

# The Advisors Forum

## WHAT'S IN IT FOR YOU?: BETTER UNDERSTANDING THE DIFFERENT PROFESSIONALS AND THEIR ROLES IN THE WEALTH PLANNING PROCESS

All too often we approach the planning process from our own point of view, to the exclusion of other points of view. This WIFM package is intended to generalize the other professionals' point of view. While these generalizations are accurate in our experience and give a good reference point for starting or enhancing a relationship with another professional, it is important to meet with each professional to elicit his or her specific point of view, using this document as the starting point for the conversation. Understanding the peculiarities of the other professional, and vice versa, is the key to a mutually beneficial and long-lasting professional relationship.

### CPAs

Other advisors sometimes conclude that CPAs (and some attorneys) are "deal killers." But let's look at this from the CPA's perspective.

#### *Safeguarding their Role as "Trusted Advisor"*

The CPA may be concerned about safe guarding his or her very important accountant-client relationship. CPAs often feel that, because they have more frequent contact with their clients through the accounting and tax return preparation function, the client comes to them first, placing special trust in them and, therefore, they have a high responsibility to the client to safeguard the client's interests from insurance salesmen, financial planners, lawyers, and others who may be proposing planning techniques that the accountant is unfamiliar with or may find suspect.

#### *Conservative by Nature*

Like many attorneys, CPAs are also typically conservative by nature, and this conservatism may cause the CPA to reject or question a planning technique, particularly where the CPA does not understand the strategy. For example, many CPAs reject out-of-hand the use of family limited partnerships because of the IRS's attacks against partnerships, regardless of whether the IRS is correct in these attacks. This conservative nature leads some CPAs to conclude that the benefits are not worth the risk of audit, even if the client is correct.

#### *"Not Invented Here"*

In addition, CPAs suffer from what is sometimes referred to as "not invented here" syndrome. In other words, the CPA (and some attorneys) may reject an otherwise appropriate recommendation based upon a belief that the client will question that professional's competence: in other words, the client might ask, "If this is such a great strategy, why didn't my CPA make the recommendation?"

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In reality, many CPAs are not used to proactive planning – they work retroactively, examining what the client has already done and attempting to minimize income taxes in this environment. However, by including the CPA in the strategy development process—before it is recommended to the client—the advisor can neutralize this fear and incorporate the CPA's valuable tax planning knowledge.

Some advisors refuse to engage the CPA or attorney beforehand because they fear the CPA will “kill” the recommendation upfront. In our experience, with many CPAs it is easier to get their buy-in on the front end, rather than deal with them on the back end. This is because many CPAs (and some attorneys) have the perception that other advisors are merely a “product pusher”, so it is important to address this perception as early as possible in the planning process. When it comes to the perception CPAs have of attorneys, the “product” can be a type of trust or strategy like Family Limited Partnerships.

### *Addressing the Misperception Upfront*

Ask the client upfront if he or she has a trusted CPA that will be brought in to review the planning recommendation. If the client says yes, ask the client for the name of the CPA and permission to include the other professional in the planning process. With permission, try the following:

1. Contact the CPA and tell the CPA that *your mutual client* has asked you to assist with planning and that you would like to include them in the planning process.
2. Schedule a meeting *at the CPA's office*.
3. At the meeting, *play to the CPA's ego*: “Here are the client's goals. What do you suggest?” Oftentimes the CPA will have no suggestion and ask for your input.
4. *Focus on the client's goals*.
5. Examine *all* strategies available to achieve the client's goals. Typically there are only a few strategies/products that will truly meet the client's goals. Examine the pros and cons of each.
6. *Seek the CPA's input often*. Make the strategy both of yours (or better yet the CPA's), not just yours!
7. *Invite the CPA to participate in the next client meeting*. Have the CPA participate in the meeting as much as possible.

### *The Bottom Line for CPAs*

CPAs desire to retain their status as trusted advisor, while also providing the best possible planning for their clients. Thus, the WIFMs to the CPA in working with a WealthCounsel Advisors Forum member include the following:

- Retention of client control;
- Maintaining role as trusted advisor;
- Providing proactive income tax planning;
- Providing *comprehensive* income, financial, retirement and estate planning;

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- Enhanced client relationship (and increased revenue) through new/additional services (e.g., Trusteeship and preparation of additional tax returns); and
- Increased client satisfaction.

It can be difficult and time consuming to establish a CPA's trust, but once you do so CPAs can be an extremely valuable member of the planning team and incredible client referral source because of the confidence most clients place in their CPA.

### **Attorneys**

Attorneys are very similar to CPAs and are also often perceived by other advisors as deal killers. Like many CPAs, many attorneys are conservative. They may not be aware of some of the more sophisticated techniques that a financial professional brings to bear. And as was discussed with CPAs, the attorney may have a bias against certain financial products or insurance. If the attorney is brought into the process after the recommendation has been made to the client, the attorney may not understand the recommendation and therefore may act as a "deal killer".

Perhaps it is a result of their conservatism, or perhaps it is a fear of being named a defendant in a lawsuit, but a small percentage of lawyers, when they don't understand a strategy, will simply reject it out of hand as "inappropriate." A larger percentage, when faced with an unfamiliar strategy, will take a significant amount of time learn about the strategy before creating the documents, for example, that must be in place before the insurance can be purchased through a new irrevocable life insurance trust (ILIT).

Oftentimes, deals or good planning for a client can be aborted simply because the lawyer has taken too long to get everything accomplished. The lawyer does this, not through a bad motive, but in the lawyer's mind, a good motive. The lawyer wanted to understand first so that he or she felt comfortable in giving clients the best counseling.

In reality, the absence of a decision is a decision. If the lawyer drags the process out and fails to give the technique or the product fair or timely consideration, the lawyer can be doing the client a huge disservice because the window of opportunity, maybe even of insurability, may close. In that case, there has been a potentially very damaging decision made in terms of the client's interests. How can the financial professional avoid the express "no" or indecision?

#### ***Avoid Making the Attorney a Scrivener***

Like with CPAs, one way to avoid the deal killer or indecisive attorney is to involve the attorney in the process as early as possible – and not relegate him or her to the role of scrivener. This happens when another advisor makes specific planning recommendations to the client, who then decides to move forward. The client or advisor will then seek to engage an attorney to carry out the planning recommendation.

At that point, the lawyer is relegated to the role of scrivener, being asked to simply draft documents without any input in the process. This is analogous to a lawyer (who is not licensed to sell financial products) convincing the client that his financial advisor has her over-invested in large caps, and not enough in small caps and international markets.

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### *The Bottom Line for Attorneys*

Like CPAs, attorneys wish to retain their status as trusted advisor, while also providing the best possible planning for their clients. Thus, the WIFMs to the attorney in working with a WealthCounsel Advisors Forum member include the following:

- Retention of client control;
- Maintaining role as trusted advisor;
- Providing *comprehensive* estate, financial and retirement planning;
- Enhanced client relationship (and increased revenue) through new/additional legal services; and
- Increased client satisfaction.

### **Insurance Professionals**

For many estate planning clients, life insurance may be the only strategy that accomplishes all client goals and objectives. However, all too often the insurance professional is treated as a second-class citizen and is not including in the planning process with the client's other advisors.

Oftentimes the other advisors view insurance as beneath them; they don't understand insurance, nor do they want to. But if the goal is to meet the client goals and objectives, the insurance professional brings knowledge and expertise that may be necessary to solve the client's particular problem. That is not to say that life insurance is a panacea (there are no panaceas), but life insurance should be considered like any other strategy aimed at meeting client goals and objectives.

For example, attorneys can put together the greatest documents in the world and come up with a wonderful estate plan, but there may not be sufficient liquidity absent life insurance (e.g., where the family's wealth is tied up in a business or farm and not all children work in that business or farm). Only if we coordinate with the insurance professional and the client can we increase the likelihood of overall success.

### *Client Referrals*

One of the common sticking points in the relationships between attorneys and insurance professionals (as well as financial professionals) is the expectation regarding client referrals. Oftentimes an advisor who refers clients to an attorney expects – understandably – that the attorney will reciprocate with client referrals, not necessarily one-to-one, but close. With this expectation, if the attorney does not make reciprocal referrals the relationship will eventually break down. This is often true even if the attorney provides value to the advisor in other ways.

What if the attorney receives all or the vast majority of his or her business from advisor referrals? How then can the attorney make reciprocal referrals? The answer may be that the attorney cannot make reciprocal referrals, but this must be clear upfront. Therefore, it is incumbent upon *the attorney* to ensure that the other advisor understands how and when the attorney will refer clients back. If this expectation is not discussed upfront and often, the advisors may simply conclude that this is a “one way street” that is not worth pursuing. (This is just one

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example of why it is critical for each advisor to learn as much as possible about the other, including their business model.)

Even if the attorney is unable to make reciprocal referrals there are numerous ways to provide significant value to the advisor. In addition to making that advisor look good in the client's eyes by providing the best possible planning, the attorney can provide value by supporting the financial recommendations or, where appropriate, suggesting them. Moreover, and this should occur as a matter of course, the attorney should keep all other professionals advised of the progress of the client's case.

### ***The Bottom Line for Insurance Professionals***

The WIFMs to the insurance professional in working with a WealthCounsel Advisors Forum member include the following:

- Being treated as an equal in the planning process;
- Support for insurance recommendations, where appropriate;
- Client referrals, where appropriate;
- Providing *comprehensive* income, financial, retirement and estate planning;
- Enhanced client relationship (and increased revenue) through new/additional strategies and services;
- Increased suitability through a better understanding of the client goals and objectives and overall planning; and
- Increased client satisfaction.

### **Financial Professionals**

For many estate planning strategies, the rate of return determines the success of the strategy. Yet, all too often, a financial professional is not included in the planning stages; he or she works in isolation from the client's other advisors.

For example, attorneys can draft the greatest documents in the world and create a wonderful estate plan, but oftentimes if the investments don't perform as projected, the plan will implode. Alternatively, the client's risk tolerance may suggest variable universal life, but the insurance professional may not have the financial expertise to oversee the investment of the various sub-accounts. Only if we coordinate with the financial advisor and the client can we ensure an investment strategy for each planning technique that increases the likelihood of overall success.

For example, a grantor retained annuity trust (GRAT) is a vehicle that is created under the federal tax regulations and the Internal Revenue Code. A GRAT permits us to use a government interest rate and the time value of money to devalue the remainder interest that is transferred to the ultimate trust beneficiaries, typically children or other family members. However, if the GRAT assets do not perform above the payout level, the technique generally will not work very well, if at all. Therefore, not only do we have the initial asset selection allocation investment

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strategy for those assets transferred to the GRATs, but the financial professional must also monitor their performance and, in a changing market, make appropriate adjustments for diversification and so forth to make sure that the plan works as projected.

### ***Client Referrals***

The issue of client referrals is equally important, if not more so, for financial professionals. While the attorney may not be able to refer clients, the attorney can help the financial professional acquire additional assets under management and, perhaps more importantly, retain those assets under management for generations.

### ***The Bottom Line for Financial Professionals***

The WIFMs to the financial professional in working with a WealthCounsel Advisors Forum member include the following:

- Retention of client control;
- Maintaining role as trusted advisor;
- Support for financial recommendations, where appropriate;
- Client referrals where appropriate;
- Providing comprehensive income, financial, retirement and estate planning;
- Enhanced client relationship (and increased revenue) through new/additional products and services;
- Increased investment direction through use of coordinated investment policy statements; and
- Increased client satisfaction.

Many financial professionals have little or no experience with estate planning, and in particular incorporating estate planning into a comprehensive wealth planning process. Attorneys who can teach estate planning to financial advisors, and in particular explain how the financial advisor fits into the process (*i.e.*, the WIFM to the financial advisor beyond merely providing better client service), can create significant allies among financial advisors and excellent referral sources.

### **Professional Fiduciaries**

Professional fiduciaries are often overlooked in the planning process. Many times, the client will name a professional trust company as a successor trustee for one or more of the client's trusts—without advising the trust company. When the client dies, perhaps 20, 30, or 40 years later, will the trustee have enough information to carry out the client's goals and intent if a representative of the trust company was not part of the planning process and was not made aware of the fact that the institution was named a successor trustee?

Even in those circumstances where the plans are implemented more quickly and the trust company assumes a more active role, such as in some GRATs, for example, some trust

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companies or commercial banks wish to manage the assets in accordance with their established investment policies with their own mutual funds, etc., which may or may not be geared to the needs of the specific technique or the clients overall plan.

By involving the professional fiduciary in the planning process, the advisor team can resolve these issues upfront while helping to ensure that the trustee understands the client goals and objectives, and is in a position to ensure that those goals and objectives are carried out.

Moreover, professional fiduciaries are often in a position to recommend planning but fail to do so because they do not recognize the opportunity. This opens the door for any advisor willing to educate professional fiduciaries as to these opportunities.

### ***The Bottom Line for Professional Fiduciaries***

The WIFMs to professional fiduciaries in working with a WealthCounsel Advisors Forum member include the following:

- Participation in the planning process, leading to an increased knowledge of the client goals and objectives;
- Enhanced client relationship (and increased revenue) through new/additional products and services;
- Increased client satisfaction.

A relationship with the right trust officer can be worthwhile from many perspectives. In addition to providing valuable client services, professional fiduciaries, and particularly bank trust officers, do have occasion to make client referrals.

### **Planned Giving Counselors**

Planned giving counselors are an often overlooked professional in the planning process. For example, many times the attorney will draft documents such as a charitable remainder trust that names a charity as the remainder beneficiary, or a charitable lead trust naming the charity as an income beneficiary. Alternatively, the financial advisor may be working with a client on making bequests or outright transfers during lifetime to a charity or charities.

However, by not including the planned giving counselor, the advisor may name a charity in ways that are not the best to achieve the charity's goals. Therefore, we are not really helping the client to achieve the client's goals.

Another important fact about planned giving counselors is that they are often the ones who have access to high net worth clients. Oftentimes affluent clients approach them because the client would like to benefit the particular charity (contrast this with the other advisors, who typically are actively seeking out affluent clients). Thus, by working closely with planned giving counselors, the other planning professionals can gain access to additional affluent clients.

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### ***The Bottom Line for Planned Giving Counselors***

The WIFMs to planned giving professionals in working with a WealthCounsel Advisors Forum member include the following:

- Participation in the planning process, leading to an increased knowledge of the client goals and objectives and overall planning needs;
- Increased likelihood that the planning will meet the client goals and objectives;
- Enhanced client relationship;
- Increased client satisfaction.

Many planned giving counselors have little training in the tools and techniques for charitable giving, particularly those at smaller charities. An attorney who is willing to be a resource for his or her local planned giver is incredibly valuable, and with the right charity, can lead to significant client referrals.

### **Others**

These are not the only potential members of an estate and financial planning design and implementation team, and other members may be necessary based upon the client's particular circumstances. For example, in working with owners of a closely held business or key employees, a business valuation expert may be necessary to value the business, or a valuation expert may be necessary for other difficult to value assets. In other circumstances, there may be discord among family members such that a psychologist may be called in to assist in the planning process. This list is not intended to be exclusive.

### **A Word About Fees**

One thing that drives wealth planning professionals crazy is when another advisor attempts to negotiate down that professional's fees. It may be good intentioned in that the other advisor is simply attempting to create additional value for the client, but in our experience it will likely create an immediate wedge between the two advisors.

This scenario typically occurs because the other advisor – and not necessarily the client – doesn't understand the value of the services provided by the wealth planning professional. This is why we said early on that understanding the peculiarities of the other professional, and vice versa, is the key to a mutually beneficial and long-lasting professional relationship. The more we know about the other professional, the more likely we will understand the value he or she brings to the process, and the more likely we are to encourage our clients to pay those fees. Our mantra should be, "She's not the cheapest \_\_\_\_\_ in town, but she's definitely worth it!"