

Wealth Planning Update

Creating a Living Plan

DECEMBER 2014

Blake Meisenheimer
*Wealth Planning Market Growth &
Development Manager*

In this Wealth Planning Update:

- » *Planning is a discipline that can help you articulate and take action on your goals.*
- » *In order to realize the full benefit of planning, your plan must be fully implemented, re-visited, and adjusted regularly to reflect changes in your life.*

Planning is a discipline that may prove invaluable in helping align your finances in support of your goals for the future. It can help you clarify your goals and then outline the actions, both large and small, that can help you attain your objectives. The tremendous value in planning is not limited to the day you receive your plan. Nor is a plan deemed successful on the very last day covered in the plan's projections. Planning is about the journey; as such, a plan must allow for flexibility and adaptation.

Your financial goals today may not be the same as your goals tomorrow, and circumstances can change quickly. As such, truly impactful planning requires active management of the recommended strategies as external events unfold. This is a component of planning that can be a challenge, but it's imperative to maximizing your plan's impact to you and your family.

Creating a living plan like this requires diligence, but it doesn't have to be daunting. By collaborating with the right partners and focusing on three key things, you can enjoy the benefits of a living plan.

Assure complete implementation

Too often, the final act of a planning engagement is delivery of a written document. While having this finished plan may sometimes feel like the end of the planning process, it's really the starting point. A written plan is a nice blueprint and nothing more. Full and complete implementation of your wealth plan is required for you to realize the benefits of your action plan.

Proper implementation often means working across multiple disciplines to coordinate the estate planning, tax, and credit strategies. Your blueprint needs a general contractor, and your plan provider should assume that role and take the lead. Full implementation involves not only documenting recommendations, but also coordinating their execution with your other advisors. This step is sometimes missed or ignored, but it is the key to seeing the real value a wealth plan can bring.

Wealth Planning Update

Action items:

- Prior to hiring any plan provider, ask for an implementation timeline and an explanation of the steps involved in the planning process.
- Meet jointly with your wealth planner, estate attorney, and tax preparer to ensure they understand and can follow the plan recommendations.
- Hold your planner accountable to managing strategies through to implementation and beyond.

Revisit plan assumptions

Our economy, our communities, and our families are constantly changing. An effective plan must adapt to incorporate these changes. Think for a moment about the current market environment. What might a plan built on assumptions from today's low-inflation, low interest rate environment look like viewed through the lens of history? How will these factors play out over the next several years?

The point is that changes in economies, market conditions, and your life can happen quickly and have a huge impact on your plan's outcome. Only by carefully scrutinizing your life events in a planning context can your advisors help to properly model that impact. This means that you need an ongoing relationship and regular touch points with a planner.

In addition to potential life events affecting your family, changes in tax laws and external variables may also have an impact. Consider the recent and continuing rise in health care expenses, changes to estate tax rates, and the complexities of a global economy. These factors may present opportunities or potential issues for your wealth plan. But it underscores the point that a plan written today must adapt and incorporate new realities to stay relevant.

Action items:

- Engage a planner who commits to meet with you regularly.
- Review progress toward your goals annually and revisit them in light of recent tax law changes.
- Ask your planner to help regularly review and validate your plan assumptions, such as:
 - Pre and post retirement spending rates
 - Modeling of future health care expenses
 - Market return expectations
 - Life expectancy
 - Impact of expenses and inflation
- Consider combining an investment plan review with your estate and wealth planning

Review estate plans

Another important activity you may want to undertake to ensure your wealth plan continues to meet your needs is to regularly review projected estate flows to your heirs. Estate distribution strategies that seemed prudent or equitable under certain circumstances can change over time due to tax law updates or valuation differences. Only by taking a holistic look at the impact to your heirs can you be sure your documents truly reflect your wishes.

Wealth Planning Update

A related detail that sometimes gets missed in the estate planning process has to do with beneficiary designations. Managing these elections on applicable accounts (such as life insurance policies or retirement accounts) is another key step to keep your planning on track and avoiding issues. Incorrect designations can counteract other estate planning strategies that may be in place. Additionally, lacking a clear designation, assets may find their way into a very public and expensive process known as probate. Both scenarios could be avoided with a little forethought.

Action items:

- Review the current estate flowchart of your potential estate
- Revisit beneficiary designations regularly (every two years or after a major life event)
- Explicitly name beneficiaries on all accounts (for example, each child or grandchild individually)

Summary

The discipline of planning can make all the difference in realizing your goals. Like any discipline, it requires diligent follow-up and management. If you are interested in learning more about how planning can help your particular situation or how your existing plan can evolve over time, contact your relationship manager today.

Disclosures

Wells Fargo Wealth Management provides products and services through Wells Fargo Bank, N.A. and its various affiliates and subsidiaries.

The information and opinions in this report were prepared by Wells Fargo Wealth Management. Information and opinions have been obtained or derived from sources we consider reliable, but we cannot guarantee their accuracy or completeness. Opinions represent Wells Fargo Wealth Management's opinion as of the date of this report and are for general information purposes only. Wells Fargo Wealth Management does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

Wells Fargo and Company and its affiliates do not provide legal advice. Please consult your legal advisors to determine how this information may apply to your own situation. Whether any planned tax result is realized by you depends on the specific facts of your own situation at the time your taxes are prepared.

Any estate plan should be reviewed by an attorney who specializes in estate planning and is licensed to practice estate law in your state.

©2014 Wells Fargo Bank, N.A. All rights reserved.

Investment Products: ► NOT FDIC Insured ► NO Bank Guarantee ► MAY Lose Value