PODCAST PRESENTATION

CREATING YOUR WEALTH TRANSFER PLAN

Host: Hello and welcome. Northern Trust is proud to sponsor this podcast, “Creating Your Wealth Transfer Plan” based on our book titled “Legacy: Conversations about Wealth Transfer.” Today’s podcast will be of interest to those who want to learn what to consider when transferring wealth to family members or charity, whether during life or at death. We use the term ‘wealth transfer’ because it most accurately describes a life-long process that has current benefits but requires ongoing vigilance.

Joining us today is Ray Odom. Ray is Director of Wealth Transfer Services responsible for advising clients and their advisors on the appropriate strategies and tactics for implementing their wealth transfer goals. In his role as Director of Wealth Transfer Services, Ray uses his expertise as a former tax attorney, trust administrator and estate planning draftsman to help optimize wealth transfer plans.

Please understand that this podcast is not intended to be legal advice. As always, you should contact your legal advisors to review any strategy in light of your own specific situation.

(Pause)

Ray, why do so many of us have such a difficult time developing our wealth transfer plan?

Ray: From research we've conducted, we've discovered that many affluent individuals do not perceive themselves as wealthy enough to need a wealth transfer plan. We all typically think of "real wealth" as being the amount that our 'rich' neighbors have. Those who do regard themselves as needing to plan for their wealth transfers don't plan because they are either busy in the business that created the wealth or busy with the life wealth allows them to enjoy. A very basic challenge of traditional notions of estate planning is its association with death – and it's understandably hard to make death planning a high priority for anyone. The simple truth is that we fail to realize that having conversations today about future wealth transfers can enhance our relationships with others today, create a new level of peace of mind – and preserve our personal, family and social values.

Host: Is this why it is so important to have a wealth transfer plan?

Ray: Yes. Failure to plan in a timely manner could lead to onerous tax burdens, acrimonious litigation and unintended hardship. It can mean the liquidation of a business or the forced sale of a vacation home. But the real loss is in the peace of mind and current enjoyment that come from participating in wealth transfers that enhance the lives of the people and organizations that matter most to you.

Host: You've convinced me! Tell me, how does one begin the process of creating a wealth transfer plan?

Ray: Acknowledging the need for a wealth transfer plan is the first – and often toughest – step. Next, consider your goals and objectives. To be the most effective, your wealth transfer plan should reflect not only your financial objectives, but also your values and beliefs. You should ask yourself:

- What are the callings, causes and relationships that matter most to me?
- How much of my wealth should I leave to my family members, to others and to charity to best support my values and goals?
- *Which* assets should they receive? You can easily divide your cash and investment portfolio, but how do you divide the family business or the vacation home?

- And lastly, *When* and *How* should you transfer wealth? This can require evaluating the personal financial strengths of your potential beneficiaries.

Once you clearly understand your primary objectives, your advisors can show you how to achieve them, strategically and tactically.

Host: You referred to “my advisors” – who are these individuals?

Ray: Depending on your situation, your team will include family members as well as professional advisors such as a financial planner, an estate planning attorney and an accountant. Your team of advisors may also include the individual or professional you’ve asked to serve as trustee or executor.

When assembling your team, you want trained, experienced professionals who will work closely with you and with one another to analyze your unique situation and recommend what is best for you and for your family. At the same time, they must be people with whom you can share confidences as easily as you can discuss legal or tax issues. Skill, experience, integrity and the ability to communicate are all essential.

The key here is engaging individuals who you trust to be your advisors. This is vital because these individuals and organizations could be making decisions on your behalf for generations to come.

Host: What roles do these professionals play and what qualifications are important?

Ray: To begin with, your attorney should specialize in wealth transfer planning. Don't expect a general practitioner or business lawyer to provide the expertise required by complex and significant wealth.

Your accountant, as you might expect, can help you evaluate potential strategies from the perspective of reducing your overall income tax burden. Be sure to obtain the services of a Certified Public Accountant, one who has passed the AICPA examination.

When choosing a trustee, some qualities to look for include impartiality, breadth of services, experience and integrity. Continuity of service is also an important consideration since a trust could continue for decades. Your trustee and executor are responsible for administering your plan according to its terms to carry out your wishes. Depending on the circumstances, a trustee may be a family member (including you), a friend, a professional advisor or an institution – for example, a bank with trust powers or another authorized trust company.

Host: Ok, I've thought about my objectives and pulled together my advisors – how do I actually develop my plan?

Ray: I have found that the best plans are developed collaboratively. Open communication is essential and integral to wealth transfer planning and can give families an opportunity to come together and address important issues – which help avoid misunderstanding and family conflict.

It's important at this early "fact-finding" stage to think far beyond tax planning, and to consider the legacy you want to leave – both to future generations and to your community. At Northern Trust, we have a proven expertise in working with you, your family members and the members of your advisory team to thoroughly explore and understand your personal and financial goals.

We recommend that you prepare by assembling an inventory of your assets. Then, working with your team, you will create a comprehensive wealth transfer plan that accomplishes 3 things -

- It expresses your personal values and beliefs,

- Meets your financial and philanthropic objectives, and
- Uses optimal estate planning tools and wealth transfer methods to eliminate the obstacles to achieving a lasting financial legacy.

Your wealth transfer documents will likely include powers of attorney, a will and revocable and irrevocable trusts.

Host: Once I have my plan, am I set?

Ray: Not quite. In order for your plan to accomplish its intended objectives, you will need to share your documents with the appropriate individuals and institutions, update beneficiary designations on retirement plans and insurance policies and then fund your trusts by transferring assets to them.

And if your objectives and needs change as a result of a significant life event – such as the birth of a child or the sale of your business – you will want to revisit your plan with your team members to ensure that it continues to accomplish your objectives. At a minimum, your documents should be reviewed by your advisors every three to five years. This is especially important in the current environment of legislative and political change.

Host: Thank you for joining us, Ray.

Ray: Thank you, it's been my pleasure.

Host: For our listeners, we hope that after spending this time together, it is clear that creating your wealth transfer plan is an important commitment.

Since 1889, Northern Trust has worked with clients and their advisors to help craft wealth transfer plans that not only reflect their financial goals, but also their personal values. And as a professional fiduciary and trusted advisor, we help ensure that as the circumstances of your family, the financial markets or the tax environment change, your plans continue to reflect your objectives.

If you have enjoyed this podcast, please join us for future podcasts where we will discuss specific solutions and strategies that can make your wealth transfer plan truly effective. For a comprehensive listing of our podcasts, please visit northerntrust.com/podcasts.

On behalf of Ray Odom and Northern Trust, thank you for listening.