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Do Financially Successful People Age More Gracefully?

By: Steven Abernathy and Brian Luster

An instant is all it takes to destroy a person's ability to make important decisions. A lifetime of hard work, financial planning and dedication can be eradicated. Illness, a chance accident or cognitive decline over time may impair decision-making—or limit it entirely. One stroke could curtail a person's ability to communicate, move and live independently. *Yet over 55% of America's senior citizens age 55-64 don't have a will or an estate plan.* 66% of adults don't have a living will or a written advance directive according to the American Bar Association. And the majority of us will need both for our wishes to be carried out. No one wants to dwell on illness, cognitive decline or unfortunate chance occurrences. But burying our heads in the sand about the reality of aging does no one any favors. Successful people may vary, however, their assets tend to get better with age when they:

1. Build a plan
2. Develop clear goals
3. Make mindful financial choices
4. Choose the right representatives
5. Get organized

Build a plan. A thoughtful estate plan, succession plan, clear health care directives, including power of attorney for health care decisions, long-term care planning and final wishes, if not expressed in writing, may not be carried out as you wish them to be. Wealth managers within a family office setting review the “big picture” for clients and their families. Preparing for the unpleasant (yet inevitable) scenario of one's passing is something most of us put off. Don't. While some legal documents may reside with the attorney, financially successful families typically share a copy of their full plan, including what to do in the case of a medical emergency, with their financial quarterback, such as a family office. The important thing is to ensure that everyone in the family knows how and when to contact this representative when tragedy strikes.

Develop clear goals—and understand how to achieve them.

The first goal for families is to ensure they're able to retire in—and maintain—the lifestyle they have become accustomed to. Intelligent investors understand budgeting—and are cognizant of where their hard-earned cash is spent—and on whom. But others goals are often commonly addressed by financial successful families. For example, affluent families tend to provide educations for their children and grandchildren. There are several ways to allocate monies for this—an educational trust, for example, is often used. Of course, success tends to breed success, and family leaders who've had success in business often incentivize entrepreneurship among the younger generation through the establishment of a family bank—an excellent way to offer customized loans that do not have the strict requirements of a typical bank. Families who want to offer a jumping off point for their heirs may opt to provide them with a home (or other financial endowment) as they gain their start in life. Others may want to ensure their business and its employees will continue by having a formal succession plan. Finally still, most financially successful families pursue philanthropic interests, and may select a charitable trust, donor-advised fund or family foundation to achieve their goals. Whatever your goals, the important point is that you identify them, and understand how to achieve them.

Make mindful financial choices. Ensuring the family is on track to meet their financial goals is one of the key signatures of financially savvy families. These families understand the importance of creating a financial plan, establishing a budget, and monitoring their progress on a regular basis. When investment performance is favorable, it's easy to become lackadaisical. But when investors experience broad market corrections, and the assets are suddenly worth less than the family expected, it's important to make the necessary adjustments. Whether holding off on that purchase of new shoes, or foregoing the winter rental in Palm Springs, financially successful families remain diligent in understand - and sticking to - their limits.

Choose the right representatives. Families cannot be expected to make all matter of decision on their own. Instead, it is often necessary to build a team of experts to help manage the full gamut of one's legal, financial, and personal affairs. This team often consists a quarterback, usually the family's investment advisor, a trust and estates attorney, an executor, and an accountant, as well as a team of insiders, such as a health care proxy, and someone to hold financial power of attorney. When agents and trustees are chosen, they may have to make serious decisions quickly. If they do not have the skills, time or attention needed to fulfill their role, it's likely better to have a 3rd party (i.e., attorney or another fiduciary) to bear this responsibility. At times these roles may be filled by one person, such as a spouse, and at others they are handled by different people. The bottom line is that financially successful families build a qualified team of advisors whose interests are directly aligned with their own.

Get organized. When prompt decision-making is required, a little forethought saves a lot of time. When documents reside

in one place it is tremendously helpful for those who may need to access them in an emergency. Where this information resides needn't be fancy—a simple binder or folder(s) to retain the information will do. Better still, a centralized, secure, online document management system, which can be accessed remotely from anywhere with an internet connection, and is shielded from home invasion or fire. The time to assemble this will be well worth it should it be needed. First on the list could be phone numbers and emails of your wealth advisor(s), attorney(s), trustee(s), and other key representatives including insurance agent(s) and business partners and other asset-related contacts. Next listed would be passwords and account information for any online banking and investment information along with social media passwords. The file may also hold medical information including health care powers of attorney, insurance information, health issues, medications and health care directives. Copies of documents and numbers (and noting location of originals) is also helpful including: Social Security cards, automobile titles, divorce decrees, birth certificate(s), military service records, deeds, insurance policies, stock certificates, a spouse's death certificate, marriage certificates, legal documents such as trusts, powers of attorney, beneficiary designations, will(s), mother's maiden name, place of birth and so forth. A contact list should include numbers and email addresses of all immediate family members. This group should be able to produce (if they are not included in this file) a copy of the latest tax return, insurance policies and other records. If there are subscriptions and/or bills on auto pay, noting these is also helpful. The important point is that financially successful families think through the inevitable, when they will become unexpectedly removed from their position of control, and have a plan in place to promote a more seamless transition of information.

Not making conscious decisions is a decision—one which could result in the state, lawyers, the courts, a court-appointed guardian or “the wrong” family members making highly personal decisions on our behalf. The web of consequences can be devastating; a loved one can be left without income or financial security, a robust, carefully constructed portfolio can be undermined, assets may not go to the intended heir and taxes may cause substantial slippage and loss to an estate. But dire circumstances are most likely avoided with thoughtful oversight and a clear plan in place. ➔

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Steven Abernathy and Brian Luster counsel affluent families on multi-generational wealth management strategies including: asset protection, wealth management, estate and tax planning, and Heritage Planning. They can be reached at 212-293-3499 or 888-422-2947.