Top Three Tips for Baby Boomer Wealth Management

by Bruce Knowlton, Partner, Moss Adams LLP, and Jason Romano, Principal, Moss Adams Wealth Advisors

Baby boomers are aging into their later years as business in the United States booms, putting wealth management in an increasingly high-stakes environment.

As the nation goes through the biggest wealth transfer it’s ever seen, the spotlight is centered squarely on estate planning.

The challenge is nothing short of complex. Companies and individuals face additional US oversight and regulations on international investments—stemming from increased international investment and companies migrating to overseas markets over the past couple decades—as well as a multidecade high on US taxes and low interest rates.

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The top three tips are simple: Set heirs up for success with wealth transfer plans; bring in advisors to help identify financial opportunities and navigate international legal complexities; and stay current on federal regulatory changes.

**One: Set Heirs Up for Success**

Without a proper plan for passing on funds, baby boomers could see a large portion of their estate—40 percent once they exceed the exemption threshold—go to estate tax rather than their heirs. A plan can also keep heirs motivated to develop independent earning potential, without which they could lack a source of income if the funds run out.

One helpful strategy is timed release of the funds. For instance, the funding release can come in chunks of 20 percent at age 30, 25 percent at age 35, and so on as they age. Another strategy is to make funds only available as a match to income earned. For instance, if an individual earned $50,000 annually, he or she would then have access to $50,000 of an inherited fund annually.

Attorneys are adding to that idea by drafting new ways for wealthy parents and grandparents to help their heirs manage wealth, such as putting a portion of the funds in a foundation or charity and passing off management responsibilities to a family member.

Some of the nation’s wealthiest individuals have been doing this already by tasking their family members with advancing family philanthropic goals by managing large portions of their estate via family charitable foundations. With the help of a professional advisor, this can become their full-time job—another technique to help ensure the development of long-term earning potential.

**Two: Bring in an International Tax and Financial Advisor**

The ease of international communication facilitated by the Internet has blown the lid off the limits of international business. As a result, businesses and their owners are increasingly taking advantage of international markets, which are often less saturated than those within US borders.

With this comes complications for managing wealth. The US has some of the most rigid and complex tax and financial disclosure requirements. Other nations often have different approaches, especially when it comes to internationally based estates, and the estate tax picture can be much more complicated. It’s important to understand the tax requirements in every country where an individual does business or invests to avoid inefficiencies from a tax perspective.

Keep in mind that opportunities are plentiful at home as well. Real estate values are climbing, which means Section 1031 exchanges are back in vogue. These enable real estate investors to defer tax on their real property gains by trading out of one property and into another.

**Three: Stay Current on Federal Regulatory Changes**

As the nation sits on the cusp of the 2016 election cycle, chatter in the investment world swirls around how tax plans, interest rates, and the Affordable Care Act (ACA) might change under the new administration.

Every year brings significant tax law changes as the dynamics of wealth redistribution and global competition puts pressure on US investors and businesses.
When you're thinking of others—your family, your community, their future—investing takes place in a whole new context. The right advisor is one who understands that your personal and business challenges go hand in hand.

From tax planning to wealth management and family office planning, we help individuals and business owners invest wisely, plan strategically, and set a clear course to their goals. How can we help you prosper?

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3 Tips for Evaluating What Your Business Is Worth

Knowing your business’ true value gives you a more realistic perspective and allows you to put effective strategies into place for future growth, business continuation, succession planning, and retirement planning.

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MOST FINANCIAL COMPANIES ARE INTERESTED IN YOUR MONEY. WE’RE INTERESTED IN YOUR INTERESTS.
It’s Time in the Market That Builds Returns, Not Timing the Market

“Time is the friend of the wonderful business, the enemy of the mediocre.” — Warren Buffett

By Alana Asmussen, CFA, CFP®

Follow the strong last quarter of 2015, equity markets took investors on a wild ride during the first three months of 2016. After dropping 11 percent in the first six weeks of the year (through February 11), the S&P 500 Index abruptly reversed course and finished the quarter in positive territory.

When stock prices decline, it is tempting to reduce equity exposure until "circumstances improve" or the "outlook gets better." However, had you sold at the February low, you would have missed the nearly 12 percent rebound in the S&P 500 reached by March 31. Anyone who tries to time the market has to be correct twice — when to get out and when to get back in. History shows that very few investors get both decisions right. A better strategy is to follow a disciplined approach to rebalancing and ignore the sometimes dramatic, short-term price movements and the hysteria created by financial media.

While perhaps less exciting than an active market timing strategy, a disciplined, market-based investment approach, focused on those elements an investor can directly control, has historically yielded higher long-term returns and greater tax efficiency. Those elements of direct control include:

- Identifying a long-term asset allocation target closely aligned with the investor’s investment objectives, time horizon, and tolerance for volatility
- Ensuring broad diversification both among and within asset classes
- Minimizing portfolio costs, including management fees, mutual fund expenses, and transaction costs
- Minimizing taxes by locating assets in suitable accounts, opportunistically harvesting losses and deferring gain realization, and optimizing charitable giving
- Opportunistically rebalancing to a long-term target asset allocation to maintain the desired level of portfolio risk

In the short run, equity markets can be driven by mass psychology, making them notoriously unpredictable. But over longer timeframes, propelled by inexorable economic growth, equities have a demonstrated track record of generating attractive returns. Multiple studies have shown that most investors dramatically underperform these returns because they fall prey to short-term emotional and behavioral tendencies, causing them to buy high and sell low.

Overcoming these traps, and successfully capturing equity market returns, requires patience and a disciplined, low-cost investment strategy.

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preparing it for sale at some immediate or future date, there are other considerations in knowing what your business is worth, including funding a buy-sell agreement, retirement income planning and estate tax planning.

2 Turn to a credentialed valuation expert.

A proper business valuation is not a “rule of thumb” or a figure agreed to with a handshake; it’s thoughtfully crafted by a credentialed appraiser after thorough research and is documented in writing. Credentials to look for include: Certified Valuation Analyst (CVA), Accredited Senior Appraiser (ASA) or Accredited in Business Valuation (ABV).

3 Fund any potential “value gaps.”

Once you know the value of your business, it’s common for there to be a discrepancy between what you thought the business was worth and what you need the business to be worth. The good news is proper planning can help reduce potential “value gaps” created by an owner’s over- or under-estimation of the business’s value. For example, having assets outside the business, such as qualified plans and other investments, can help reduce the value gap in your retirement plan. In addition, insurance products, such as life insurance and disability income insurance, can help address the value gap created if a business goes into forced liquidation following the death or disability of an owner.

Take the next step. Talk to a qualified financial professional about where your business is now and where you’d like it to be in the future, and to find financial solutions that can help you reach your goals.

In addition to measuring business health and preparing it for sale at some immediate or future date, there are other considerations in knowing what your business is worth, including funding a buy-sell agreement, retirement income planning and estate tax planning.

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PUBLICATION DATE: NOVEMBER 7, 2016
SPACE RESERVATION: OCTOBER 17, 2016

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