
Five Strategies for Preserving an Inheritance	9
Strategy One: Go Slow	11
Strategy Two: Build a Team ...	13
Strategy Three: Your Vision ...	16
Strategy Four: Review	17
Strategy Five: Prepare	18
Your Next Steps	19
About Mark	Back

WELCOME

Who hasn't at one time or another dreamed of receiving a large inheritance? All our troubles would be over, all our dreams would come true!

While this may be the experience of some inheritors, it is definitely the exception. Having worked as a trust and estates attorney for over 13 years, and having worked with numerous inheritors on dozens of estates, I have seen relatively few recipients of large inheritances make a totally smooth transition to the new life that their newfound wealth makes possible. Some miss it entirely.

Whether you are a surviving spouse, a child, a grandchild, or even a non-family inheritor, receiving a lot more wealth than you are used to having (or at least being responsible for) can be a very daunting and challenging experience. What follows is a description of the pressures, fears and anxieties experienced by Recent Inheritors, and five strategies for confronting those issues to help

ensure that your wealth does what it is supposed to do – make your life better.

“Inheriting a lot of money, for all its benefits, is a demonstrably stressful, disorienting, and even frightening experience.”



Understanding Inheritors

Whenever I attempt to describe for people the difficulties encountered by the Recent Inheritors of wealth, the predictable response goes something like this: “Cry me a river, I’ll take that problem any day!”

Of course, there is no question inherited wealth can come as a real blessing. It can serve to eradicate debt and the anxiety and worry that come with it. It can allow the inheritor to stop working in a job that he or she dislikes but that is needed to pay the bills. It can supply the means for providing for the needs of family members, be they children, siblings or parents.

But the facts are that inheriting a lot of money, for all its benefits, is a demonstrably stressful, disorienting, and even frightening experience. There are usually important *legal and financial decisions* that need to be made after the death of your loved one that you may be unwilling or unprepared to make. If the you are a surviving spouse you may suddenly be responsible for *day to day practical tasks* such as paying the bills without having the slightest idea of how to do so. Family and friends can be a welcome source of help and support, but sometimes bring with them a desire to further their own agendas.

When the *disorganizing effects of grief* are added to the equation, you may find yourself overwhelmed by feelings of fear and confusion.

Who then are the Recent Inheritors of wealth? How are they different? What do they have in common?

Recent Inheritors fall into three general categories: surviving spouses, children and grandchildren (or other family members), and other non-family inheritors.

RECENT INHERITORS: BIG CHANGES

◆ *Employment*

About a quarter of those inheriting between \$3 million and \$10 million quit their jobs.

◆ *Lifestyle*

69.8% of those inheriting \$3 million to \$6 million, and 84% of those inheriting \$6 million to \$10 million said their lifestyle changed dramatically.

◆ *Financial Advisors*

- Over 96% indicated that they wanted to work with a financial advisor because they were overwhelmed by money and/or did not have time to deal with it on their own.
- About half wanted to work with an advisor to gain “peace of mind.”
- 80% switched to an advisor who specializes in serving the affluent.
- Only 0.3% of inheritors planned to use their parents’ advisor.

Source. Study by Merrill Lynch Managers and Prince & Associates of 334 inheritors (not including surviving spouses) receiving between \$1 million and \$10 million. See John J. Bowen, Jr., “Wealth Transfer,” *Financial Planning*, October 1, 2008.



Surviving Spouses: The characteristic that separates surviving spouses from other Recent Inheritors is the fact that, with the exception perhaps of life insurance proceeds or wrongful death claims, the wealth you “inherit” was yours to begin with. So in this case the inheritance may not necessarily usher in a new standard of living. What changes is deciding how to use that wealth. For example, you may have always dreamed of living on the coast but your spouse had no interest in doing so. You now have the freedom to do that. Surviving spouses are typically older, but not always. In fact, if you are a younger surviving spouse whose spouse died as a result of accident, illness or other tragedy, you fall into one of the most challenging inheritor profiles.

Children, Grandchildren, and Other Family: It is common for inheritors in this category to find themselves wealthy for the first time. If so, you may have complex feelings about your inheritance. For example, you may feel an obligation to use it in a way that honors the decedent or in a way that furthers his or her values. This can be especially true if your loved one is the one who created the wealth.

Non-Family Inheritors: If you are a non-family inheritor, you may find yourself in a very ticklish position, especially if actual family members were passed over in whole or in part in your favor. Outraged feelings of family members can invite litigation, whether or not the claims have merit. You therefore should be very careful (and discreet) at the outset in spending your inheritance. Some part of it may be needed for legal fees.

What They Have in Common: Though each inheritor’s experience is unique, all face the challenge of understanding how their lives are changed as a result of their inheritance and ensuring that their wealth actually *makes life better*.

Before describing the specific financial problems faced by Recent Inheritors and the strategies for overcoming them, let’s look at a factor that can complicate the matter in profound ways: *grief*.

THE EFFECTS OF GRIEF



The effects of grief can be psychological, physical, social, or spiritual.

- Exhaustion
- Distraction
- Anger
- Loss of Appetite
- Anxiety
- Sleeplessness
- Uncontrolled Weeping or Crying
- Weight Loss or Gain
- Forgetfulness
- Inability to Focus
- Panic Attacks
- Isolation
- Aggravation of Existing Illnesses
- Guilt
- Hopelessness
- Crisis of Faith



Confronting the Loss

If we are talking about inheritance we are talking about the death of a loved one. And if we are talking about the death of a loved one we are talking in one form or another

about grief. How grief affects you personally depends on a number of factors. Context is one. The loss of a parent after a long struggle with Alzheimer's disease, for example, is a typically different experience than the sudden loss of a child or spouse. In one case the grief begins long before the actual death, in the other it drops like a ton of bricks. In both cases the death itself can elicit strong emotions.

People in the midst of grief often report feeling in a dream-like state, as if they are living on an alien planet to which they don't belong. Mundane experiences of sight, smell, or sound can trigger sudden and powerful emotions over which they have no control. A surviving spouse may come home and find herself calling "I'm home" to a husband who is no longer there. A child may find himself unconsciously planning a visit to a recently deceased parent.

Each person's experience of grief is unique, and the *Side-bar* lists many of the **effects** of losing a loved one. It is far from complete. Some are psychological and some are physical. Others are social. Some are even spiritual. For some these effects moderate naturally over time, for others they persist in one form or another for many months or years.

You may find that some of the effects take unexpected and startling forms leaving you wondering if you are "going crazy." You may find yourself having difficulty concentrating or becoming forgetful. You may bounce between the extremes of a

SOURCES OF SUPPORT

- ***Family and Friends***

Tell them what you need (help with housekeeping, yard work, grocery shopping), and what you don't need (being told how you are feeling, how to "move on").

- ***Support Groups***

Meeting and sharing your feelings with people dealing with their grief can provide solace in a way friends and family cannot.

- ***Religious Faith***

Availing yourself of resources provided by your religious faith can provide a good deal of comfort, especially if your grief causes you doubt.

- ***Professionals***

Research in recent years into grief and its effects have armed therapists and grief counselors with powerful tools and techniques for managing and overcoming obstacles presented during the grieving process.

Don't Go It Alone. There is no more powerful resource in confronting your grief than sharing it with others.



particular effect, such as eating constantly and then not eating at all. Or going from being totally sleepless to not being able to get out of bed. According to John W. James and Russell Friedman of the Grief Recovery Institute:

*"The reduced ability to concentrate; the disruption of sleeping and eating patterns; the roller coaster of emotions are all normal and natural reactions to death. There is nothing crazy about them or you."*¹

In recent years a good deal of research has gone into understanding the physical, psychological, emotional and spiritual effects of grief, and all agree that grief is something you must go *through*, not around, and going through it usually involves **support**. Grieving alone usually prolongs the process and is generally counter productive to the end of finally accepting the loss and resuming the living of a fulfilling life, however changed. Self-sufficiency being a virtue in so many other contexts is often a liability here.

There are many places you can find support. Family and friends are the most obvious, but they may not know how to help you (or know that their attempts however sincere are actually unhelpful). Working with support groups with other grief sufferers can help verify that your feelings and reactions are indeed common and normal. Availing yourself of the resources provided by your religious faith can be invaluable in giving meaning to the loss, and are particularly important if the loss produces a crisis of faith as commonly occurs. Finally, the "state of the art" in the science of grief has armed therapists and grief counselors with powerful tools and techniques for helping you manage and overcome obstacles presented during the grieving process.

¹ John W. James and Russell Friedman, *Am I Going Crazy?*, <http://connect.legacy.com/inspire/page/show?id=1984035%3APage%3A5114> (July 23, 2010)



Confronting the Gain

As we have seen, the death of your loved one can be disruptive on many levels, and can involve physical, emotional, social and spiritual effects. But if you are also an inheritor, a whole host of other stresses and anxieties can arise, and persist both during and after the grieving process. Just as you must make the difficult transition to living a life without your loved one, you must also come to terms with your new life as a person with wealth.

If you are responsible for administering your loved one's estate, you can typically count on a good deal of help from professionals such as attorneys and accountants. Although decisions need to be made and the process can take several years, it usually falls into a predictable pattern with most of the decisions more or less obvious.

However arduous, estate administration does have the advantage of being discreet and limited. It may take awhile, but at some point you will "put a bow on it" and it is done. Your ongoing relationship to your wealth, however, is not so neat and tidy.

As an inheritor you will have a number of important decisions to make relating to your new found wealth that can have lasting significance to you and your family. These involve a whole host of complex issues (see **Exhibit 1** on the next page). Not only do each of these issues involve their own levels of complexity, each affects the other. Assuming you are even aware that these areas

“As an inheritor you will have a number of important decisions to make relating to your new found wealth that can have lasting significance to you and your family.”

CASE STUDY: IRENE²



Irene's husband Don died about a year ago. Both were domiciled in California. Don took responsibility for managing their legal and financial affairs during his life, but Irene is committed to taking responsibility for them now.

When Irene's father died in 1975, he bequeathed to her Hewlett-Packard stock which has a cost basis of \$30,000 and a current fair market value of \$500,000. It represents about one-sixth of her financial assets and her financial advisor is concerned about the risk inherent in such a large single position.

The financial advisor recommends that she either sell the stock outright or donate it to a charitable remainder trust to maintain an income stream. It is unclear to the financial advisor whether a charitable remainder trust makes sense at her age and at her asset level and recommends that she discuss the option with her estate planning attorney.

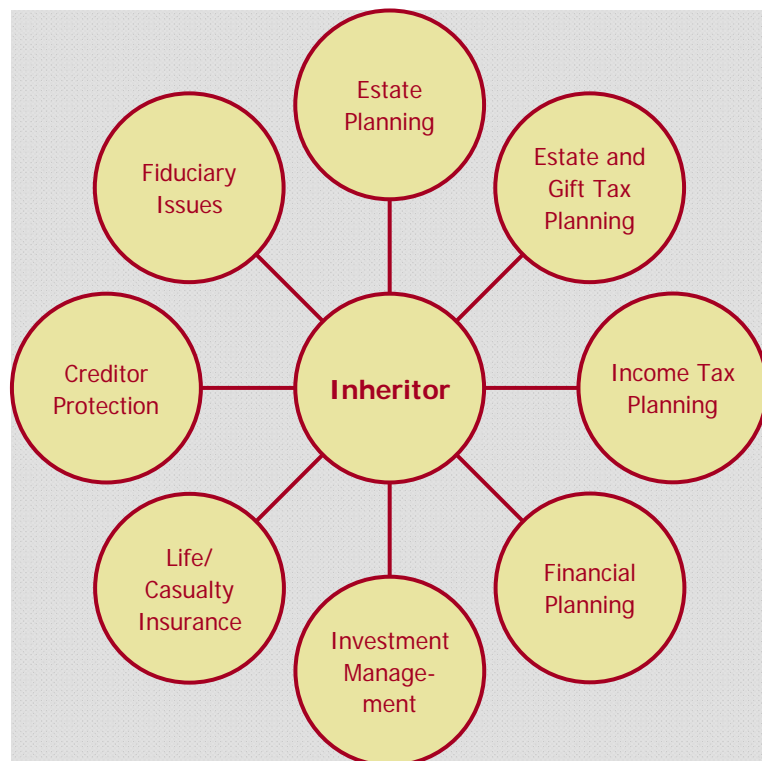
The financial advisor is also unclear as to the income tax implications of either option, and whether it is better to implement either option this year or next year. He recommends Irene discuss the options with her accountant as well.

²See back page for important information on Case Studies.



require attention, you are often put in the position of having to communicate the actions and decisions of one professional

EXHIBIT 1 ISSUES CONFRONTING THE RECENT INHERITOR



to other professionals whose areas are affected by the decision (see Case Study: Irene in sidebar).

Taken as a whole, the sheer number of decisions, dangers, and opportunities to be monitored is enormous. The diagram in Appendix A summarizes many of these issues.

So what you are confronted with as a Recent Inheritor are a significant number of complex issues to keep track of and which keep changing as your assets change, the tax laws change, and your needs and desires evolve. On the one hand it is far too much for you to handle on your own. On the other the consequences can be severe if you don't plan wisely.

“Being a Recent Inheritor is like going from being a small business owner to a corporate CEO – overnight. Is it any wonder that most Recent Inheritors are totally unprepared for their new reality?”



Five Strategies for Preserving an Inheritance

So as wonderful a blessing as your inherited wealth can be, dealing with it in a way that actually makes your life better is not easy, or even assured.

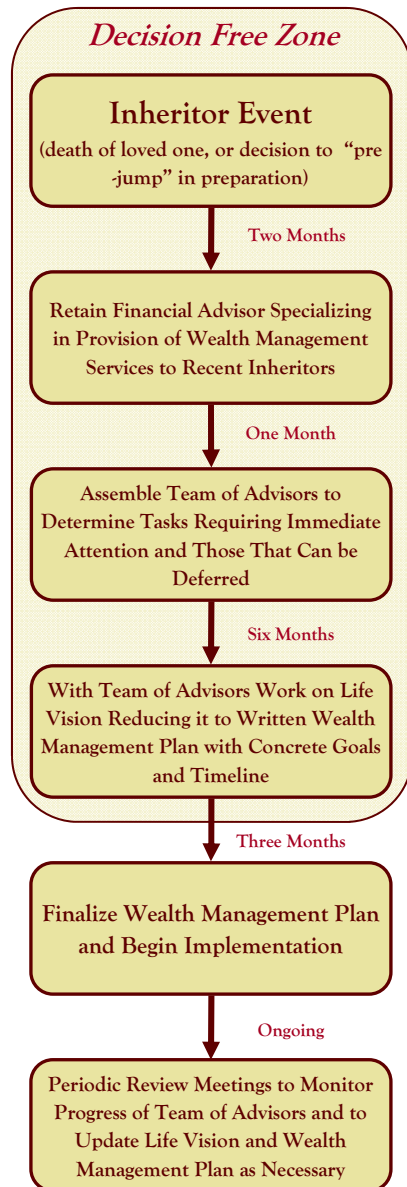
However difficult, it is possible to successfully navigate your transition from your pre-inheritance life to your life as a person with wealth. Doing so hinges on your ability to understand a key concept early on: wealth involves more complexity than can be managed effectively by any one person. This is true despite your level of intelligence or accomplishment in other spheres of your life.

Prior to receiving your inheritance, running your financial life was probably like running a small business. There were decisions to make and responsibilities to fulfill, but you could handle them. Managing a large amount of wealth, however, is more like being a corporate CEO. The endeavor is far larger than any one person, no matter how smart or committed that person is to succeeding.

The problem is that being a Recent Inheritor is like going from being a small business owner to a corporate CEO – overnight. Is it any wonder that most Recent Inheritors are totally unprepared for their new reality?

What follows, then, are five strategies for managing what is almost without exception a very difficult or even lonely process. They are designed not only to help you avoid the dangers that can imperil your financial future and happiness, but just as importantly to capitalize on the opportunities your inheritance makes available.

RECENT INHERITOR TIMELINE



Importance of Process. Recent Inheritors need the discipline of a process designed around their needs to successfully navigate the transition to a life with wealth.



In *Strategy One: Go Slow*, you acknowledge the fact that the effects of grief and your inexperience in managing significant wealth can make you vulnerable to poor decisionmaking whose negative effects you may feel for the rest of your life. You make the conscious decision to go into the “Decision Free Zone” and make only those decisions that are absolutely necessary, and defer the rest.

Next, if your experience as a Recent Inheritor is akin to that of the corporate CEO, it is fair to ask, “What are the essential attributes of successful CEOs?” There are several, but three are relevant to you as a Recent Inheritor: (1) articulating a personal vision, (2) building a team of experts, and (3) avoiding the temptation to manage details.³

In your case the second item actually comes first since you will rely on your team of experts to not only implement your personal vision but to help you formulate it in the first place. So, in *Strategy Two: Build a Team*, we discuss the kinds of expert advice you will need and how to assemble a team of advisors to deliver it.

In *Strategy Three: Your Vision*, we observe again that the real value of wealth isn’t measured in dollars but rather in its ability to make your life better. How you define “better” – in three, ten, twenty years or at the end of your life – is your “vision,” and we describe a process for articulating it.

We address the third attribute, avoiding the temptation to manage details, in *Strategy Four: Review*. Here we discuss how to delegate responsibility for tasks without giving up control.

Finally, in *Strategy Five: Prepare*, we describe ways you can prepare for an inheritance before the death of your loved one to be ready for the transition long before it occurs.

³ Paula Phelan, *Five Essential Attributes of Successful CEOs* (<http://onlinebusiness.about.com/od/dailyoperations/a/5-ceo-traits.htm>)

CASE STUDY: KAREN



Karen was 42 when her husband Jim was killed in an airplane crash leaving her and their two young children. Between life insurance proceeds and the wrongful death claim against the airline, Karen found herself with far more money than she ever thought she would have.

About six months after Jim's death, Karen was driving along the coast with her children and noticed a house for sale that was exactly the kind she and Jim had always dreamed of owning.

Karen was still deeply angry and heartbroken at the loss of her husband and decided then and there that she would buy the house because she knew it would have made him happy.

Because she paid cash she did not have it adequately inspected, nor did she get homeowner's insurance prior to the purchase as would normally be required by a lender. The house ended up having a number of serious structural issues. Because it was so close to the water, the only homeowner's insurance she could find was inordinately expensive. Karen also underestimated the difficulty of maintaining a second home.

After a few years, tired of the hassle and expense, Karen sold the house at a loss.



STRATEGY ONE: GO SLOW

The most important thing to remember in first coming to terms with your inheritance is that, with a few important exceptions, it is best to go slow. For most inheritors this means making no big unnecessary decisions for at least a year.

Susan Bradley in her book *Sudden Money* advises going into what she calls the “Decision Free Zone:”

“The number one rule . . . is to create an environment that is free from emotion-based decisions and free from the influence of others. This is what I call the Decision Free Zone, and it is a place everyone needs regardless of how much they have received or how experienced they are with money.”⁴

As we have seen, the disorienting effects of grief can cloud and distort your perception and judgment resulting in decisions you may come to regret (see **Case Study: Karen** in **Sidebar**). Even in the absence of grief the process of understanding what your inheritance really means to your life, how you feel about it and how to manage it is overwhelming. If you are a non-spouse inheritor the disorienting event typically occurs when you actually receive your inheritance, even if that takes place several years after the death of the person leaving the inheritance.

⁴Susan Bradley, *Sudden Money: Managing a Financial Windfall* 19 (2000).

DECISIONS, DECISIONS . . .

◆ *Decisions that Can Wait . . .*

- Your Home: whether to sell your existing home or buy a new one.
- Gifting: whether to make or commit to making large gifts to family, friends or charity.
- Retirement: whether your inheritance is large enough for you to consider retirement and what it would mean to you personally.
- Retirement Plans: options can be complex and the implications major requiring careful review.

◆ *Decisions that Can't . . .*

- Team of Advisors: who will constitute your “team of experts” to help you understand what is urgent and what is not.
- Stock Options: most stock option plans provide that they must be exercised within a specific time after the owner's death (usually a year), or they lapse.
- Estate Administration: some estate administration decisions are time sensitive (e.g., disclaimers, payment of estate tax).
- Fiduciary Issues: as an executor, it is usually best to convert marketable securities to cash to avoid liability if asset values decline.

No Rush. Give yourself time to adjust to your new circumstances before making big decisions not easily undone.



The Decision Free Zone, as Susan Bradley calls it, is a time to consider various options without the pressure of actually having to make any major decisions. In **Case Study: Karen**, for example, a good alternative for Karen might have been to rent a house for a summer to see if it was everything she hoped it would be. The same approach might be appropriate for someone considering a move to an entirely new locale.

The question then is what kinds of decisions must the inheritor make in the short-term, and what decisions can he or she defer?

The most important decision you need to make is covered under **Strategy Two: Building a Team**. You need a team of experts, working collaboratively, to help you identify issues, sort out which are urgent and which are not, and advise you how to move forward.

Examples of decisions that should be deferred, and those that should not are summarized in the **Sidebar**. There are many others. The key is removing unnecessary anxiety regarding legal and financial issues so that you can focus on working through your grief with your Sources of Support, and coming to terms at your own pace with what it means to you to be a person with wealth.

During this time it is important that you *do not give up control*. Well meaning family and friends may offer assistance or even offer to assume responsibility for your finances. If you are feeling overwhelmed and out of control it is important to have the guidance of a team of advisors who are experts and whose only loyalty is to you and your best interests.

“As the recipient of a large inheritance, it is essential that you assemble a team of experts, working collaboratively with you and each other, to provide integrated services and advice to proactively address the financial problems presented by your wealth.”



STRATEGY TWO: BUILD A TEAM

As we have discussed, managing a large inheritance requires dealing with an enormous amount of complexity, far more than any one person can (or should attempt to) handle on their own. As the recipient of a large inheritance, therefore, it is essential that you assemble a team of experts, working collaboratively with you and each other, to provide integrated services and advice to proactively address the financial problems presented by your wealth. Put simply, what you need is a true **wealth management** solution.

Specifically, your team fulfills two important roles: (1) at the outset it helps you discern what decisions need to be made now versus those that can be deferred until you leave the “Decision Free Zone” described in *Strategy One: Go Slow*, and (2) on an ongoing basis (for the rest of your life), to identify issues that arise as a result of changes in your personal life, your finances, tax laws, etc., and propose and implement solutions.

Your team will consist of a Team of Advisors, some of whom are Core Team Members who will advise you on an ongoing basis and others who are Ancillary Team Members who will come into play as circumstances require.

Before describing the various team members, it is important to emphasize how crucial it is to retain advisors who specialize in working with the affluent in general, and have experience working with inheritors in particular. In most cases this means it will be appropriate for you to find new advisors, especially with regard to your Core Team Members.

CASE STUDY:

MAX



Max is 38 years old and his mother died a few years ago leaving him an inheritance of \$3 million, half in the form of cash and half in the form of an IRA.

He is excited because he believes his inheritance will allow him the financial freedom to retire from his job as a schoolteacher and devote himself full time to his dream of writing a novel. He intends to use \$1 million of the non-retirement assets to buy a house in the wine country where he will do his writing, and live on the balance.

Fortunately, he meets with his financial advisor who points out that his inheritance may not be sufficient to do everything he wants to do. Although his expenses are relatively low now, they will increase dramatically once he is the owner of a \$1 million home and paying tax on retirement plan distributions.

Furthermore, in order to obtain the best financial benefit from the IRA over his lifetime, he should take only the minimum required each year. At age 38 this is 2.25% of the account value or about \$34,000. Of the \$500,000 in remaining non-retirement assets he can take about 4% annually without eroding its purchasing power, or \$20,000. The total, \$54,000 per year, is less than Max's salary as a schoolteacher and not enough to support the new life he is contemplating.



Core Team Members

- Trust & Estates Attorney

In many cases the selection of your Core Team Members begins with the Trust & Estates attorney who is administering the estate of the decedent from whom you are inheriting. He or she will know before almost anyone else the total amount of your inheritance, what forms it will come in, and when you can expect to receive it, and so will have a sense of what new estate planning documents you will need. If you live in the same locale as the decedent and you enjoyed working with the estate administration attorney, he or she is often an obvious choice. If you live elsewhere you will need to find someone local.

- Income Tax Advisor (e.g., CPA, Enrolled Agent)

Unlike estate planning documents which usually require updating only every few years or so, your income tax picture is constantly changing. You may find that you are now responsible for such things as quarterly income tax payments that require analysis every quarter. Some of the more sophisticated estate planning techniques can have complex income tax implications as well.

- Financial Advisor

One of the things Recent Inheritors understand least about their new wealth is what it really means to them financially. In **Case Study: Max**, in the sidebar, \$3 million sounded like more than enough to do everything Max wanted to do. The problem was that at his young age the number that had the most relevance was the \$54,000 that he could prudently take and have a reasonable expectation of not outliving his assets.

Establishing reasonable expectations of your inheritance is one of the first and most important things you need to do as a Recent Inheritor.

REGARDING FEES



One of the biggest surprises you may face as a Recent Inheritor is the fees charged by your new advisors.

You may find new estate planning documents costing many thousands of dollars. If you are accustomed to doing your own income tax returns, you may balk at paying several thousand dollars each year for income tax advice and tax return preparation. And you may be amazed at the fees charged by your financial advisor for financial planning and asset management services.

Of course, you should never pay more than you have to, and it makes sense to shop around. However, there are two important concepts you should keep in mind.

First, with your new wealth comes an important change in scale. What was a lot of money in your old reality may not be in your new one.

Second, count the cost if something gets missed. The last thing you want is to end up paying much more in the form of avoidable estate taxes, income taxes, or subpar investment returns because you sought a less expensive alternative.



- Family or Friends

In some cases a trusted family member or friend who understands you on a personal level can offer valuable perspectives and insights, and if need be act as an advocate.

Ancillary Team Members

- Life Insurance Advisor

It is common for Recent Inheritors to have a need for life insurance that they didn't have previously, for example, to help cover potential estate taxes.

- Casualty Insurance Advisor

Having more wealth usually means having more "things," and those things need to be insured. Your wealth also makes you a bigger target for lawsuits, so it is important to have adequate "umbrella" insurance coverage in place.

- Bookkeeper

Can be very helpful to you and your Team of Advisors if managing finances is a burden.

One thing that is absolutely essential is that your Team of Advisors be ready, willing and able to work collaboratively, that is, *as a team*. As we saw in *Case Study: Irene*, a decision in one area can have significant implications on others, and so your advisors need to be able to work together.

Because your financial advisor is the advisor with whom you are likely to have the most regular contact, he or she is in the best position to identify potential issues as they arise and refer them to the relevant team members. In the ideal case you would have a financial advisor who: (1) specializes in working with the affluent, (2) has experience working with inheritors, and (3) has a strong background not only as a financial advisor, but has experience working in other wealth management areas as well.

ARTICULATING YOUR VISION



1. Define what would have to happen by the end of your life for you to be able to look back and say, “I had a successful life.”
2. Determine what would have to happen at the end of 20 years for you to meet your lifelong goals.
3. Determine what would have to happen at the end of 10 years.
4. Determine what would have to happen at the end of 3 years.
5. Working with your Team of Advisors, determine if your goals are realistic given cash flow requirements, risk tolerance, asset base and income tax effects. Determine what kinds of estate planning documents would be required.
6. If necessary, modify items 1 –4 to make sure they are realistic and reflect your highest priorities.
7. Team of Advisors working collaboratively creates written Wealth Management Plan.
8. Review and modify Plan at least annually in consultation with your Team of Advisors.



STRATEGY THREE: YOUR VISION

Once your Core Team Members are in place, you should have a good sense of what decisions need to be made in the short-term and those that can wait. It is during this phase that, in your own time and at your own pace, you should begin to articulate what we will call your “Vision.”

Simply put, your Vision is your definition of success in the near, medium and long-term. It is a lifelong plan for fulfilling your highest ambitions and desires, guided by your values, with a keen sensitivity to what is reasonable given your resources.

The advantage of engaging in this process while in the Decision Free Zone is that it gives you the opportunity to consider various alternatives without the pressure of actually making decisions. It allows you the time and space to deal with your feelings about your wealth and to develop a mature understanding of its opportunities and limitations.

To that end, it is essential that your Core Team Members be included as a part of this process to help you understand what is possible, what is prudent, and to balance the alternatives. Committing to an unrealistic vision leads to failure and feelings of unworthiness and regret. It is another example of how inherited wealth can actually fail to make your life better.

Your Core Team Members should have in one form or another a process for helping you understand your Vision, ideally reducing it to a written Wealth Management Plan setting forth specific goals and timelines. The **Sidebar** sets out a proven process for working out your Vision and Wealth Management Plan.



STRATEGY FOUR: REVIEW

“It is important to meet with your Team of Advisors periodically to (1) adjust your Vision as necessary, and (2) update and monitor the progress of your Team of Advisors on specific tasks in furtherance of it.”

Your Team of Advisors cannot do an adequate job of planning without understanding what they are planning for, and your Vision, summarized in the form of a written Wealth Management Plan provides them with the necessary direction and definitions of success to be able to serve you effectively.

Previously we observed that one of the attributes of a successful CEO relevant to you in your role as a Recent Inheritor is avoiding the temptation to manage details. The trick is knowing how to delegate what you should to your Team of Advisors without abdicating control of the process. Having a written Wealth Management Plan is essential because it not only sets forth your vision, but what is required of your Team of Advisors to make it happen.

Over time, therefore, it is important to meet with your Team of Advisors periodically to (1) adjust your Vision as necessary, and (2) update and monitor the progress of your Team of Advisors on specific tasks required to further it.

In the beginning you will likely need to meet fairly regularly with your Team of Advisors, at least quarterly in most cases. As time goes on it may be sufficient to move to semi-annual or even annual meetings, though of course you would have regular contact with individual team members as needed. If major changes occur either in your Vision or to things like the tax laws, you may need to return to meeting more frequently until the proper adjustments are identified and modifications implemented.

CASE STUDY: MARIAN



Marian and her husband Jack are in their mid-60's. They met with a financial advisor who proposed a wealth management process that involved creating a Team of Advisors consisting of their estate planning attorney, their income tax advisor, their financial advisor, and other advisors as needed.

He further proposed helping them articulate a Vision and creating a Wealth Management Plan to make sure their goals were realistic, and their financial assets organized and deployed to effectively achieve them.

Jack has very competently managed their financial affairs for years and said that he did not think that kind of service is something they needed.

Marian raised her hand and said, "you may have it under control, but if you were not around I would be completely lost. The thought of that happening frightens me. It would make me feel a lot better if we had something like this in place before I lost you."

Jack was concerned about losing control and the advisor assured him that the essence of the process was providing more control and certainty by leveraging the best thinking of their expert advisors.

After some discussion Jack and Marian agreed to move forward, much to Marian's relief.



STRATEGY FIVE: PREPARE

Perhaps the biggest obstacle encountered by the downhill ski racer is the large jump. Being in the air compromises control and performance, and the goal of the racer is to keep his or her skis on the snow as much as possible. The way the racer minimizes the impact of such an obstacle is by "pre-jumping." That is, the racer proactively jumps before hitting the jump. The result is a gentle glide over the obstacle, and back down onto the snow.

The experience of most Recent Inheritors is like hitting the downhill jump head on. They find themselves soaring through the air, fighting for control. On landing, some recover, though at compromised speed, others do not.

The question is, is there anything the Recent Inheritor can do to "pre-jump" the experience and ensure a smooth landing on the other side? The answer in many cases is most assuredly yes. **Case Study: Marian**, for example, illustrates a classic case of people who benefit greatly from pre-inheritance planning: a married couple at or near retirement.

Other Recent Inheritor profiles are less predictable, for example, the person who loses his or her spouse at a young age due to accident, illness or other tragedy. But the truth is a true Wealth Management process is something anyone with significant wealth will benefit from.



Your Next Steps

“Whether you are a Recent Inheritor, or would like to prepare for being one, I believe the best way to help ensure that your wealth actually makes your life better is to implement a true Wealth Management solution oriented around the needs of Recent Inheritors.”

Whether you are a Recent Inheritor, or would like to prepare for being one, I believe the best way to help ensure that your wealth actually makes your life better is to

implement a true Wealth Management solution oriented around the needs of Recent Inheritors. While the term “wealth management” is very much in vogue these days, the vast majority of advisors using it offer little more than they were offering before they adopted the term.

In my opinion, a true Wealth Management professional is a financial advisor who implements the kind of comprehensive process summarized in this guide.

He is first and foremost an expert in financial planning and asset management. But he also has experience working with Recent Inheritors and understands the issues they are faced with. He has a network of experts available to assist you in assembling your Team of Advisors and in articulating your personal Vision, reducing it to a written Wealth Management Plan. He is able to coordinate the activities of your Team of Advisors to make sure everything stays on track.

Furthermore, you have a right to expect a Wealth Management professional who has experience working with the affluent, and who provides outstanding personalized service. Your phone calls should be returned promptly and your questions answered directly. You should be able to meet with your advisor as often as you feel you need to.

I wish you the best of luck in managing one of the most difficult periods in your life, and am confident that with the right advice and assistance you can be assured that your new wealth does what it is supposed to do — *make your life better!*

APPENDIX A



*See reverse for important disclosures

Investing involves risk including the potential loss of principal. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. No investment strategy, such as asset allocation or rebalancing, can guarantee a profit or protect against loss in periods of declining values. Please note that rebalancing investments may cause investors to incur transaction costs and, when rebalancing a non-retirement account, taxable events will be created that may increase your tax liability. Past performance is no guarantee of future results. Please note that individual situations can vary. Therefore, the information presented here should only be relied upon when coordinated with individual professional advice.

If converting a Traditional IRA to a Roth IRA, you will owe ordinary income taxes on any previously deducted Traditional IRA contributions and on all earnings. A conversion may place you in a higher tax bracket than you are in now. Because Roth IRA conversions may not be appropriate for all investors and individual situations may vary we suggest that you discuss tax issues with a qualified tax advisor.



Mark joined Genovese, Burford & Brothers in 2010, a fourth-generation Sacramento native returning after 25 years living in Massachusetts and Virginia.

He graduated from Williams College in Williamstown, Massachusetts, in 1988, with a B.A. in History, and earned his J.D. from the Washington & Lee University School of Law in 1997. Mark is a CERTIFIED FINANCIAL PLANNER™ certificant.

Prior to joining Genovese, Burford & Brothers, Mark worked as a trust and estates attorney in the Boston area for over 13 years, and concurrently was the COO of an independent registered investment advisory firm and multi-family office serving high net worth individuals and families. He also has a background in trust administration being responsible for the management of over 50 irrevocable trusts.

Mark specializes in providing financial services to high net worth individuals and families, with a special emphasis on Surviving Spouses, Recent Inheritors, Divorcees, and Business Owners engaging in liquidity events, and Family Trustees.

Case Studies presented are hypothetical examples only and are not representative of actual client experiences. Each client has unique circumstances and the case studies presented are only meant to illustrate common errors individuals make when handling their investments. Case studies presented should not be interpreted as a guarantee of future performance or success. Genovese, Burford & Brothers Asset Management does not offer tax or legal services.

The views expressed are not necessarily the opinion of Royal Alliance Associates, Inc., and should not be construed directly or indirectly, as an offer to buy or sell any securities mentioned herein. This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice as individual situations will vary. Royal Alliance Associates, Inc. does not offer tax or legal services.

Five Strategies for Preserving an Inheritance

© Copyright 2010 Mark Gordon Huffman. All rights reserved.

No part of this publication may be reproduced or retransmitted in any form by any means, including, but not limited to, electronic, mechanical, photocopying, recording or any information storage retrieval system, without the prior written permission of the publisher. Unauthorized copying may subject violators to criminal penalties as well as liabilities for substantial monetary damages up to \$100,000 per infringement, costs and attorney's fees.

The information contained herein is accurate to the best of the publisher's knowledge; however, the publisher can accept no responsibility for accuracy or completeness of such information or for loss or damage caused by any use thereof.

Securities offered through Royal Alliance Associates, Inc. Member FINRA/SIPC. Investment advisory services offered through Genovese Burford & Brothers Asset Management, a registered investment advisor, not affiliated with Royal Alliance Associates, Inc.

Michael T. Genovese, CFP®
Kelly Brothers

Lon E. Burford, CFP®, AIF®
Alex G. Brown, CFP®, CPA



**GENOVESE
BURFORD &
BROTHERS**

WEALTH AND RETIREMENT
PLAN MANAGEMENT

YOUR BEST INTEREST. ALWAYS.

1515 Response Road

Sacramento, CA 95815

Telephone: 916.924.7527

Telephone: 888.924.9350

Email: mark@gbbwealth.com

www.gbbwealth.com