

### ‘Wealth Counselors’ Can Give You Guidance on Giving it Away

Have an unusually large estate and wonder how to distribute it without getting pummeled by estate taxes? Here’s an idea: Give your money away.

Led by a former minister, a growing cadre of “family wealth counselors” is advising clients to do just that, in an effort to help them achieve “significance” rather than just success.

Though the types of trusts they use aren’t unusual – nor is the concept of giving a substantial chunk of family wealth to charity as a way of helping good causes and avoiding estate taxes – this group of counselors has taken the concept to a new level of sophistication and cost.

Starting with a one-to-two-day “retreat” that can set clients back \$5,000 or more – frequently held at the client’s vacation home – families are advised to create a “mission statement,” describing themselves and what personal and spiritual goals they hope to achieve with their money.

“It should spell out the virtues upon which they have built their lives, the values that have grown out of those virtues, and the practical applications of how those values affect your life,” says Jay Link, a former life insurance salesman and onetime minister who now operates the National Association of Family Wealth Counselors in Franklin, Ind.

From there, the wealth counselor works with the family’s attorneys, accountants and other financial advisors to come up with a formal plan that incorporates their personal goals with their bequests. This often results in the creation of one or many charitable trusts that distribute either current income or the value of future assets to a worthy cause.

Link and his followers maintain that because they’ve focused the family’s attention on their bequeathing goals, helping to clarify what will be left to children and other heirs – be it financial wherewithal to start their own companies or small, regular amounts of money aimed at providing a safety net rather than riches – the families are able to complete their estate plan far more quickly than they would have otherwise. However, it’s likely to cost substantially more too.

“The fee pool to pay the accountants, attorney and family wealth counselor increases because the perceived value of not missing out on the one shot you have to finish well is enhanced and increased dramatically,” says Rick Harig, founder of Legacy Resources in Northfield, Ill. “The minimum fee for the retreat, the current assessment and the plan design is \$15,000. There is no upper limit.”

Indeed, R.J. Kelly, managing director of the BTA Advisory Group in San Diego, says family wealth counselors generally charge a fee that amounts to a percentage of the client’s assets, generally from 0.5% to 1%, depending on the complexity of the plan. In simple numbers, that means that someone with a \$10-million estate pays the wealth counselor between \$50,000 and \$100,000. That’s in addition to the fees the family will pay to attorneys and other advisors for drawing up documents.

“The overall fees are a fraction of the taxes saved,” Kelly says. “We are dealing with clients who already have A-B Trusts [which allow couples to leave up to \$1.25 million to their heirs, estate-tax free] in place, *so* we are going beyond that and we are still looking at potential tax bills of \$1 million, \$2 million or even \$5 million.” Notably, traditional financial and estate planners acknowledge that so-called value billing is becoming more accepted in the industry. However, they say it is difficult, particularly with an estate plan, to know just how much estate tax money they’re saving a given family. That’s largely because the potential savings hinge on a variety of factors, including how much of the family’s wealth is spent or given away before the benefactors die.

In any event, the overall concepts espoused by the wealth counselors are worth considering, says Michael A. Fredlender, partner and Pacific Southwest area director for personal financial counseling services at Ernst & Young in Los Angeles.

Before any family, rich or poor, starts the process of writing a will and/or setting up an estate plan, it should spend some time thinking and talking about what it holds dear. It should consider whether children or other heirs should receive identical bequests, or whether one or more heirs might need or deserve more, or less, than others.

Parents also need to consider the impact their bequests will have on their children. Will dumping wealth on your kids help or hinder them? Will a lot of money prevent them from pursuing worthwhile employment, for instance? Are there good causes that the family can finance on a tax-favored basis that will do the children as much good as money?

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Estate planners, traditional or otherwise, should be addressing those issues by asking their clients lots of questions – some of which are uncomfortable and difficult, Fredlender says.

Still, the new breed of wealth counselors maintain that traditional planners often fail in that regard.

“Zero-tax planning is not something that I or our network invented. So why aren’t more people doing this?” Harig asks. “Because too few advisors are willing to push the values button. This is terrain where they seldom tread, or where they tread lightly, because it gets into less well-defined issues of purpose and intent, how much is enough, and the preparation of stewards to shepherd wealth properly. It’s an exercise in parenting, really. That’s not a well-developed art.”

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