

Wealth Management Update

Planning Myths Busted

Katherine W. Dean, CFP®, Managing Director of Regional Planning

June 2013

Everyone is a planner.

We plan our weekends. We plan our weddings, careers, and futures. Planning not only sets us up for successful outcomes in the future, but can also help immensely in the present. It helps us define and refine our goals, align tactics, proactively address risks, and chart our progress. Too often, however, the planning that could be the most valuable is overlooked. The same people who would not dream of embarking on a two-week vacation to Italy without an hour-by-hour itinerary see no issue in playing out largely by ear their retirement that lasts 20+ years.

What drives this disconnect?

Many are intimidated by their perception of a planning experience. Others fail to grasp the value of engaging with a planner and the process. While these concerns are understandable, they are largely driven by myths.

Myth #1: "My situation is very simple. Comprehensive planning is overkill."

Some people may feel that their situation is straightforward and therefore does not require a financial plan. This can stem from a misunderstanding of exactly what constitutes a plan and an assumption that planning is always a comprehensive endeavor. The truth is that planning should always meet you where you are and be scalable to your situation.

For many, a fully comprehensive engagement is an appropriate solution. However, for others, there may be one or two simple ideas that will help make a significant difference for their financial security now and later.

Planning can help uncover these issues and define solutions, while also posing questions to clarify some things you and your outside advisors may not have considered. Regardless, complexity does not equal good planning and the net result of every planning experience should reflect that.

Myth #2: "I gifted in 2012; my planning is done."

Congratulations on taking advantage of your lifetime gifting exemption to fund strategies in 2012. Gifting assets can be an effective wealth transfer strategy with impacts that can resonate for multiple generations. If you are one of those investors who gifted in 2012, your actions should be lauded, but this doesn't mean that you are "done."

You may want to consider two additional courses of action this year:

- First, the lifetime limit on gifts is now indexed for inflation. So even if you gifted the maximum amount last year, an additional \$125,000 gifting opportunity exists in 2013.
- Second, while gifting can be a powerful vehicle, financial planning is not solely about wealth transfer. Full balance sheet planning can and should encompass much more.

For instance, have you considered...

- Cash-flow needs before and during retirement?
- The transition of your business?
- Long-term financial goals for your children?
- Proactively addressing risks that may prevent achievement of your goals?

All, some or none of these may apply to you. One way to be sure is to sit down with a professional for a consultation. Your planner will use that consultation to understand what is most important to you and your future, and what steps have been taken toward those goals and objectives. Sometimes the result of that consultation is simply validation that you are on the right path. Other times, it is a few simple action items, but the value is in the process.

Myth #3: "I have an attorney and CPA...they have this covered."

To be clear, financial planners are not a replacement for your current advisors, but they can be an excellent complement to them. Your attorney and CPA are key advisors with very specific roles, training, and skills built around their proficiencies.

Planners work more across disciplines, taking a client-centric look across all aspects of your financial situation, encompassing tax, investments, and insurance. This unique vantage point allows your planner to connect the dots, providing an integrated, unbiased resource that is truly holistic.

They provide this service acting solely as client advocates, suggesting alternatives appropriate for your situation while simultaneously breaking complex topics into simple everyday language. This valuable "second set of eyes" can help validate strategies enacted by each of your outside advisors, streamlining them and assuring that they are not in conflict.

Myth #4: “I don’t need planning because my estate will fall below the federal estate exemption amount.”

While federal estate tax liability is an important estate planning consideration for some, it is far from the only concern holistic financial planning can address.

Many states set estate tax thresholds below the federal level or levy inheritance or other taxes. Proactive planning can begin to address these issues and help minimize their impacts. Charitably inclined investors may wish to explore strategies for using their estate to address their philanthropic interests.

Additionally, many mistakenly think that the drafting of a will is the only step needed to avoid probate—a very public and drawn out process for distributing assets after death. While this is not the case, a planning consultation can help confirm that you are taking the additional necessary steps.

Outside of the estate planning realm, planning can also help provide actionable metrics around the exercise of stock options or advice on how to help protect assets against taxes and inflation, to name only a few. Because of these and other solutions, planning can be just as important for people who do not expect a federal estate tax liability as those who may.

Myth #5: “Planning is all about retirement funding which is not an issue for me.”

Planning is really about aligning your financials to help you live the one life you have the best way you can. For some, this equates to defining and funding a successful retirement. For others, it may mean addressing their charitable interests, transitioning a business or managing and leveraging debt.

A plan can benefit everyone so long as it is based on your specific situation and aligned around your needs. Life is about choices—some made consciously and others unconsciously. Planning helps outline the implications of our financial choices and helps you to confront them proactively.

Our approach

Your relationship team is here to demystify planning myths and collaborate with you to customize solutions appropriate for you. Planning at Wells Fargo is collaborative. Only by working together with you can your relationship team make sure you are well positioned to build, manage, preserve, and transition your wealth. The starting point is always a deep understanding of your diverse needs and key goals.

Contact your relationship manager to begin the conversation today.

Disclosures

Wells Fargo Wealth Management provides products and services through Wells Fargo Bank, N.A., and its various subsidiaries and affiliates. This information is for educational and illustrative purposes only and should not be used or construed as financial advice, an offer to sell, a solicitation, of an offer to buy, or a recommendation for any security.

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's opinion as of the date of this report and are for general information purposes only. Wells Fargo 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.

The strategies discussed in this report may be unsuitable for some clients depending on their specific objectives and financial position. Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses

Wells Fargo 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 depend on the specific facts of your own situation at the time your taxes are prepared.

©2013 Wells Fargo Bank, N.A. All rights reserved. Member FDIC. NMLSR ID 399801

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

