

November 17, 1997

THE ART OF MANAGING YOUR WEALTH

What is wealth? Is it confined to a certain annual income or net worth?

I recently attended the first annual Wealth Management Symposium in New York developed by the Institute of Certified Financial Planners and sponsored by Warburg Pincus Funds. Unlike other conferences produced by the Institute or other financial associations, this one focused on managing wealth rather than creating wealth.

Worth magazine recently ran a story on the wealthiest 1 percent of American families. Forget Bill Gates, sports figures and entertainment types that make extraordinary incomes. The Internal Revenue Service reported that the individual income threshold for making the top 1 percent list was \$200,000 (adjusted gross income).

Using net worth as the guide, the estimate was about \$3 million as a minimum figure.

As Richard Todd points out in his Worth article, these figures are sort of "entry level" numbers since the median for the top 1 percent is \$7.6 million in net worth and \$675,000 in annual income.

It is important to point out, however, that wealth does not imply "rich" - although the so-called wealthy are indeed those who generally hire financial advisors and attorneys to sort out the myriad of investment and tax issues surrounding their estates.

But one could argue that the couple with an estate valued under the current \$600,000 unified credit exemption, and investment assets under \$200,000, has the same wealth issues as a couple whose assets may be five times as great.

Does a widower need a properly drafted will with trust provisions for his children in the event of his death? Perhaps, especially when other life factors enter the story.

If the man has been living with a companion for more than 10 years are there common law issues surrounding the relationship that could preclude, or legally supercede desires stated in the will?

Since the couple is not officially married, does jointly held property owned

"in common" complicate the issue?

This sounds like a situation for the rich and famous, but it can be an issue for a man and woman with only \$100,000 in investment assets and perhaps a house worth \$175,000.

How about the divorced woman who is raising a 10 year-old child?

The mother is a career woman rising up the corporate ladder, perhaps making \$180,000 per year income but with only \$20,000 of investible assets left after the divorce.

Cash flow issues are critical from the outset since single motherhood is a huge adjustment for managing the monies coming in and going out.

Also, a will needs to be drafted by a competent estate-planning attorney with provisions for the care and raising of the child in the event of the mother's demise.

If the mother dies will the father be the person to continue raising the child? Will he be the trustee - the one responsible for managing the monies in trust for the child?

In some cases, yes, since the father will be the best person to protect the child's interest. But what if the father is irresponsible with money, has an alcohol or drug problem, or is the kind of person always one step ahead of the law?

No clear answers, but lots of real life questions that require the same wealth management strategies often thought of as "for the rich".

Different levels of wealth. Same goals and objectives.

It is a fallacy that wealthy people avoid tax because they can afford to buy into loopholes in the tax code. The truth is otherwise.

Very few loopholes exist anymore to legally avoid tax. Yes, the top 1 percent do get into some sophisticated estate planning techniques like charitable remainder trusts and family limited partnerships - but the foundation of their planning relies on the same wealth management techniques that can be useful to the other 99 percent of the population.

Depending upon need, the basic tools of anyone's wealth management are:

- Establishing unified credit trusts for each spouse in their respective**

- wills to take advantage of the \$600,000 exemption allowed for all estates (rising to \$1 million in the year 2006)
- Life insurance trusts to own life insurance "outside the estate".
 - Proper gifting techniques to heirs during your lifetime if excess funds are accumulated.
 - Wealth management isn't about avoiding taxes. It is about controlling and protecting your assets for your enjoyment during your lifetime, with minimal estate shrinkage for your heirs.

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