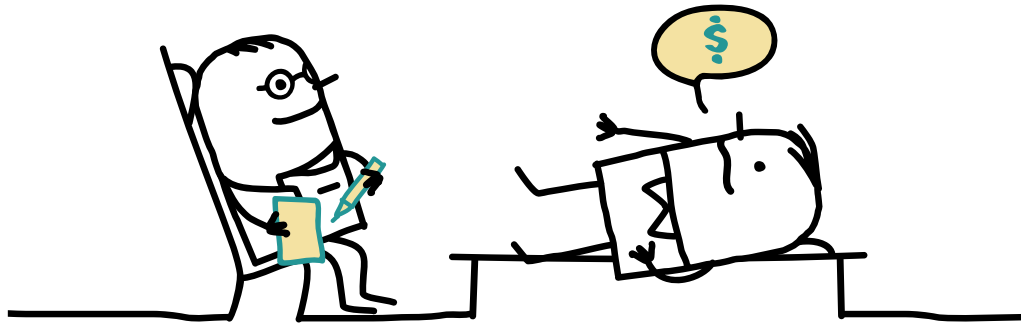


Retirement, Trust & Estate Planning

Wealth Manager as Counselor



Improve your mental health by facing your estate-planning fears.

By Jamie Swedberg

Humans are adaptable animals, full of resilience and surprises, but sometimes we also are very predictable. Certain traits tend to surface in all of us, no matter what task is at hand. Most of us are dysfunctional in remarkably similar ways.

Estate planning is no exception. Faced with the monumental task of figuring out what to do with their assets through their retirement and after their death, many otherwise capable people seize up like an engine full of grit. They procrastinate, they waffle,

and they agonize. They figure they'll make their initial appointment with a wealth manager some other time, when they're not so busy.

If you recognize yourself in that description, you probably already know that inertia is not acceptable. Whether your estate is vast or modest, the worst plan is no plan at all. But how can you get started? First, identify the roadblocks you've set up in your path.

Patient, know thyself.

HANGING ON

Mike McConnell, principal at LarsonAllen, LLP, a Minneapolis professional services firm, is no stranger to acting as an informal psychological counselor for his clients. Recently he met with a 65-year-old client who had no ownership in his family business.

"His dad was almost 90 and had promised him for 45 years that he would turn the business over to him," he says. "The son said to me, 'I'm ready to retire, and I don't have the business. My son is in the business too, and he's never going to have any ownership. Something is going to happen to my dad, we're going

to have a big family fight, and we're going to have to sell the business.'"

An extreme example? Maybe, but it illustrates one of the most universal principles that affect estate planning. Successful people tend to identify very strongly with their careers, and somewhere deep down, they are often loath to take steps that will sever their identity from their work.

McConnell says up to 80 percent of men experience some degree of depression when they transition out of their businesses. What keeps many from initiating the process is that they sense

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that it will be painful.

Successful people also tend to fear that their business—their life's work—will suffer in their absence. Not every heir is a talented leader. Not every company retains its spark after the first generation is gone. So it's extremely difficult to give up control.

"Their fear is failure," McConnell says. "Their fear is that somebody is not going to be prepared [to succeed them]. So I tell them, 'I've sat here with farmers whose farm has been in their family for over 150 years. I understand that this may feel like I'm saying we've got to cut off your leg to save you, but you'll get through it.' That's usually what it takes: a peer, somebody who is objective and can say, 'You know what? You'll feel a lot better once it's done.'"

The whole idea of estate planning is problematic for many successful people, says Sharon Olson, president of Olson Wealth Group, a wealth management firm in Bloomington. In order to create wealth, entrepreneurs tend to have a strong personality. Then all of a sudden, they find themselves in a situation where they need to start giving up control of their wealth.

"When they make the transition, they go from getting a paycheck to living off their assets," says Charles Maloney, financial principal at Lowry Hill, a private asset management firm based in Minneapolis. "Every time you take a distribution, you see that coming out of your assets. It's a different mindset. And sometimes these can be harder adjustments for people going into retirement. So one of our jobs is that of a counselor, to bring up these issues and get them thinking about it ahead of time. It's still going to be an adjustment, but we try to make it a little easier."

THE UNCERTAINTY PRINCIPLE

The estate planning process is complex and tends to involve a number of different parties, including attorneys, accountants,

and financial advisors. Just that fact alone can cause people to put off thinking about it. It's not fear of the unknown, exactly; it's more a sense of not knowing where to start. You might say it's the equivalent of the "blank page syndrome" that writers experience.

"One of the biggest stumbling blocks is probably just the uncertainty," Maloney says. "People don't necessarily know what it entails until they get into the process. Of course, any time you have that uncertainty, you're a little less likely to dive into something. And you also have the uncertainty of potential changes to the tax laws and what's going to happen with the markets and the economy."

What many businesspeople don't realize is that estate planning can actually lessen the stress and unsureness. It's a wealth manager's job to quarterback the planning process, juggling schedules and bringing all the relevant parties together. And once clients see the facts, figures, and projections, their anxiety tends to plummet.

"We give them an understanding and confidence about their financial lives that they may not have experienced before," says Tom Fee, principal and managing partner at Vector Wealth Management, a Minneapolis-based investment advisory firm. "That makes it easier for them to make good decisions. It's not having enough information that creates the block."

Fee and his colleagues joke about the moment when clients, upon running through the details and seeing what's possible financially, suddenly heave a sigh. "Their whole bodies relax, and their shoulders go down," he says. "It's a powerful moment."

MAKING EXCUSES

You'd think successful people would respond to the current recession by putting their affairs in order and paying

even more attention than usual to financial matters. Some do. But there are a few who prefer not to know just how bad things are.

"I've got people who, as embarrassing as it is to admit, have told me that they haven't opened up their financial or investment statements for three or four months," says Dan Langworthy, a wealth advisor at Executive Capital, LLC, in Edina. "I think that when it comes to estate planning, the biggest fear that my clients are facing right now is a fear of running out of money."

But the head-in-the-sand response doesn't make sense, he says, because ultimately, clients hire estate planners to make sure they don't ever run out of money. It's their job to respond to situations like this and to plan for future events.

McConnell says some of these people are using the economy as an excuse to keep procrastinating. "It creates another reason why now is not a good time to do it," he says. "But if they come to us, we can show them that actually it is a good time because values are down and we can

"Right now I'm finding that somebody who previously planned to retire at 57 is saying, 'You know, maybe I'll just work until I'm 60, because my values are depressed and the markets are down,'" Langworthy says.

eliminate a lot of taxes. That's kind of the universal motivator—I've not run into someone retiring yet who isn't concerned about taxes."

Some clients may put off estate planning because they've decided to put off retiring for a few years.

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“Even when we run the numbers and say, ‘Mr. Client, you’re going to be fine,’ they want that extra security blanket to make sure they can maintain their lifestyle,” Langworthy says.

Still others are balking because they’ve read about swindles and Ponzi schemes by the likes of Tom Petters and Bernie Madoff. They’ve become suspicious of financial advisors and are uncomfortable sharing financial information. If they do manage to start the estate planning process, they may feel uncomfortable disclosing all their assets.

But in order to make the best recommendations, planners have to know as much as possible about their clients. “It’s so important that as an advisor, you know what their goals are,” says Bill Bosch, vice president at Trust Point, Inc., an independent trust company in Minneapolis. “And you really need to know everything that they have. Maybe we’re not actually managing or advising on all of their assets. But you still have to know what they have so you can help them develop a plan.”

Bosch suggests that nervous clients disclose all the dollar values and investment types, but leave out the locations and account numbers if they are more comfortable that way. The important thing is to give the planner the big picture.

IDENTITY CRISIS

Even for executives who have ice running through their veins in the boardroom, family matters can be fraught with anxiety. Some resist the idea of estate planning because they’re worried about

the effect the money and responsibilities might have on their heirs’ lives.

Again, setting up a plan can help reduce the stress of the situation. Wealth managers can orchestrate family discussions about values, work ethics, and charitable giving. “I think parents believe that with estate transfer, there’s also a responsibility that they are conferring onto their kids,” Olson says. “This is money, but it’s also your responsibility to do the right things with it and not to blow it. Sometimes the younger generation wasn’t around when the original wealth was created, and the parents want to try to keep the values in the family. So the process begins with a conversation about ‘Who are we? What do we believe in?’ Then parents can begin the process of talking about money and giving money away.”

One of Bosch’s wealthier clients set up a foundation to help communicate the family values. “The whole purpose of the foundation was to get their children involved with charitable giving,” he explains. “The children had to go out and do the research on whatever nonprofit was important to them. Then they had to come back and present their research to their board, which was their family. From there, the family decided how the money would be allocated that year to the charities for each of the children. The dad wanted his children to be charitably inclined, and this was one way to expose them to it.”

Early estate planning and limited sharing of financial information can help prevent children from being spoiled by their circumstances, Fee says. “I think it’s important for children with parents of

means to establish their own economic habits for about a decade and a half before they might learn of any financial opportunities that will come forward off of their parents,” he says. “Don’t give them \$20,000 a year through their 20s, because that becomes an entitlement program.”

For all the worrying parents do about transitioning wealth to children, it’s their own transition that is often the biggest step. Sometimes they’ve been so focused on work that they haven’t developed anything else to fill up their lives in a meaningful way.

“I had some clients, maybe 60 years old,” Olson says. “Both husband and wife had worked their whole lives and saved well. But they had a concern that because they had worked so much, they never took the time to develop hobbies. They didn’t know how to golf, they didn’t ski, they didn’t play cards. All the things that you think about after retirement, they didn’t know how to do. So one of the things that we did, while they were still working, was to spend some money to help them find hobbies.”

In this case, the financial parts of retirement and estate planning were the easy ones. But the psychological and emotional aspects were staggering.

“The job really requires you to look at the entire person, because it’s hard to subtract money out of a person’s life,” Olson says. “They are so related.” **TCB**

Jamie Swedberg is a freelance writer and a frequent contributor to Twin Cities Business.