7 STEPS TO PROTECT YOUR WEALTH DURING TRANSITION

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7 Steps to Protect Your Wealth During Transition

By Lili Vasileff

Families are being redefined and diverse family structures influence financial confidence and preparedness. Wealth transfer requires planning and can be anything but straightforward.

Introduction:

Welcome to my Guidebook, **7 Steps to Protect Your Wealth During Transition!** On these pages, you will find seven key steps that will educate you about the importance of financial guidance and wealth protection during transition. Transitions impact your relationships, financial status, choices, present and future security. Transitions often create money conflicts that come between you and your spouse, family, ex-spouse, parents and business partners.

Whether planned or not, transitions trigger reassessment of your strengths and vulnerabilities. It is critical you find the right resources for effectively handling the impact of transition.

So much trouble can be avoided if you avoid missteps - court room clashes, estate battles, hotly contested divorces!

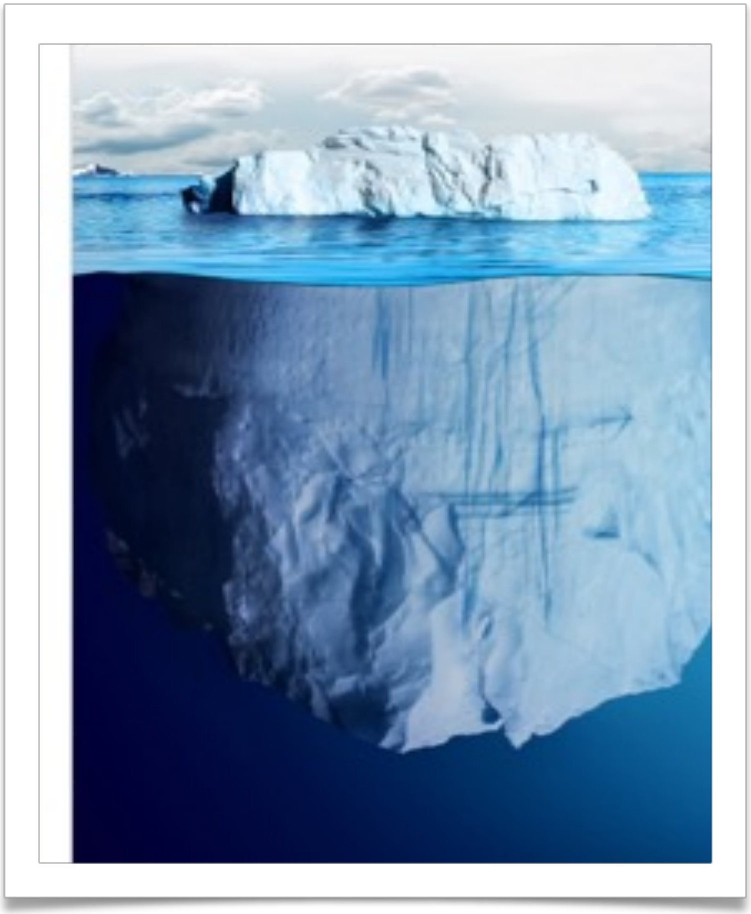
Over the years, I have witnessed many mistakes people make when it comes to dividing, sharing and transferring their wealth. Without the proper expert, the transfer of your wealth can be executed poorly and ineffectively, and you face greater risk of perpetuating personal conflicts, causing financial injury, and introducing undesired litigation.

An estimated $30 billion in wealth is expected to change hands in the U.S over the next generation among high net worth and ultra-net worth families. Families will have to plan *sooner rather than later* because of complex and diverse family structures.

A 2017 study by RBC Wealth Management reports an in-depth look at high net worth individuals representing various family structures (nuclear, single parents, and blended families). It summarizes the influence that diverse family structures have on preparedness to transfer wealth, confidence in financial knowledge, and initiative in preparing the next generation. The longevity boom, increasing globalization, and changing social attitudes, makes families today more variable and complex than ever before.

- Families are increasingly diverse: 1 in 5 people come from non-nuclear families, including blended and single-parent
- 73% of blended families plan to share their wealth equally among all beneficiaries
- 37% of blended families haven't started planning, but they have a greater need to plan ahead
- Single-parents have the highest rating for financial confidence
- Transparency is key for single-parents and 49% of single parents share all details with their children
- Only 26% of nuclear families have a full financial plan
- Only 38% of single-parent families have a full financial plan
- Only 24% of blended families have a full financial plan
- Only 36% of people have wills in the U.S.

Money is a central issue in all relationships. For many, talking about money, even with children, makes them uncomfortable. It can seem overwhelming, frightening, even hopeless, if you are stuck in the mire of damaging, endless money conflicts. Worst of all, you may be misinformed or mistaken about what you think is the nature of the conflict and the reality of the situation!



The most important action you can take is to engage an expert with a strong reputation and extensive experience in wealth management, estate planning, divorce, mediation, elder law, and litigation, and who is a trusted counselor and sought-after educator for individuals and businesses around the country.

Chances are the last argument you had was about money. People argue how much they earn, spend, save, invest, or give away. Conflicts over money can occur for many reasons, beyond stresses on relationships, due to objective levels of economic hardship and transition. It is a source of common conflict in marriages, the ***number one reason for divorce***, a sensitive arena for generational conversations, and a career breaker in the workplace.

The taboo among people with inherited wealth against talking about money is, and exists, as one of those subjects which remains unspoken. Many of those with inherited wealth leave these discussions to “others” to explain – when and how much their children will have and inherit; how marital estates will dissolve in divorce; how family offices plan for succession of wealth. Much is left uncommunicated when it concerns how to enjoy wisely their privilege.

Families need education, training and preparation to evaluate their financial options, reduce wasteful decisions and misspent inheritances.

To begin to protect your wealth, you need to start by analyzing the imminent threat to your wealth status. What is the biggest and best way to address change? What are the immediate and long-term consequences that will impact your current way of life? What do you need to know and do you have the tools to protect your wealth? How can you be at an advantage during this transition? How do you set the stage for communication?

We are all familiar with the saying that change is the only constant in life. This process of wealth protection during transition digs deep into emotional issues relating to the quality of life you had, wish for, or lost.

Protecting wealth relies on proactive advocacy and tools to help you feel confident, secure and in control of your future after transition. No matter how difficult and uncomfortable, wealth protection management is a must, needs to be done, and done now.

Ideally, the right consulting expert will be well versed in family dynamics, financial strategies, tax rules, and legal statutes to provide money conflict resolution.

Step 1: Identify the problem:

What is the context for your money conflict? Is it related to your spouse, your children, your parents, your siblings, your business colleagues, outside influences, etc.? Is it ongoing and recurring, or, specific to one event? Does it pit people against one another or is it specific to only you and one other person?

- Are you disentangling your finances and severing a relationship?
- Are you managing expectations?
- Are you blending resources?
- Are you clarifying your legacy?
- Are you doing estate planning for your parents?
- Are you planning for the succession of the family business?

What is keeping you apart from the other person(s) to resolve the problem?

Are you falling into the traps of believing?

1. The person who is the breadwinner, knows more about protecting wealth
2. Agreeing on everything means you avoid conflict that could destroy your relationship
3. Handling money crises is a burden instead of a team problem solving opportunity
4. Having an unequal role in making financial decisions is akin to control
5. Being stuck in a gridlock over values means doom for the relationship
6. Letting others resolve their own conflicts is easier after you are gone

Starting genuine conversations about money are never as easy we hope for. Arguments about money are rarely about money. They are about our dreams, fears, and feelings of inadequacies.

We develop beliefs about money long before we commingle our financial lives with our partner or with an employer and career. Research shows we inherit attitudes, values and beliefs about money from our parent, family members and unique life experiences. These underpinnings set the stage for our next relationships and how we work with or against the transitions we face over our life time.

Identifying your current challenge or problem means finding appropriate tools to help move beyond the conflict to find what brings you closer, rather than farther apart, to a resolution.

What is the transition that triggered the discord? The nature of the transition will dictate the strategy for resolution and the goals for outcome.

Marital misconduct: There is marital tension caused by financial concerns during the marriage. For example, one spouse may have spent or dissipated (wasted / lost) assets. Is there a common desire to resolve the conflict and redress the grieved spouse? How do you assess damages and remedy the proximate causes? How do you protect wealth going forward if you stay married?

Remarriage and a blended family: Competing needs and priorities put to the test your limited financial resources. Each spouse may have different expectations for either combining or keeping finances separate as well as concerning unequal contributions to the new marriage. Dealing with children may give rise to disagreements over how much to spend on them and can result in secrecy, never a good situation. How can you create a living agreement to protect your wealth that combines both your goals and aspirations for the new family unit?

Divorce: Dividing one household into two is a challenge. Financial reality is stark and the costly process is both unpredictable and daunting for most people. Preparing, knowing your legal entitlements, and ensuring your financial outcome is sustainable, requires an experienced divorce financial expert.

Death: Inheritance is a sensitive subject. Spending on care at the end of life is expensive. Sudden death is shocking and traumatizing. Estate plans often do not exist or are outdated.

Failing to plan for the unexpected has dire consequences including:

- family fighting after death
- treatment at end of life
- arrangements
- relocating
- custody
- grieving differently
- sorting through belongings
- direct descendants, step children/ adopted children/ half siblings
- expenses (living expenses, medical, legal)
- taxes
- countless hours of hardship due to lack of organization

Business breakup: Maybe you and your partner or family members want different things out of the business? Discord and breakups happen for any number of reasons. Dissolving a business when you do not have a clear exit strategy may have you stuck negotiating with hard feelings.

Partners and family members are generally misinformed about the "fair value" of their business as well as their individual interests. There are a number of variables and methodologies to ascertain a formal business value. Once ascertained, the emotional process of dealing with a business breakup is akin to a divorce. How you get out with your fair share (or buyout your partner) and protect your interests may get messy.

<u>Step 2: Communication:</u>

Responsible parents talk to their children about the birds and the bees, even though it is often awkward. In the end, the same holds true for an estate: avoiding a discussion about your money will not keep your adult children from thinking about it. It's better to talk about it than let them try to figure it out on their own. The New York Times

For most people wealth is a sensitive subject, and people often run into problems when they try to discuss money, how to manage it, and how to allocate it. Significant wealth shifts require communication, preparation and planning.

Surprises can cause tension and uncertainty during a time when your family is emotional and needs to feel most secure. Proactive communication can reduce those surprises and mitigate the possible pitfalls.

Here are common communication principles that can help you and your family approach important money decisions and de-escalate tensions more successfully.

1. Have the money talk early
2. Listen respectfully
3. Say what you mean and accept what the other says
4. Be honest with each other – exchange information and be financially transparent
5. Understand your “baggage” and leave it
6. Discuss family history and how you will impart “yours” to your children
7. Select proper time and place for money meeting that is planned, becomes routine, remains stress-free and mandatory – keep working together
8. Discuss what works and what isn’t working – set goals together
9. Reward your successes and reconnect

A wealth protection expert acts as an objective facilitator and is experienced in family dynamics and partnerships. They present a working plan for the discussion surrounding what is fair, reasonable, equal or equitable from all points of view.

In all situations, the issues you might want to discuss are:

- your attitude toward money and the issues that shaped that you
- other family members' attitude toward money, their plans and ambitions and their experiences
- how you might help them achieve their plans while advancing yours and
- how to sustain relationships when their values and goals might be different from yours, their spouses and their children

The outcome for embracing all perspectives and getting to a consensus for resolution is a tough challenge, but critical for sustainability. Remember, the emotional issues are just as relevant as the legal and financial ones.

Communication at this level is not a onetime event; it is an on-going conversation. For instance, if one child is more successful than the other(s), whether you make allowances for that financial success or not, you should share your rationale for why you divided the assets the way you did.

Step 3: Prepare and Build a Plan

Preparation, preparation and preparation are essential for dealing with both planned and unexpected transitions in wealth. Confidence is preparation.

Here some tips for being better prepared:

- Organize your finances and gather as much financial information as possible. Make sure you have copies of all important documents for account, wills, life insurance, annuities, pensions, etc.

Tips Continued……

- Make a list of financial priorities, challenges and concerns in order of financial magnitude and separately, according to your emotions
- Determine a starting point and set expectations around these first steps and what initial outcomes seem reasonable
- Do your homework concerning the potential financial, legal and practical aspects for the transfer of wealth
- Focus on facts not emotions
- Pay attention to all communication – verbal and nonverbal – proceed by inviting participation and brainstorming for discussion
- Motivate you and your loved ones. Identify who amongst you and your children is the most appropriate to coordinate and lead a meeting
- Initiate the plan - Focus on where you want to go – What results are most important: instructions and wishes to be fulfilled
- Realize scrutiny and revisiting the plan is ongoing

Step 4: Focus on Impact

- Money conflicts are highly personal.
- Families are increasingly diverse and are characterized by far greater variability and complexity
- Preserving the family legacy from one generation to the next requires a more comprehensive plan and proactive approach in increasingly complex legal and financial environments
- Families should approach wealth transfer more holistically and think about transferring the security of family assets or their business early, and review plans regularly

- Longevity of life and greater opportunities for lifestyle changes speak to the responsibility of determining how best to preserve wealth, but contribute to “deferred” conversations
- Building financial knowledge sets forth an educational path. Emphasize teaching more technical topics, rather than just budgeting – such as investment strategy and portfolio management. Structured financial education is more effective building knowledge than self-directed efforts.
- Analyzing what is the equal versus equitable approach to wealth transfer – how do you factor in “needs” versus “entitlements”?
- In divorce and business breakups, the impact is felt both in the short- and long-term. Most financial decisions are permanent, and not changeable, resulting in very different outcomes.

You can avoid costly catastrophes and save thousands in legal fees by steering clear of errors, getting your affairs in order, engaging in comprehensive planning!

Step 5: Make Choices

For Families:

Decide how will you:

- Keep your finances – jointly or separate
- If you will own property together
- Try to make money problem solving a joint effort
- Understand various legal rights and financial responsibilities relating to children
- Discuss how will you pass on wealth – how will you handle to competing familial relationships
- Make saving a priority

- Be consistent and clear about allocating spending and assets within your newly formed blended family
- Be up to speed on college financial aid which can be very tricky between step-parents, noncustodial, and custodial parents
- Be sure to name beneficiaries on accounts
- Be aware of estate and tax rules in different states versus federal rules
- Create a legal partnership if a nontraditional family
- Tabulate and document everything – individual assets, debts and values before joining households to preserve a starting point if you do break up and look to protect wealth

<u>For Divorcing Spouses:</u> You must focus on making choices *during negotiations* in consideration of:

- Tax basis of assets being transferred as marital property
- Liquidity of finances
- Tax impact of support: alimony is taxable and child support is not
- Securing your rights. Ensuring you have sufficient claim against your ex's estate or life insurance as collateral for any support or obligations your ex may owe you
- Paying off debts before divorced
- Having independent credit in your own name
- Understanding investment portfolio and asset management
- The what-if's: Taking care how you leave money to your children if minors. Building a nest egg to carry your expenses in

absence of support or income. Updating estate planning documents and naming beneficiaries on accounts

For Business Partnerships / Family Succession: You will require professionals to establish the foundation for arriving at an accepted fair value or market value, logistics for buyout, and ongoing business relationships. When one person is getting out, or becoming sole owner by buying the other's portion of the business, this can be done by:

- "Bulk buyout" using cash reserves or a business loan, or, by setting up a payment plan over a certain time period
- Obtaining a neutral expert appraisal of the fair market value of the business
- Considering the uncertainty of the future and planning for any contingencies relating to failure to pay off an installment buyout or diminished capacity to complete it
- Negotiating management and control of the business if succession is in order
- Securing your value with collateral (life insurance, liens, assets, etc.)
- Renegotiating and refinancing financial obligations in your name on behalf of the business
- Concluding a non-compete or other business arrangements necessary to preserve your future business

Step 6: Protect

Find the right expert who can interpret, guide, and execute your story and intentions and relate them to your significant others with integrity.

What are the risks that wealthy families face? The primary risks that concern wealthy families are typically grouped into business liability, personal liability, risks to assets, and health care risks. Crafting the proper wealth protection plan is enormously important for documenting and uncovering facts to reduce future attacks.

Let's begin the steps…. expectations and intentions….

A prenuptial agreement is a common legal step taken before marriage. A prenup establishes the property and financial rights of each spouse in the event of divorce and death. When framed properly, it is a very useful tool for encouraging premarital and family discussions about the future and identifying certain issues you have in common. It can be used creatively to encourage thinking and discussion and is tailored for each couple.

Prenups can be used:

- to protect one party's assets
- to protect a party from assuming the debts of the other party
- determine how property will be passed upon death
- clarify financial rights and responsibilities during the marriage
- avoid long, costly disputes in case of divorce

A postnuptial agreement is a contract made after the marriage that addresses the distribution of assets and debts in the event of divorce or legal separation. The contract sets out responsibilities surrounding the children or other obligations for the duration of the marriage. It may also address the amount and duration of support, custody of the children, and other issues. It may include testamentary provisions or a waiver of any right to elect against provisions of a will. A postnuptial is sometimes an exercise of atonement by one spouse to the aggrieved spouse.

Asset protection usually refers to the structuring of assets so as to minimize potential losses and is within the broader framework of risk management. You must strike a balance in your planning attempt between retaining control but successfully sheltering your wealth. Strategies include:

- Increasing liability insurance
- Keeping personal assets separate from joint or business; **personal assets are for trusts**
- Forming formal business entities to shield assets (holding title and jurisdiction); **business assets are for business entities**

Step 7: Take Action

Key points for wealth protection and management:

1. Start early
2. Keep it simple at first
3. Start planning before a crisis erupts
4. Help heirs and extended family members assume the responsibilities of wealth
5. Engage in a formalized education program of preparation for you and your family for how to deal with wealth management, investment, protection and preservation.

As the seasoned financial expert in money conflicts and resolution, I help facilitate communication services and education about family finances to preserve not only wealth, but relationships. You provide the ultimate reward to yourself and those you love and care about by initiating wealth protection now.

Stop the cycle of conflict when money comes between you and find your priceless resolution! Get started today!

To learn more about how Wealth Protection Management can help you, schedule a complimentary 20-minute consulting call with Lili Vasileff to discuss how to strategically, financially, and legally move you and your heirs towards a successful future.

Click the link below to to schedule your complimentary consultation call at: www.wealthprotectionmanagement.com/call

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