

**Back**

## **Advanced Planning Basics**

By John J Bowen Jr

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Wealth management is often discussed in abstract ways that can be confusing—making it an almost empty buzzword. But true wealth management at its core is relatively straightforward and consists of three main components: investment consulting, advanced planning and relationship management. Put another way: Wealth management = investment consulting + advanced planning + relationship management.

In previous columns, I've discussed the importance of investment consulting and relationship management. Advanced planning addresses the range of financial needs beyond investments. This is a crucial piece of the puzzle, because to become a successful wealth manager you must be able to accurately address the key financial challenges of affluent clients, not just their investment needs.

With that in mind, here's an overview of what it means to offer advanced planning—and how best to provide those services to your clients.

### **Four Areas**

To be a successful wealth manager, you must address four areas of advanced planning with your expert team.

#### **Wealth enhancement.**

This means producing the best possible returns consistent with a client's risk tolerance. Wealth enhancement should also address the impact of taxes on those returns by maximizing the tax efficiency of current assets and cash flow.

Wealth enhancement can include working with the client's CPA to review past income tax returns as well as performing tax assessments. And this planning area may also include examining a client's business structure, executive compensation program and credit resources.

#### **Wealth transfer.**

With wealth transfer, advisors identify and facilitate the most tax-efficient ways to pass assets to succeeding generations based on the client's wishes, working in concert with the client's estate planning attorney and high-end insurance agent. Wealth-transfer goals include: deciding how assets will be distributed at death (versus relying on interstate rules of the state of residency); determining how and when heirs will receive money; ensuring that the maximum amount possible is transferred while minimizing taxes; and providing for the liquidity needs of a potentially illiquid estate.

Achieving these goals usually means reviewing existing estate planning documents, discussing how current plans align with a client's needs, ensuring correct designation of beneficiaries and titling of assets, and planning for business succession and liquidity needs. Vehicles you typically use here include trusts and various types of insurance.

**Asset protection.** These services are designed to shield affluent clients' wealth from litigants, creditors, children, in-laws and ex-spouses, so that their assets are not taken unjustly. Your job is to work with estate planning attorneys and insurance specialists to limit potential exposure to any lawsuits. The goal is to convince a creditor to settle or, in the event of a lawsuit, to minimize or eliminate damages.

There are numerous strategies to meet these goals—including liability insurance, life insurance, disassociation and transformation and various forms of ownership and agreements (prenuptial, buy-sell, etc.). In addition, the affluent are increasingly concerned about protecting not just their financial assets, but also their property, their confidential information and their families.

**Charitable giving.** This, of course, involves maximizing the effectiveness of a client's charitable intent—creating gifts that are far greater than what would have been possible otherwise. Once you determine a client's charitable intentions (if any), you will work with a charitable planning specialist to investigate the options for giving and how they affect or complement strategies for retirement income and wealth transfer. Options here include donor-advised funds, charitable lead trusts, charitable remainder trusts and private foundations.

## **Working with Experts**

If you have focused only on investment management in the past, advanced planning obviously opens up a host of new revenue drivers for your business. But if you are like most advisors looking to expand beyond the realm of investments, you are wondering how you can possibly deliver all of these services yourself in an expert manner that will satisfy affluent investors and generate profits for your firm.

The good news: You don't have to be an expert in every aspect of advanced planning to be a great wealth manager and capture the opportunities that advanced planning offers. Even the smartest advisors typically don't have all the skills needed to provide everything themselves.

Instead, you'll build and rely on a network of experts—professionals with deep knowledge across the range of advanced specialties—to provide the products and services you need to solve your clients' financial challenges. That network typically consists of a private client lawyer and an insurance specialist, and may also include corporate tax attorneys, credit specialists and security consultants who focus on protecting clients and their families. The exact members you'll need for your network will, of course, depend on your clients and their key issues.

Once you've developed your professional network, you'll be ready to identify your affluent clients' precise wealth management needs. This will occur at regular meetings that you'll hold with the members of your network, during which you'll discuss the needs of specific clients. These meetings should be highly structured by you so that you know in advance who will attend and which clients will be discussed. As a wealth manager, you need to be in control of your network at all times.

The key to your success in these meetings is to have a detailed profile of each client you want to review with your network. You and the other professionals will then engage in a brainstorming session that seeks to anticipate the expected and unexpected (both in the client's life and in a larger, macro view) and use those scenarios to inform your recommendations.

## **Scenario Thinking**

This type of brainstorming is often referred to as "scenario thinking." It essentially makes you ask, "What if...?" Regarding wealth management, scenario thinking helps you envision and describe the best possible future for your clients, then determine which actions are most likely to lead to that future. The process involves the following five steps:

- **Set objectives.**

Objectives will be tied to the client's most important financial values and goals. Everything you do should be built from this knowledge. There are a range of issues that almost always reveal the need for advanced planning. Examples include: multiple families, second spouses, a large age gap between spouses, large incomes and expensive collections (artwork, cars, etc.).

- **Identify key issues.**

These are the current opportunities and threats that could affect the client's future. These issues could include the availability of certain financial products, possible changes to the tax code or shifts in the personal liability environment. You and the team will want to dig deep at this step—asking yourselves what you may be overlooking.

- **Build scenarios.**

Discuss possible outcomes—if you implemented a certain strategy, for example, what could occur? Which contingencies can be controlled and which can't? Here is where the specialized insights provided by your experts will be invaluable in crafting solutions.

- **Identify appropriate opportunities.**

These are the strategies, services or products that, based on your scenarios, are most likely to meet the client's goals. They should also be those that you can deliver profitably.

- **Prioritize opportunities.**

Decide which strategies should be pursued first so that the client receives the most advantageous and powerful results right off the bat. Then take the appropriate action steps.

By surrounding yourself with the right team of experts and using the right processes to generate solutions, you'll find that bringing advanced planning to your affluent clients can be seamless. In the end, your ability to bring value to your clients' entire financial lives—not just their investment portfolios—will give you the advantage you need to build a great business that thrives for decades to come.

*John J. Bowen Jr. is founder and CEO of CEG Worldwide, a global training, research and consulting firm dedicated to helping financial advisors and the institutions that serve them become more successful.*



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