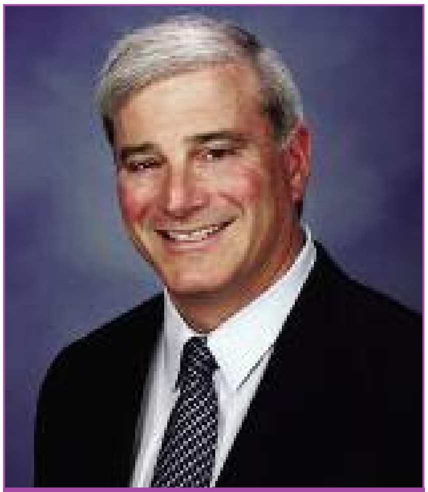
Who is This Asset For and When?

By Thomas R. Kaplan

As a professional advisor to wealthy families, I continually pose a simple question to my clients as part of their estate and financial planning process, "Who is this asset for and when?" People usually don't look at their assets in this context. The typical response is: "My net worth is X and my income is Y and it is mine (ours)."

My wealthy clients often have many assets they are not utilizing. They are assets that have grown in value. They might have had a specific intended purpose five, ten, twenty or many more years ago when they were acquired but that purpose today is no longer valid. So, if you have all of these assets and you don't need some of these assets to support your quality of life—who is it for and when?

The answer upon further reflection might be … "it is for my spouse, it is for our children, our grandchildren, other family members or the beneficiary could be charity."


THOMAS R. KAPLAN

We are in the middle of the greatest transfer of wealth in the history of our country. Over $40 trillion (yes trillion!) will pass from one generation to the next over the next fifty years, according to a respected Boston College study.

I am constantly amazed at how inefficient this transfer of wealth is. The inefficiency exists for many reasons, which include lack of planning, procrastination, or an unwillingness to deal with a variety of tough decisions.

Part of our mission as family wealth counselors is to assist our clients by providing the knowledge, the tools and becoming the catalyst to make sure that assets are maximized for the benefit of the intended recipient.

When our clients focus their attention and understand the importance of maximizing an asset, the results can be quite compelling. A few examples:

We structured a program for a couple in their 80's utilizing a $1,000,000 portfolio that would have been subject to both income and estate taxes (which would have been worth less than 50 cents on the dollar to their heirs). The net result of the plan: doubling their income from the portfolio, their favorite charity received $1,000,000, their heirs receive $1,000,000 tax-free and our client received a tax deduction of over $500,000. This was all achieved with an asset that "wasn't needed."

Another example is a family with a large pension plan. As a result of detailed planning, the pension plan assets will be magnified over 25 times for the benefit of our clients' children and grandchildren.

A program we just completed for one of our clients involved transferring approximately $350,000 of annuities (which once again, were not needed to maintain his lifestyle). These annuities ultimately were going to be worth less then $150,000 to his heirs after taxes. After some fairly simple planning we structured a new program where his children will now receive over $500,000 tax-free.

All of the above programs were achieved with little or no expense to the client. So ask yourself, "Who is this asset for and when?" If you're not sure of the answer, talk to a professional who could provide a very valuable second opinion. stb

—Thomas R. Kaplan is President of Kaplan, Krauss & Levine, LLC-Family Wealth Advisors; a Boca Raton based firm specializing in Financial and Estate Planning, Life Insurance, and Annuities. Mr. Kaplan may be reached at (561) 981-5400.