



# The Wealth Counselor

A monthly newsletter for wealth planning professionals

Volume 7, Issue 1

## Continuum of Care: Client Update Meetings/Financial Control System

You want a satisfying, long-term relationship with clients, meaningful recurring revenue and referrals from existing clients. Your clients want a trusted advisor relationship with you and they want coordinated estate, financial and tax planning that protects them, their family, and their business interests.

A client update process or financial control system is an essential strategy that will assure these outcomes over time. It also creates the opportunity for recurring, positive contact between the various members of the client's estate, financial and tax planning team.

In this edition of *The Wealth Counselor*, you will learn some strategies for how to implement and/or improve a client update process/financial control system in your practice. You will also learn how to manage it so that it will produce a winning situation for the client and the various members of the advisory team.

### Coming Together as a Financial Lifeguard for the Client

The team approach brings together the attorney, investment advisor, CPA, and insurance professional, among others. Sometimes it is the attorney who holds the team together; other times it is the CPA or financial advisor. Whoever it is, the key thing to remember is that no one advisor is as smart as all of them are together. All are needed to meet the client's needs, and often the help of one or more team member is required to move the client forward in the planning process.

These three questions will guide the team through the process of arriving at a joint planning recommendation:

- \* For what purpose? This sets up the situation and the next steps.
- \* By what means? This creates a pattern of expectations. While there may be many options to explore, this helps to structure an agreement as to how the team members will be paid (full disclosure is required).
- \* What are the consequences? This helps to complete the action and may veer to an unexpected direction requiring innovation when an adverse consequence is identified. The team solves the problems and meets the client's needs.

### The Registered Investment Advisor's Role

**Scott, Tokerud & McCarty, P.C.**

P.O. Box 1484 • Great Falls, MT •  
59403

(406) 727-2200 • (406) 727-2227 Fax



**Planning for Peace of Mind**

### ***Compliance***

Because registered investment advisors may be audited at any time by the SEC or by the State, they must monitor their compliance with the applicable regulations. They must keep careful records, and information must be presented and recorded accurately. Disclosure brochures must also be used.

***Planning Tip:*** Before the client meeting, the advisors can discuss whether sensitive information that might need to be protected by the attorney-client privilege is likely to come up and if team members will, therefore, need to exit the meeting while these private matters are discussed. Letters, memos and other documents passing between the attorney and the client also may need to be kept within the protected environment of the attorney-client privilege.

### ***Investments***

Investment advisors develop Investment Policy Statements; provide cash management and long-term investments; establish appropriate performance benchmarks; adapt to changing conditions and family objectives; and monitor and provide performance reporting.

### ***Information Management***

Investment advisors maintain account documents and records. An internet service may be used to provide easy, 24/7 accessible storage of these records and the investment advisor shares this information appropriately, as determined by the client.

***Planning Tip:*** It is best to allow the client to determine which advisors and family members will have access to which information. Secure internet-based document vault services (e.g., The Advisors Forum's ClientDocx) can provide record storage with varying access authorizations depending upon the particular person's need to access specific information.

### ***Education***

Investment advisors keep up to date on investment strategies, tax codes, philanthropic concepts, etc., and can provide ways to teach younger generations about money and financial concepts.

***Planning Tip:*** It can be a good idea to bring in the younger generation to review meetings in order to introduce them to the planning concepts and the team of advisors. With the client's consent, this can introduce them to the concept of wealth and wealth management over a period of some time, as opposed to their suddenly inheriting wealth with little or no preparation to manage it.

### ***Client Update Meetings/Financial Control System***

Using a financial control system for the client meetings lets the team identify tasks (pre-implementation, implementation and ongoing maintenance) and assign responsibilities.

### ***Pre-Implementation Tasks (Planning or Discovery Phase)***

\* *Client meetings* will likely occur in person or, in some cases, via teleconference (like "GoToMeeting"). Meetings should have a written agenda, an assigned record-keeper for minutes, information sharing ("DropBox" can be useful) and secured document storage. Keeping notes about follow-up actions to take shows the advisor is organized and provides protection in case of an audit.

\* *Investment evaluation* includes making financial projections, determining a risk profile, and developing an investment policy statement with asset allocation and sensitivity analysis.

\* *Insurance evaluation* includes determining a need, structuring ownership and beneficiaries, designing policy features, and establishing funding levels and sources. Existing policies can often be replaced with a better product at no extra cost to the client.

### ***Implementation Tasks***

Before implementing the plan, the team will need to review legal documents, verify ownership and titling, have signed advisory agreements, fully disclose any fee sharing and continue to update the client checklist.

\* *Investment tasks* in this phase include a recommended investment policy, the investment advisory agreement and a letter of intent for funding the investment accounts with different levels of risk. Accounts will then be established and funded.

\* *Insurance tasks* in this phase include the application and underwriting process for any new policies and a review of existing policies.

***Planning Tip:*** The attorney and investment or insurance advisor will need to work together, especially if there are multiple beneficiaries in the plan.

### ***Ongoing Tasks***

\* *Investment tasks* include monitoring investment results, rebalancing investments and preparing reports, with copies typically going to the attorney and CPA.

\* *Insurance tasks* include obtaining in-force illustrations, analyzing results, determining funding levels and allocating cash or variable values.

\* *Legal and Accounting tasks* are mostly concerned with compliance and include tax and accounting, funding, payments to beneficiaries, sending *Crummey* notices, and creative task sharing.

***Planning Tip:*** The attorney, investment advisor and CPA should discuss details in person or by telephone to make sure everything is implemented and reported correctly in order to avoid costly mistakes. For example, *Crummey* notices should be issued to make sure the annual gifts qualify for the gift tax annual exclusion; QTIP elections must be made (there is no forgiveness if the box is not checked); transfer of trust property after the grantor dies must be implemented properly, etc.

\* *Administrative tasks* are also ongoing. Documents and records must be maintained (on paper or electronically). Comprehensive financial information must be provided in custodial, performance and tax reports. Completed planning must be monitored and adapted to changes in the tax laws and regulations; family needs and goals (i.e., there is often concern over how to pay for long term care); financial and investment environment (i.e., there is more risk aversion today after the market meltdown in 2008); and philanthropic strategies (lifetime and/or after-death giving to church, charities).

\* *Client Education:* It's important to connect with clients on an ongoing basis to let them know about new

investment and planning strategies through newsletters, bulletins, quarterly education programs and seminars. Annual meetings and family retreats also provide an opportunity and environment to teach younger generations about money.

### **Conclusion**

Everyone benefits when advisors come together to work for a client. The client benefits from the comprehensive estate, tax and investment planning; the younger generation benefits from the protection of these assets; and the advisors benefit again when, after building relationships with the younger generation, assets are kept under management at the incapacity or death of the first-generation client.

Using a client update process or financial control system will provide the necessary framework for the advisory team to work from, so that everyone stays informed, on track and accountable to meeting the client's changing goals and objectives.

*To comply with the U.S. Treasury regulations, we must inform you that (i) any U.S. federal tax advice contained in this newsletter was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding U.S. federal tax penalties that may be imposed on such person and (ii) each taxpayer should seek advice from their tax advisor based on the taxpayer's particular circumstances.*