

PLANNING WITH EXECUTION

(Content provided by Advisors Forum; reviewed and edited by James W. Garrett)

Financial planning has become a generic term. You find it mentioned across media channels from banks to brokerages to accounting firms to personal finance. While the term itself may be diluted, planning is the first step in securing your long-term security. But this security is only realized when the plan is implemented.

Your various needs, anxieties, and aspirations fuel every step and define how you measure the plan's results. The actual method is best defined as "Planning with Execution" for the obvious truth that you won't get results unless the plan is put into action. As a single, flowing process, results present themselves as solutions to your needs and requirements. In other words, your income is more stable and certain; your spending matches your priorities; your taxes are less; you know what to do with your property; your loved ones are protected; your physical care is assured.

Key Takeaways:

- Like anything worth achieving, a formal planning process is necessary to secure your long-term financial stability.
- An essential element of every plan is the inventory of your needs, anxieties, and aspirations.
- Your needs and requirements serve as the plan's objectives and determine the value of results.
- In order to achieve your desired results, an array of targeted investment, insurance, and trust solutions is instituted that generates net benefits to the costs incurred.

Why We Plan

We plan with these objectives in mind: 1) to avoid wasting time and money, 2) to prepare for future uncertainty, 3) to minimize consequences, and 4) to seize opportunities. These objectives sit passively until the planning process begins.

The table below identifies eight planning tasks under the general umbrella term, "Financial Planning." For any given situation, several of these tasks will be active during the planning process, and if you are a successful small business owner, all eight may be in play.

Each task serves as a container filled by your specific circumstances, needs, anxieties, and aspirations; this is detailed in the right column.

Planning Tasks Categorize Needs, Anxieties, and Aspirations

Financial Planning Tasks	Underlying Need/Requirement
Income Planning	<ul style="list-style-type: none"> • Controlling spending • Lifestyle budget support • Effective management of income • Developing new income sources • Annual shortfall management
Retirement Planning	<ul style="list-style-type: none"> • Controlling spending • Retirement lifestyle budget support • Distribution planning • Wealth conversion to income • Long-term care anxiety • Shortfall risk anxiety
Insurance Planning	<ul style="list-style-type: none"> • Income protection • Wealth replacement • Property loss protection • Health deterioration fear • Lawsuit liability protection
Tax Planning	<ul style="list-style-type: none"> • Federal and state income tax efficiency • Capital gains tax efficiency
Charitable Planning	<ul style="list-style-type: none"> • Wealth purposing/passion investing • Enhanced charitable tax benefits
Estate Planning	<ul style="list-style-type: none"> • Beneficiary support • Lifetime dependent support (special needs?) • Low or no probate costs • Federal/state estate taxes • Wealth transfers • Fear of misuse of transferred wealth • Avoiding family disputes • Minimizing family hassle at death • Use of wealth according to values • Controlling end-of-life outcomes

Investment Planning	<ul style="list-style-type: none"> · Wealth protection · Wealth creation · Diversification · Fee minimization · Protection against liability-based lawsuits
Private Business Planning	<ul style="list-style-type: none"> · Controlled and efficient transfers · Protection against liability-based lawsuits

What you need to know: Through the planning process, whether you have one or eight containers filled with your needs and requirements, this inventory sets in motion action steps to bring the fruits of this planning into reality.

Implementing for Results

A common tool kit for implementing a plan includes mutual funds, ETFs (Exchange Traded Funds), individual stocks, and insurance products (noting that more complex circumstances may include private stock, hedge funds, real estate, collectibles, and other specialized investments). These tools exist alongside your other wealth sources such as employment compensation, property, and business-ownership interests.

Trusts, in their various forms, are excellent in solving financial and wealth needs and requirements. In fact, trusts provide an enveloping structure wholly compatible with common investment and insurance tools as well as your other wealth sources, and enhance what otherwise could be attained.

Trust Solutions Meeting Needs and Requirements

Financial and Wealth-Management Need Categories
· More stable and secure income
· Lower income taxes
· Lower capital gains taxes
· Efficiently diversifying concentrated stock ownership
· Protecting wealth from liability-based lawsuits
· Elimination of legal expenses from liability-based lawsuits

· Reducing end-of-life fees and expenses
· Directing wealth to specific purposes and passions
· Productive investing based on values and beliefs
· Protecting wealth from undesirable uses
· Replacing wealth used to support lifestyles

Planners operate within a band of expertise such that they use the strategies they know and understand. This natural inclination to stay in one's comfort zone, though, may lead to limitations in which other tools beyond one's expertise may do a better job. Trusts are a clear example: Trusts' technical nature and imposing acronyms (e.g., CRUTs, GRATs, QPRTs, IDGTs, etc.) have built a barrier to understanding that constrains their broader use in producing more robust planning.

What you need to know: No one can be an expert in every one of the eight financial planning categories (see above table). Therefore, advisors operating in a *team of experts* leap over technical barriers and define comprehensive and efficient solutions. In this multidisciplinary approach, a trust attorney works alongside financial or other advisors and assists in using trusts' unique characteristics not only to generate true net savings (i.e., the dollar results > the dollar costs) but equally significant quality-of-life benefits.

The Protective Cure

We buy many things that give us mental or emotional rewards whereby we proclaim that the costs were "worth it." Every day examples are vacations, education, and luxuries. Similarly, paying insurance premiums to protect against potential losses frees us mentally to enjoy driving a car, leaving our house empty while on vacation, and getting medical treatment for an injury or illness.

With this context, you should expect that solid planning shifts anxiety to comfort, turmoil to peace, and complexity to understanding. Trusts further deliver a protective cure against these possible hits to your mental and emotional quality of life:

- the pain felt if loved ones aren't protected financially;
- the worry that wealth will not last;
- the possibility that a family will be left with hassle and discord after a loved one's death;
- the risk that a family will dissolve into disharmony arguing about wealth;
- the anxiety that a life's work could be lost to litigation;
- the anguish if wealth isn't used according to one's values and beliefs;
- the frustration that money could be wasted unnecessarily.

What you need to know: Although trusts offer various net financial benefits, removing anxieties and fears about your wealth may in and of itself enhance your quality of life. Considering these beneficial financial and mental or emotional results alongside a plan's set-up costs represents a balanced evaluation that leads to a more informed decision; you can proclaim, "It was worth it."

Actions to Consider:

- Build a complete needs/requirements inventory.
- In considering what is important to you for your future, list your fears and anxieties since if these are left untouched by your financial plan, joy may be sapped.
- Set up a table in which you identify in the left column the costs associated with planning and the plan's execution, and in the right column you enter the financial and mental/emotional value you expect.
- Judge the net results. If the net results are greater than the costs, you are richer than if you had done nothing.
- Set your standard as "Planning with Execution" and monitor the actual results to those that were expected.
- "Planning with Execution" is not a transaction but a process that makes ongoing adjustments as your needs/requirements inventory changes.

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