

Trust Connection

Building Lasting Relationships for the Benefit of our Mutual Clients

TRUST NEWS AND INFORMATION FROM YOUR TRUST REPRESENTATIVE OFFICE

Welcome to *Trust Connection*,
a regular communication from
Valley National Trust Services.

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How Estate Planning Can Help Advisors Survive in the Comprehensive Wealth Management Space

The financial services industry was developed around delivering products and services to clients. The products are fairly easy to define, but the services run the spectrum from investment management only, to full-family office services. So, what does it mean to be a comprehensive wealth manager in today's world? By all accounts, the definition of comprehensive wealth management certainly includes more than one service, such as investment management. However, advisors do not necessarily have to directly provide the full suite of family office services to provide comprehensive wealth management. If that is the case, what does comprehensive wealth management mean?

Advisors who offer comprehensive wealth management are like financial concierges. Their goal is to find solutions that meet their clients' needs. The three practical areas involved are *investment management, financial planning, and wealth management*.

Investment management

Investment management lies at the core of wealth management. Fee-only financial advisors earn their fee on investment management and may provide some "value-added" services at no extra cost. Whether or not the advisor's fee is justified by the investment management alone is the subject of much debate, with the conclusion most often reached being that it does not. As advisors move more toward comprehensive wealth management, that conclusion starts to shift the other

way because comprehensive wealth management offers greater value. This solves the inherent problem in charging a fee while providing less than what a client perceives as valuable – a discussion that more and more clients are having with their advisors.

Financial Planning

Surrounding investment management is financial planning, which can range from college planning to retirement. Long-range financial planning turns on a host of assumptions, variables, and random market noise. Much of financial planning is trying to ensure the money will, if all goes according to the assumptions used, be there when the client needs it.

Retirement planning consists of a wild array of assumptions and projections. Navigating successfully through possible outcomes requires regular adjustments. Without constant course corrections, financial planning is like walking blindfolded. The chance of random success is small. And the calculations are not easily done on the back of a napkin.

Wealth Management

Wealth management is based on the idea that very small changes can yield enormous gains in a family's finances. Periodic and frequent monitoring of progress is imperative.

Surrounding financial planning is actual wealth management. A client may have built enough wealth that they don't need financial and retirement planning, but that wealth needs to be

properly allocated, properly protected, prudently invested, and monitored regularly.

Comprehensive wealth management often includes the specialties of both tax planning and estate planning. Although most comprehensive wealth managers are neither CPAs nor estate planning attorneys, they need to be familiar with both disciplines. Comprehensive wealth managers must understand the issues, be able to bring in specialists, and know how to implement any recommendations from those specialists.

Comprehensive Wealth Manager Insights

As a comprehensive wealth manager, advisors do not need to be experts in every field, but they should know about:

- Opening the right accounts and using them correctly
- The multiple types of investment accounts ranging from health savings accounts to Roth segregation accounts
- Executing a Roth conversion and figuring out how much to convert
- How to keep the assets segregated into different accounts and when to recharacterize some of those investments and undo part or all of the conversion
- Assisting clients with IRA required minimum distributions

A comprehensive wealth manager should advise which accounts to take money from first and how much to take each year. They should have the skills to sort through the intricacies of maxim-

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izing Social Security benefits such as:

- Philanthropic planning—using appreciated assets for charitable giving
- Advising the investment in a home, deciding whether a client should pay off a mortgage—advising when and under what terms a client might refinance
- Reviewing and advising on all insurance needs from life insurance to umbrella coverage
- Making sure titling and beneficiary designations are correct
- Implementing estate planning

Ultimately, comprehensive wealth management is a high-touch service that provides the solutions necessary for achievement of a client's vision for their life and their wealth. It incorporates the various topics discussed above: Financial Planning, Investment Management, Charitable Giving Strategies, Income, Liquidity, Estate, Tax, and Insurance.

Obviously, this type of wealth management involves many moving pieces to manage and coordinate. Assuming an advisor is not an expert in all of these areas, it makes sense to bring in the appropriate team of experts.

For example, if a client is a business owner who is planning to retire and pass his wealth to the next generation, it would make sense to create a team consisting of a CPA, and estate planning lawyer, a life insurance agent and a commercial banker, or some combination thereof. This team-building and tapping into resources in different fields, and the coordination of the team, both obviates the need to be an expert in all of these fields, and puts the advisor in the position of the leader in

delivering comprehensive wealth management solutions. In order to be a comprehensive wealth manager, it is not necessary to have all of these services in-house. But it is imperative to be able to coordinate experts and execute any agreed-upon plans. This will operationalize the delivery of advice and solutions and create the added value that makes an advisor a comprehensive wealth manager.

True comprehensive wealth management encompasses all of these areas. It is extremely important to understand how it all works together and to be able to build a team of experts to address the various disciplines. Your clients will appreciate that you are the true steward of their wealth and will be delighted at the added value you provide.

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About Trust Connection

As a Trust Representative Office of National Advisors Trust, we represent the largest federally-chartered trust company created by Registered Investment Advisors (RIAs). Our trust service model is built on the strength of the local support and responsiveness provided by you—the local estate planning professional, Valley National Advisers—the local and trusted investment advisor and National Advisors Trust serving as the trust administrator. This combined expertise allows us to excel in the services we provide delivering the best possible outcomes for our mutual clients.

