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ESTABLISH A CATASTROPHIC RECOVERY PLAN

The Securities & Exchange Commission (SEC) requires Registered Investment Advisers (RIA) to establish a written catastrophic recovery plan (CRP) so that clients may still be served in the event of a property/casualty disaster or the illness or death of a principal officer of the firm.

But how many people go through a similar personal exercise and establish a CRP for their personal and extended families? No one likes to think that tragedies will happen to them; psychologists call this the rule of self exception. But think how easier it would be for all concerned family members if these issues were discussed ``before'' something happened, without the gut wrenching emotion that accompanies real tragedy.

The events of 9/11 have taught us how quickly the world around us can change. Let's look at some personal planning tools that can be an integral part of a personal CRP.

Wills: Most families need only an inexpensive ``simple'' will that can be drawn by a competent estate planning attorney for just a few hundred dollars. Without a will, the unintended consequence is an ``intestate'' (no-will) estate whose assets would be divided according to the rules of the court. For estates over \$675,000 a ``complex'' will with state and federal exemption allowances would be more suitable.

Besides the legal language of the document, the will can also be used to outline the future health needs, education, maintenance or support issues of the heirs. This language is as important as the ``who's getting what'' issue since it allows the departed loved one a last opportunity to exert their influence over those left behind. This language doesn't have to be draconian or overly restrictive, but it has to be clear in its intent.

For example, a will might offer guidance as to whom and where minor children might reside and how this event would be funded. It is a good idea to review this strategy with the intended guardians ``before'' including their names in your will. Your children may be wonderful and exciting to you but perhaps less so to a relative who may have other ideas about their own future plans that does not include raising your children. Monetary issues for the guardian also have to be detailed in the will so that the guardian has proper

funds to expedite your children's needs as they occur.

Trusts: Within the language of a will or as a separate document, a trust may be established for the management of moneys intended for a minor or an elderly parent. The trustee of the trust may be the same person as the guardian but it is often recommended that these two functions be separated to eliminate potential conflicts of interest. Corporate trustees at banks or investment companies may also act as trustees if a trusted friend or relative cannot be relied upon to properly dispose of the financial obligations of the trust.

Power of Attorney (POA): This living document gives a named individual or company either limited or general powers over your assets. POA's should be used wisely with only those with whom you trust implicitly. A properly drafted trust and a super-reliable trustee will insure that your well being and best interests will come before that of the person holding the POA.

Living Will: A Living Will is an advanced health care directive that gives health institutions and doctors your last wishes to be or not be offered extraordinary measures that could extend your life in the event you are physically incapacitated. Typically this issue comes up every time a person enters a hospital or nursing home for surgery or for emergency care. If no living will directive is presented, the doctor or health facility is legally bound to use all extraordinary means to sustain your life.

These legal and financial tools, however, are only as good as the time and care drafting them. Start with an informal plan; then get proper professional help to formalize and implement the plan. Remember, it is always easier to locate your umbrella when the sun is shining.

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