

# Wealth Management

## TRUST AND ESTATES ROUNDTABLE



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*Founding Partner*  
KSB Estate Planning



**SELWYN GERBER**  
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RVW Investing LLC



**BRENT M. MASON**  
*President*  
Mason & Associates, Inc.



**SCOTT E. RAHN**  
*Founding and Managing Partner*  
RMO LLP



**THE WEINSTOCK MANION TEAM**



**A**t the Los Angeles Business Journal, our ears are always to the financial ground, and there are a number of questions that we've been hearing repeatedly from readers navigating the wealth management landscape. To take a closer look at the latest concerns and trends in wealth management, we have turned to some of the region's leading experts, who graciously weighed in for a discussion and share some insights on the state of wealth management in 2019. Thanks to our superb panel for their expert insights.

## WEALTH MANAGEMENT

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 ‘One significant advantage to living in California has been the dramatic increase in real estate values, which have had a massive impact on the growth of estates.’  
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WEINSTOCK TEAM



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SCOTT E. RAHN



◆ Describe the current investment environment and what you consider to be the best investment approach, in general terms?

**MASON:** There are a number of factors affecting the economy both state side and abroad. The other factors are the trend on our gross domestic products, employment rates, trade with other countries, inflation rate, interest rates, real estate prices, in addition to looking at what is going on around the world. Another item that could affect the economy is political atmosphere. Each client is unique with different wants, desires and needs. To analyze an investment program for our clients we first consider their risk tolerance and timeline of the investment program. We match up the right blend of investments to meet their objectives in the time frame needed.

**GERBER:** We adhere to evidence-based investment principles regardless of the environment, because RVW portfolio design is more science and less art than most. The research of Nobel Laureates Prof. Eugene Fama and Prof. Harry Markowitz; academics like Prof. Jeremy Siegel; and storied investors like Buffett and Munger inform our approach - and we implement resilient portfolios tailored to the long term needs of each client for growth, safety, income and tax minimization. The data indicate that over 80% of managers who engage in stock picking and market timing (“active management”) have underperformed their benchmark indexes over any 10 years - and that over the long term stellar rewards awaited those who owned quality stocks and endured the volatility. Our typical portfolios include a group of broadly diversified, low cost enhanced-index based funds with an overweighting towards factors that have historically delivered higher expected returns. Bonds mute volatility and provide interest income. A selection of superior dividend paying equities delivers growing tax-minimized income and is increasingly being seen as an ideal source of income for retirees and foundations especially at these low interest rates - which may go even lower. An optimal investment approach is more about process than product.

◆ What are the major changes for the business of wealth management in the last five years and what key strategy changes do you anticipate in the next five?

**MASON:** The major changes in the wealth management business are the reporting requirements in addition to oversight and rules set forth by the Securities and Exchange Commission. These were the appropriate changings due to the increase activity in this field. The key strategies that we would institute in the next five years is to pay close attention to the portfolio designs and implement a strong investment team by hiring the best credentialed investment personnel.

◆ What advantages and disadvantages do you see your high net worth clients experiencing as a result of living in California?

**WEINSTOCK TEAM:** One significant advantage to living in California has been the dramatic increase in real estate

values, which have had a massive impact on the growth of estates. The disadvantage is the high state income taxes, which, prior to the Tax Cuts and Jobs Act, were deductible. This loss in deductions has really impacted our clients’ bottom line in the realm of a 4% tax bill increase.

◆ What is your general market outlook for the remainder of 2019 and 2020?

**MASON:** In light of the global slow down and our market peeking in the next six months we are preparing for a slowdown in growth stocks. We are reallocating to a more conservative position for most of our clientele.

◆ How can charitable giving play a part in a client’s estate plan?

**WEINSTOCK TEAM:** Often, charitable giving is tied to a client’s tax planning. For example, the sale of a valuable asset will often result in a larger tax bill, which can be offset by a charitable income tax deduction. Also, gifts to charity at death can offset a client’s estate tax liability. In addition to a tax deduction, including charitable giving is a way for clients to develop philanthropic plans and charitable goals for the future. While the catalyst for giving may be the opportunity for a tax deduction, including charitable giving in an estate plan is also a great way to involve children and other family members in a client’s philanthropic goals.

◆ What are the drawbacks of a living trust?

**BEHNOOD:** The most obvious drawback to a living trust is the up front cost. Trusts can be expensive to draft compared to wills, but the truth is that for most people in California, trusts end up being less expensive overall than wills. The reason: probate. Probate has mandated fees that get paid to an attorney and to the executor. These fees are a percentage of the value of property left behind and can quickly become more than the cost of a trust. Sometimes probate is preferable. In a situation where honesty of a trustee may be an issue, or fairness can quickly become a problem, court supervision may be preferable and help keep everyone playing fair.

**RAHN:** There are several drawbacks to a living trust. First, the costs to create a trust can be substantial, depending on the complexity of your estate. While trusts can cost as little as \$1,000, or maybe less if you “do-it-yourself” using forms or Legal Zoom, the old adage “you get what you pay for” often comes to roost in many of the cases that end up in court, spending more time and money than would have been invested had mom or dad not been “a penny wise and a pound foolish.” Consider it an investment in your family’s well being. They will have enough to deal with when you pass. Second, a trust, as a separate entity, requires that formalities be followed, like titling assets and bank accounts in its name instead of yours. Third, if you need to refinance a property held in trust you very likely will need to transfer it out of the trust for the refinance and then transfer it back into the trust after the refinance is complete. Fourth, in

California setting up a living or revocable trust will not provide any protection against any of your creditors.

**MASON:** One disadvantage of a living trust is the cost associated with its preparation and funding. The paperwork is more complex for a living trust than for a will and the attorney’s fee is typically larger. Property that passes by title, for example, real estate and vehicles, has to be transferred formally from individual ownership to trust ownership. More paperwork and more expense. Beneficiary designations to property such as insurance policies and bank accounts may also need to be changed. For an estate with fairly extensive property and complex dispositions, the cost of preparing and funding a living trust can be two or three times the cost of a will with equivalent dispositions.

◆ Does a living trust help with estate and probate taxes?

**RAHN:** A simple living trust will not help you avoid estate/probate taxes. Unless drafted with other provisions not usually contained in a simple living trust, all a living trust is designed to do is help your family avoid having to administer your estate publicly through the probate courts. While a living trust will help streamline the administration process and allow your family to avoid court costs and significantly reduce the time and fees involved, it very likely will have zero impact on the taxability of your loved one’s estate. Other, more sophisticated estate planning techniques exist for these purposes and can be utilized cost-effectively in the right situation, including charitable trusts, grantor retained annuity trusts, intentionally defective grantor trusts, and life insurance trusts, for example.

**MASON:** During your lifetime, there are no income-tax savings attributable to earnings of the trust. Because you retain total control over the assets and can revoke the trust anytime you want, you are taxed on all the income (on your personal tax return if you are the trustee). You won’t automatically save on the federal estate tax, either. Assets in the trust are included in your estate for federal estate-tax purposes and are generally subject to estate taxes as well.

**BEHNOOD:** There are three types of taxes to be concerned with in the estate planning world: 1) *Gift Tax:* Gifts in excess of \$14,000/year to an individual given during lifetime are taxable at a maximum rate of 40%. 2) *Estate Taxes:* Estates valued at less than \$11 million are currently exempt from estate taxes. Any estate taxes owed would be on property that exceeds the initial \$11 million. Spouses can combine exemptions for a \$22 million exemption. 3) *Property Taxes:* Generally, you can avoid reassessment of property taxes on property you leave to your children. This is a significant value, especially when a parent has held onto a property for an extended period of time. Beneficiaries receive a stepped-up basis on property, which means that when the property is sold, the beneficiary doesn’t pay tax on the appreciation of the property between purchase date and death of testator.

◆ Given your firm’s outlook and forecast for the year: what is the next advice for longer-term

**portfolio asset allocation?**

**MASON:** We are looking at all the financial indicators and forecasts and making the appropriate steps for a long-term outlook. We have always taught our clients to take a long-term attitude when dealing with their investment program.

**GERBER:** Asset allocation for our clients is similar each year independent of what “experts” forecast, especially since they have such an abysmal record of being right. We don’t live in the typical Wall Street world of analysts, forecasts and predictions. Instead our approach is grounded in economic theory and backed by decades of research. If one had hypothetically invested \$1,000 in the S&P 500 in 1990, that would have amounted to around \$13,000 by the end of 2018. However, those who missed just the 25 best trading days during that entire time would have earned just \$3,200. We are long-term mega-bulls and have 100 years of history to back up our position. The key is to have the emotional fortitude and the financial diversification to be able to endure the severe bear markets that take place from time to time, with equanimity. They are simply part of normal market and economic cycles - and each bear market turned out in time to be a compressed spring that pushed the markets up to ever-greater heights. I arrived in the USA from South Africa in 1977 when the Dow was around 850 and it is now over 26,000 excluding dividends that would have been paid out. The fact that there were a dozen major market collapses during that period is now irrelevant to those who remained invested over that time. Each RVW Wealth Advisor is also a CPA and Personal Financial Planner. We have a ruthless focus on the bottom line returns and on income tax minimization, because it’s not what you earn but what you keep that counts. Our portfolios are designed to be extremely tax-efficient. Our financial planning capabilities enable us to provide a holistic approach to investment advice and extend to advising on budgeting, tax planning and estate issues. In most cases we become the de facto quarterbacks of the financial, accounting and legal team for the client working closely with their other

professional advisors. Our approach to retirement planning uses reverse budgeting – starting with the clients envisioning their retirement. We quantify that using a Needs Analysis – and then work backwards to arrive at a current asset allocation that is designed to reach those goals.

◆ **How can an individual best prepare heirs to receive their inheritance?**

**BEHNOOD:** I am a firm believer in having honest and open conversations with your beneficiaries. If you intend to leave your property to your children, and they are of a suitable age for the discussion, the conversation will help them understand what your intentions are and give them an opportunity to ask any questions that they may have. In certain circumstances, a parent may like to leave more to one child than the others for any number of reasons; special needs, less fortunate financially, or the child helped build the business, whatever the reason, these are conversations that are best had in advance to prevent resentment after the passing.

**RAHN:** The single best way for an individual to prepare heirs to receive an inheritance is to talk to them about it. Although it admittedly is somber to face your own mortality and to talk with your loved ones about it, avoiding the uncomfortable conversation about what your expectations are for your family after you pass very likely will only leave those expectations woefully unfulfilled. All-too-often, a lack of transparency also can lead to distrust, misplaced expectations, conspiracy theories, and litigation among heirs. These issues arise most often in families that have at least one heir who spends more time with mom/dad and is reliant on them for their financial well-being. Their dependence and commitment often leads to unrealistic expectations about what their inheritance “should” be, and if the issue is not nipped in the bud during mom/dad’s lifetime that heirs siblings and other heirs can expect there to be a fight over

the estate after mom/dad pass.

**WEINSTOCK TEAM:** Clients must do two things to prepare their heirs for an inheritance: (a) teach them how to manage wealth; and (b) help them find trustworthy allies to assist them upon realization of the inheritance. If not educated prior to receiving an inheritance, their heirs are similar to lottery winners. In a situation where you have an unsophisticated heir, the overwhelming likelihood is that the inheritance will be squandered away by poor decision-making and targeted by unscrupulous people. It will greatly minimize the possibility of the disappearance of the fruits of sometimes several generations of labor if the heir can be brought in to the management process while the benefactor is still alive.

◆ **What estate assets will be taxed?**

**RAHN:** All of the assets that you own at your death may be subject to estate tax if their collective net value (assets minus liabilities and deductions) exceeds the exemption amount, currently \$11.4 million per person (federally, California has no estate tax currently), and those assets are not being distributed to your spouse. Includible assets include investment holdings, such as stocks, bonds, limited partnership interests, real estate, real estate partnerships, oil and gas interests, time-shares, art, collectibles, jewelry, collectibles, and other personal property. Determining the value of the estate for estate tax purposes is no small task, and a professional should be consulted, especially if the estate at issue approaches the exemption amount, as penalties and interest can be punitive. Professionals can also help determine liabilities and maximize deductions, which will further reduce an estate value and help to minimize estate taxes where possible. Any estate tax due will be paid directly from the estate, rather than by or from the beneficiaries, as is commonly misunderstood.

*Continued on page 20*

**MASON**  
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**ASSOCIATES, INC.**

A fee-only financial planning and wealth management Firm that works as an independent fiduciary - our client's interest is at the core of what we do. We do not sell products or receive commissions; allowing us to provide unbiased, objective advice. We believe that your success and our achievement will be measured in our continuing commitment to character and trust.



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## WEALTH MANAGEMENT

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BRENT M. MASON



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KYAN BEHNOOD



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◆ **When should individuals make updates to their estate plan?**

**BEHNOOD:** I would say updating an estate plan is something that should be done every 3-5 years, or if there are any major life changes. By major life changes I am referring to property acquisitions/sales, marriage/divorce, birth of a child, a move to a different state/country, or any other change that would affect the property in the estate plan and/or the rules governing the estate plan. It is important to be diligent in maintaining your estate plan, because property that has not been incorporated into the estate plan may end up with an unintended beneficiary.

**MASON:** Reviewing your plan at regular intervals (i.e. yearly) in addition to major life events will help ensure that your legacy, both financial and otherwise, is passed on in accordance with your wishes and that your beneficiaries receive their benefits as smoothly as possible.

**WEINSTOCK TEAM:** There are a number of events that should cause clients to review their estate plans to determine if any updates are necessary. Certainly a review should happen whenever there is a major life event, such as a new child, marriage, divorce, death in the family, or acquisition or sale of a major asset. Additionally, any major tax law changes warrant a review to make sure the change in law doesn't negatively impact the client's planning goals. Even in the absence of these events, we recommend that clients annually review their estate plan, specifically sections that name guardians, trustees and health and financial representatives. Although we would all love to have long-lasting, uncomplicated relationships with everyone in our lives, that is often not the reality. For instance, a person who was named as a guardian three years ago may not be the right choice for a guardian presently.

**RAHN:** The general rule of thumb is that estate planning documents should be reviewed annually as part of your overall annual financial check-up. That check-up should help reveal life events that will signal that it is time to update your estate plan, events such as the birth/adoption of a child, marriage/divorce, death, business or work events and transitions, or other financial gain or loss. Far too many clients ignore their estate planning health, assuming that “it ain't broke, so there's nothing to fix.” While like with your own health that may be true, the reality is that we are all better off if we have those annual check-ups to ensure that we and our affairs are as healthy as we assume them to be. These check-ups have been known to catch mistakes, either by the client or the drafter, including wrongly named beneficiaries, gifts going to the wrong people, children getting gifts too early or too late, etc. You've invested time and resources in getting your affairs together. Take the little time it takes annually to make sure it's still doing what you want and need it to do.

◆ **What can advisors do to keep news-driven distractions out of the clients' heads to keep them focused on their long term plan and goals to grow**

**wealth and prevent them from exiting out and entering into the market at the wrong time?**

**GERBER:** Each client's ship is guided by the stars and not the prevailing winds. We regard the news largely as noise, and generally ignore it. Media messages negatively affect investors' performance by reporting with dramatic headlines, which tend to cause them to panic and sell. For example, many investors exited the markets after BusinessWeek's famous “Death of Equities” issue in 1979, which was just before a multi-decade bull market, and there was a similar stampede out in 2008. Those who reacted to the headlines paid dearly. We are counter-cyclical educators - in bearish markets we let our clients know that all bear markets end eventually and that history is solidly on the side of the bulls. In frothy markets we invoke the immortal words of Buffett that “trees don't grow to the sky” and that in time reversion to the mean will cast a spell of bearish reality. Suppressing one's instincts and ignoring the pundits are key attributes of the savvy equity investor. Our clients know that volatility is the emotional price long-term equity investors pay for creating significant wealth.

**MASON:** From the initial interview with our clients we always emphasize taking a long-term outlook on their portfolio and be patient through the dips in the market.

◆ **How do investors manage the complexities of the current investment market?**

**GERBER:** Investing should not be complex in any market environment. Complexities in investing are often associated with excessive fees, hidden charges and deceptive sales practices. We favor a simpler approach to investing where each client knows what they own and why, in a liquid, low cost and transparent manner. The advent of ETFs (Exchange Traded Funds) enables investors to access broad groupings of investments with common characteristics under a single umbrella at low cost and in a low-tax environment. Companies that no longer meet the selection criteria of the fund are automatically dropped - and new ones are added as they begin to fit the rules of admission. We regard this approach as a Darwinian best-of-breed selection process. For RVW, each portfolio is much like constructing a sailboat. The hull has to be securely designed and built - the asset allocation is critical and is arguably the largest determinant of portfolio performance. We then hoist a group of sails, which provide diversified market exposure. Each sail provides a complementary element so that the 3 objectives of growth, safety and income are addressed. We then let the wind do its job, recognizing that we cannot control or predict wind patterns. Our goal is to ensure that a given gust of wind moves the sailboat the maximum distance forward. Minimizing headwinds - costs - is thus also a key element in the wealth optimization process.

◆ **What keeps your clients up at night in 2019?**

**WEINSTOCK TEAM:** Our clients are concerned about the loss of state local income tax deductions that occurred upon the passing of the Tax Cuts and Jobs Act. They also fear

that future tax increases including, but not limited to, the federal estate and gift tax, will be directed at high-net-worth individuals. We encourage our clients to strategically utilize their current estate tax exemption of \$11.4 million (\$22.8 million for a couple). They can do this by making gifts with assets that will qualify for significant valuation discounts, such as gifts of a minority interest in a real estate limited partnership.

**GERBER:** Financial peace of mind is our #1 promise. Being invested in a diversified group of successful enterprises selected in an objective manner and holding laddered investment grade bonds where appropriate, our clients have absolutely nothing to worry about at night, and they know it. They understand that the portfolio has been properly designed to withstand volatility, and over time to meet their expectations. Our clients know that our sole goal is their long-term financial wellbeing. In addition, our educational process ensures that our clients understand what they own and its role in the portfolio. If they're not sleeping peacefully we have failed in our primary task. We named our company RVW after the famed Rip Van Winkle precisely because peace of mind and restful sleep are our primary commitments.

◆ **What should a client be asking an advisor in 2019?**

**GERBER:** The first key question is to understand if there are any conflicts of interest in the recommendation of investments. The distinction between “suitability” and “fiduciary” standards is a good starting point. Fiduciaries are obligated to place the interests of each client ahead of their own and will bring objectivity and genuine care to the wealth management process. Most traditional stockbrokers adhere to the less rigorous suitability standard. Second: Understand what the total fees and charges - direct and indirect - amount to for each investment, and what incentives if any are provided to the salesman for each sale. Many classes of mutual funds charge higher fees in order to compensate the advisor more generously. Second: Investors should understand if the portfolio is well diversified across geography, sectors, and stocks to avoid concentration risk - and how similarly designed portfolios have previously performed in times of market stress. Thirdly: Always inquire about the educational qualifications of your advisor and check public records for violations. Finally: Request periodic reporting that is clear and readily understandable.

◆ **Should clients be concerned about the possibility of California enacting an estate tax as early as 2020?**

**WEINSTOCK TEAM:** Short answer: yes. There is pending legislation that would impose an estate tax on estates between \$3.5 million and the current federal estate tax exemption of \$11.4 million per person. An enactment of the pending legislation requires a 2/3 vote in the California legislature and the approval of a majority of California voters. Our firm recommends that clients consider planning in anticipation of the enactment. Planning for this type of tax law change could include gift transfers that would utilize

exemption amounts before the reduction.

◆ **What are the primary reasons for creating an irrevocable trust?**

**RAHN:** There are two primary reasons for creating irrevocable trusts: (1) asset protection; and (2) estate tax savings.

**MASON:** Using an irrevocable trust allows you to minimize estate tax, protect assets from creditors, and provide for family members who are minors, financially irresponsible, or who have special needs.

◆ **Is there an advantage in using a trust instead of a will?**

**BEHNOOD:** Both a will and trust should be a part of your overall estate plan strategy. While a trust has distinct advantages, namely probate avoidance, wills serve a significant purpose in estate plans as well. The problem with probate is that it is expensive, can take over a year, and the process is open to the public. Alternatively, trusts and the property can be kept private; can be administered immediately without waiting for court oversight, and the associated costs can be kept low. But all this should not discourage anyone from writing a will, because, generally, wills that have less than \$150,000 in value do not need to go through probate. In an ideal world, your estate plan would include both a trust and a will. The will would hold smaller assets such as bank accounts, and the trust would hold more valuable assets such as property and businesses.


**WEINSTOCK TEAM:** Having a living trust or a revocable trust in place means a client's estate won't go through the probate process, which in California is public and associated with very high fees. Additionally, a trust gives the client more flexibility in the case that they become incapacitated. For

instance, the client can name someone to act in their place as Trustee upon their incapacity. Without a trust, the client would have to go through a court procedure to have a conservatorship put in place, which would also be public. Most people prefer more privacy when it comes to their finances and personal affairs, and a trust helps them accomplish that goal.

**RAHN:** There are advantages to using a trust instead of a will. While both a will and a trust will guide the distribution of your estate assets to your intended beneficiaries, the central advantage to having your assets administered via a trust rather than a will is that a trust can be administered privately by its trustee in a much more compressed timeframe, the result of which should be greater efficiencies and cost effectiveness. A will, on the other hand, must be administered by its executor publicly through the courts, which have rules and processes that must be followed. Those processes add additional expense and take additional time. On average, one can expect a court-administered probate to last 12-24 months, while a trust can often be administered in less than a year. The bottom line is that a trust should help save your loved ones time and money in the administration process.

**MASON:** The primary advantage of a trust over a will is the fact that the trust will avoid probate as long as assets are successfully transferred into the trust. Additionally, using a trust provides greater control over the assets and income. In

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 ”



a will, a gift is provided to the named beneficiary. However, a trust allows the grantor to establish a series of instructions for the trustee to follow about how the property should be used. In this way, the grantor can make definite instructions about how to manage the trust property. Another distinct advantage of using a trust over a will is the privacy that it offers. Wills must be probated. This involves the court having jurisdiction over the case. When a will is probated, it becomes a matter of public record. Some courts allow any such documents to be accessed by anyone with access to the court system. A trust provides privacy because it is not a matter of public record. It is administered privately by the named trustee.

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“ **The market, like the Lord, helps those who help themselves...**

**But, unlike the Lord, the market does not forgive those who know not what they do. ”**

**~ Warren Buffett**

**Introducing Our Expanded Team**



**(FRONT ROW) Donovan Schafer, Mary Ann Moe, Jonathan Gerber, Selwyn Gerber, Jeffrey I. Abrams, Loren Gesas**

**(TOP ROW) Stephen Seo, Amanda Jewell, Kelly Richardson, Simon Liu**

**Our Sole Focus is Your Long-Term Economic Well-Being.**

RVW manages wealth for individuals, families, retirement plans and foundations. We have the experience and resources to design and implement a sophisticated wealth strategy that aligns with your unique financial, tax, estate-planning and philanthropic goals.

**The Three RVW Core Values**

- 1** We are fee-only managers whose *sole financial goal* is to help you reach *yours* in a planned and systemic manner. We are compensated solely through your (fully-disclosed) fees, taking no undisclosed commissions or third-party incentives. *Our interests are fully aligned with yours.*
- 2** We are fiduciaries and always act solely in your best interests, which we place ahead of our own. *All of our wealth advisors are also CPAs and trained financial planners.*
- 3** We are absolutely objective and bottom-line oriented. *Each RVW Portfolio is tailored to respond to the needs of the investor for income, growth, tax minimization and safety.*



Established 2006 | Clients in 43 states and 6 countries

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**Call us now for a complimentary evaluation and proposal.**

## WEALTH MANAGEMENT

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### Why is estate planning an important element in planning for the sale of a family business?

**WEINSTOCK TEAM:** Estate Planning provides an opportunity to transfer wealth between generations while simultaneously minimizing or eliminating estate and gift taxes. With proper timing and planning, clients can transfer substantial amounts of wealth to the next generation at a time when liquidity is being created from the sale of a family business, without incurring gift or estate taxes that would otherwise be incurred. A Grantor Retained Annuity Trust (“GRAT”) is a prime tool for this, and timing is critical. Ideally, a GRAT is created at least six months before an executed agreement to sell the business to ensure the effectiveness of the strategy.

### What are the benefits to having an estate lawyer?

**RAHN:** There are innumerable benefits to having an estate lawyer. First, the estate lawyer will be a part of your financial well-being team, looking after issues your financial advisor, insurance agents, etc. cannot, adding value to your family’s overall security. Second, an estate lawyer can help ensure that your wishes, whether for your family, charities, etc., are fulfilled after you pass. Third, an estate lawyer can help ease the transition for your loved ones after you pass. As a consistent member of your financial well-being team, your estate lawyer will understand your affairs and can help your family manage financial transition during a difficult time in their lives. Fourth, an estate lawyer is experienced in administering estates and handling all of the nuanced issues that may arise, issues

◆ that your loved ones, especially while grieving your loss, may not be equipped to handle. At a minimum, an estate lawyer can help the loved one you’ve appointed to administer your affairs, provide guidance, and take some of that burden off of him or her.

### What are some mistakes individuals make when working with their wealth management advisors?

**GERBER:** Blindly trusting the advisor without understanding the investment philosophy or the process is a key mistake. Complexity is often a way to hide costs and fees - and to mislead. In addition, the investment process should ensure that there are absolutely no conflicts of interest between the advisor and the investor. “Flavor of the Month” is for ice cream not for portfolios and we ignore the latest trends or fads in investing like hedge funds, alternatives, structured products and venture capital. Concentration risk in a specific region, sector, or stock can lead to permanent loss of capital, and diversification is the only free lunch for investors because it can transform risk into volatility. Portfolio design is not a one-size-

KYAN BEHNOOD

“**‘If you intend to leave your property to your children, and they are of a suitable age for the discussion, the conversation will help them understand what your intentions are and give them an opportunity to ask any questions.’**



fits-all exercise and you should expect your advisor to design an investment program responsive to your own situation, needs and risk-tolerance. The most common mistake investors make is to follow the crowds – buying near the top and panicking out when the bear grows. The problem is that normal market volatility never feels normal when you’re in it. Our education process deals with this.

## A Closer Look at What Financial Advisors Bring to the Table

In a society that grows more complex every day, consumers are presented with the constant pressures of family, career, and community responsibilities and personal enrichment. The financial marketplace is ever-changing with new laws, regulations, economic events, market changes, product offerings and conflicting media messages. Making the right financial moves at the right time is critical to achieving security and accomplishing personal objectives.

A personal advisor guides the financial planning process: goal identification, data organization, analysis, problem identification, recommendations, and most important - plan implementation and results monitoring. Your advisor will help you save, spend, invest, insure and plan wisely for the future.

A Registered Financial Consultant has met the qualifications required to serve the public effectively, and moreover, is committed to essential professional continuing education. You can’t delegate your job, career, civic or family responsibilities - but you can obtain qualified, professional financial advice and service.

### WHAT IS THE RFC DESIGNATION?

The Registered Financial Consultant (RFC) is a professional designation awarded by the International Association of Registered Financial Consultants to those financial advisors who can meet the high standards of education, experience and integrity that are required of all its members.

The IARFC is a non-profit professional credentialing organization of proven financial professionals formed to foster public confidence in the financial planning profession, to help financial advisors exchange planning techniques, and to give deserved recognition to those practitioners who are

truly committed to ethical standards and continuous professional education.

Because there are no consistent licensing requirements for the various persons who call themselves “financial planners” the public has a critical need for a method of distinguishing the qualified and dedicated financial advisor.

### WHAT IS THE PURPOSE OF THE IARFC?

The primary purpose of the IARFC is to provide the public with a convenient access to a pool of well-qualified practitioners from which to choose a personal financial advisor. It is the only professional organization that requires all of its members to meet and document seven stringent requirements of education, experience, examination, integrity, licensing, ethics and a significant amount of continuing professional education.

### RFC EXAMINATION PROCESS

The comprehensive RFC examination covers a wide range of subject matter; Principles of Personal Finance, Debt and Cash Flow Management, Employee and Government Benefits, Annuities, Securities, Investments and Asset Allocation, Life, Health and Casualty Insurance, Education and Special Needs Funding, Estate Planning, Survivor Income Needs Analysis, and Retirement Income.

### RFC CONTINUING EDUCATION REQUIREMENTS

Each year the RFC must complete a minimum of 40 units (hours) of professional continuing education. This includes college courses, educational symposiums, credentialing courses, distance learning programs and practitioner conferences. Many RFCs are instructors at colleges and conferences.



### WHAT ABOUT OTHER PROFESSIONAL DESIGNATIONS?

We hold the RFC designation to be different and perhaps more encompassing. However, the IARFC does not assert that many other professional designations or their organizations are inferior. The public is not served by divisive criticism, but rather by dedicated and well-prepared professionals. Our goal is to encourage professional conduct and collaborate between professional advisors, with strong emphasis on the importance of continuing education.

### HOW DOES THE IARFC MAINTAIN AND PUBLISH THE CREDIBILITY OF ITS MEMBERS?

The IARFC removes the designation from anyone who fails to maintain proficiency through substantial continuing education, or who betrays the public trust by failing to live up to its Code of Ethics or by having a professional license revoked or suspended for misconduct or any reason.

*This article was provided by the International Association of Registered Financial Consultants.*

# Why Purchase Life Insurance?

We've all heard about the importance of having life insurance, but is it really necessary? Usually, the answer is "yes," but it depends on your specific situation. If you have a family who relies on your income, then it is imperative to have life insurance protection. If you're single and have no major assets to protect, then you may not need coverage.

In the event of your untimely death, your beneficiaries can use funds from a life insurance policy for funeral and burial expenses, probate, estate taxes, day care, and any number of everyday expenses. Funds can be used to pay for your children's education and take care of debts or a mortgage that hasn't been paid off. Life insurance funds can also be added to your spouse's retirement savings.

If your dependents will not require the proceeds from a life insurance policy for these types of expenses, you may wish to name a favorite charity as the beneficiary of your policy.

Whole life insurance can also be used as a source of cash in the event that you need to access the funds during your lifetime.

Many types of permanent life insurance build cash value that can be borrowed from or withdrawn at the policyowner's request. Of course, withdrawals or loans that are not repaid will reduce the policy's cash value and death benefit.

When considering what type of insurance to purchase and how much you need, ask yourself what would happen to your family

without you and what type of legacy you would like to leave behind. Do you want to ensure that your children's college expenses will be taken care of in your absence? Would you like to leave a sizable donation to your favorite charity? Do you want to ensure that the funds will be sufficient to pay off the mortgage as well as achieve other goals? Life insurance may be able to help you meet these objectives and give you the peace of

*'Whole life insurance can also be used as a source of cash in the event that you need to access the funds during your lifetime.'*

mind that your family will be taken care of financially.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have



mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

If you are considering the purchase of life insurance, consult a professional to explore your options.

*This material was written and prepared by Emerald.*

## Weinstock Manion A Law Corporation



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### PRESERVING YOUR LEGACY

- Weinstock Manion is one of the largest and most venerable teams in Southern California focusing exclusively on estate planning, estate and trust administration and estate and trust litigation.
- The Firm successfully creates estate plans for several generations of clients.
- Weinstock Manion has five decades of experience in working with wealth planning professionals for their clients' estate planning needs.
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- Weinstock Manion encourages a collaborative, compassionate and thoughtful approach and practical solutions to complex issues, especially in litigation matters.
- The Firm promotes innovation among all of its employees.

## WEALTH MANAGEMENT

# ABA Shares Consumer Tips for Budgeting, Saving and Reducing Debt

The American Bankers Association last month highlighted personal finance resources and urged consumers to take an active role in managing and protecting their money. National Consumer Protection Week, observed the first week in March, is a campaign that encourages consumers nationwide to take full advantage of their consumer rights and make better-informed decisions.

“Banks implement numerous safeguards to protect their customers’ money and information, and they also provide consumers with critical tools to make informed financial decisions,” said Frank Keating, ABA president and CEO.

“There are many actions consumers can take to control their financial future and keep their money safe.”

ABA’s consumer site—[ABA.com/Consumers](http://ABA.com/Consumers)—features personal finance tips and resources on topics such as mortgages, credit cards, protecting your money, saving for college and more. It also includes interactive calculators that can be useful when making decisions regarding home and personal financing, investments, retirement and leasing.

ABA recommends that consumers

follow these tips to assess their finances, gain control and stick to a new budget or saving plan:

*‘Banks implement numerous safeguards to protect their customers’ money and information, and they also provide consumers with critical tools to make informed financial decisions.’*

## CREATE A BUDGET

Track your income and expenses to see how much money you have coming in and how much you spend. If you have debt, establishing a budget will help you to pay down your debt while saving.

- Identify how you spend your money.
- Set realistic goals, especially if you plan to cut some of your expenses.
- Track your spending and review your budget often.

## REDUCE YOUR DEBT

Establish a budget to pay down debts while you save. Points to consider when cutting debt:

- Pay more than the minimum due and pay on time.
- Pay off debt with higher interest rates first.
- Transfer high rate debt to credit cards with a lower interest rate.

## SAVE FOR THE UNEXPECTED AND BEYOND

Pay yourself first. Saving is important; it helps ensure that you can endure financial surprises. No matter how old you are, it’s

never too late to begin saving.

- Save at least 10 percent of your income for retirement. Enroll in a retirement plan or consider optimizing an established retirement plan. Contribute at least the maximum amount that your employer will match, and increase your contribution as your income increases.

- Financial advisors often recommend keeping about three months’ salary in a savings account in case of financial emergencies like hospital bills or loss of job.

- If you receive direct deposit at work, ask your employer to send a specific amount to your savings account. Because the money is put into an account before you have a chance to spend it, automatic savings plans are an easy and convenient way to save. If your employer doesn’t offer direct deposit, many banks allow for automatic transfers from checking to savings accounts.

*The American Bankers Association is the voice of the nation’s \$17.9 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard nearly \$14 trillion in deposits and extend more than \$10 trillion in loans. For more information, visit [aba.com](http://aba.com)*

# How to Keep Your Money from Slipping Away

As with virtually all financial matters, the easiest way to be successful with a cash management program is to develop a systematic and disciplined approach.

By spending a few minutes each week to maintain your cash management program, you not only have the opportunity to enhance your current financial position, but you can save yourself some money in tax preparation, time, and fees.

Any good cash management system revolves around the four As — Accounting, Analysis, Allocation, and Adjustment.

**Accounting** quite simply involves gathering all your relevant financial information together and keeping it close at hand for future reference. Gathering all your financial information — such as mortgage payments, credit card statements, and auto loans — and listing it systematically will give you a clear picture of your overall situation.

**Analysis** boils down to reviewing the situation once you have accounted for all your income and expenses. You will almost invariably find yourself with either a shortfall or a surplus. One of the key elements in analyzing your financial situation is to look for ways to reduce your expenses. This can help to free up cash that can either be invested for the long term or used to pay off fixed debt.

For example, if you were to reduce restaurant expenses or spending on non-essential personal items by \$100 per month, you could use this extra money to prepay the principal on your mortgage. On a \$130,000 30-year mortgage, this extra \$100 per month could enable you to pay it off 10 years early and save you thousands of dollars in interest payments.

**Allocation** involves determining your

financial commitments and priorities and distributing your income accordingly. One of the most important factors in allocation is to distinguish between your real needs and your wants. For example, you may want a new home entertainment center, but your real need may be to reduce outstanding credit card debt.

**Adjustment** involves reviewing your income and expenses periodically and making the changes that your situation demands. For example, as a new parent, you might be wise

*‘Any good cash management system revolves around the four As — Accounting, Analysis, Allocation, and Adjustment.’*

to shift some assets in order to start a college education fund for your child.

Using the four As is an excellent way to help you monitor your financial situation to ensure that you are on the right track to meet your long-term goals.

*This material was written and prepared by Emerald.*





# Top 10 Money Tips Your Kids Should Know Before Going Off to College

As college students head to campus for the fall semester, money management should be on their personal syllabus, according to the American Bankers Association. The organization has released ten money-saving tips to help college students get an early start on securing their financial future.

“It’s important for college students to take control of their financial future by saving wherever and whenever they can,” said Frank Keating, ABA president and CEO. “They should treat personal finance like a second major and avoid unnecessary expenses now to reduce financial burden when they graduate.”

ABA offers the following tips to help college students form a strong foundation for money management (other consumer financial tips are available at [aba.com/Consumers](http://aba.com/Consumers)):

**Create a budget.** You’re an adult now and are responsible for managing your own finances. The first step is to create a realistic budget or plan and stick to it.

**Watch spending.** Keep receipts and track spending in a notebook. Pace spending and increase saving by cutting unnecessary expenses like eating out or shopping so that your money can last throughout the semester.

**Use credit wisely.** Understand the responsibilities and benefits of credit. Use it, but don’t abuse it. How you handle your credit in college could affect you well after graduation. Shop around for a card that best



suits your needs.

**Take advantage of your bank’s resources.** Most banks offer online, mobile and text banking tools to manage your account night and day. Use these tools to check balances, pay bills, deposit checks and monitor transaction history.

**Lookout for money.** There’s a lot of money available for students -- you just have to look for it. Apply for scholarships, and look for student discounts or other deals.

**Buy used.** Consider buying used books or ordering them online. Buying books can become expensive and often used books are in

just as good of shape as new ones.

**Entertain on a budget.** Limit your “hanging out” fund. There are lots of fun activities to keep you busy in college and many are free for students. Get the most from your student ID. Use your meal plan or sample new recipes instead of eating out.

**Use only your bank’s ATMs.** Avoid fees by using ATMs owned by or affiliated with your bank. If you must use an ATM that is not affiliated with your bank, take out larger withdrawals to avoid having to go back multiple times.

**Expect the unexpected.** Things happen, and it’s important that you are financially prepared when your car or computer breaks down or you have to buy an unexpected bus ticket home. You should start putting some money away immediately, no matter how small the amount.

**Ask.** This is a learning experience, so if you need help, ask. Your parents or your bank are a good place to start, and remember—the sooner the better.

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## LOS ANGELES BUSINESS JOURNAL WOMEN’S COUNCIL & AWARDS

The Women’s Council & Awards is a half day event of inspiration, education and recognition. The top business women in Los Angeles will share their wisdom through a series of keynote speeches and dynamic panels. The afternoon portion will be highlighted by a luncheon awards program where we will be honoring outstanding achievements by women who make a difference throughout Los Angeles.

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Speaker Symposium and Workshops: 7:30AM - 11:00AM

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# Seven Ways to Protect Your Data Online

In an attempt to curb the current onslaught of cyber thieves and unscrupulous data miners, the American Bankers Association have highlighted eight tips to help online users protect their data and guard against online threats.

“Cyber thieves are using social media profiles to gather personal information and use it to commit fraud,” said Doug Johnson, ABA’s senior vice president of payments and cybersecurity policy. “It’s extremely important that consumers limit the amount of information they share online and stay away from using easily retrieved information — such as birthdates, pet’s names or school mascots — as answers to security questions.”

ABA is offering the following tips to help consumers safeguard their information online:

- **Keep your computers and mobile devices up to date.** Having the latest security software, web browser, and operating system are the best defenses against viruses, malware, and other online threats. Turn on automatic updates so you receive the newest fixes as they become available.

- **Set strong passwords.** A strong password is at least eight characters in length and includes a mix of upper and lowercase letters, numbers, and special characters.

- **Watch out for phishing scams.** Phishing scams use fraudulent emails and websites to trick users into disclosing private account or login information. Do not click on links or open any attachments or pop-up

screens from sources you are not familiar with. Forward phishing emails to the Federal Trade Commission (FTC) at [spam@uce.gov](mailto:spam@uce.gov) – and to the company, bank, or organization impersonated in the email.

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*‘It’s extremely important that consumers limit the amount of information they share online and stay away from using easily retrieved information as answers to security questions.’*

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- **Keep personal information personal.** Hackers can use social media profiles to figure out your passwords and answer those security questions in the password reset tools. Lock down your privacy settings and avoid posting things like birthdays, addresses, mother’s maiden name, etc. Be wary of requests to connect from people you do not know.

- **Secure your internet connection.** Always protect your home wireless network with a password. When connecting to public



Wi-Fi networks, be cautious about what information you are sending over it.

- **Shop safely.** Before shopping online, make sure the website uses secure technology. When you are at the checkout screen, verify that the web address begins with https. Also, check to see if a tiny locked padlock symbol appears on the page.

- **Read the site’s privacy policies.** Though long and complex, privacy policies tell you how the site protects the personal

information it collects. If you don’t see or understand a site’s privacy policy, consider doing business elsewhere.

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