BNY MELLON
WEALTH MANAGEMENT

Five Important Questions About Your Wealth Plan

Managing your wealth should be about more than just managing your investments. If you truly want to maximize your wealth and ensure that you leave a legacy for the next generation, it's crucial to consider asset location as well as asset allocation.

While asset allocation focuses on managing your investments, asset location deals with your entire wealth picture by optimizing your overall after-tax return and your transfer of wealth to the next generation. It accomplishes this by pairing particular types of assets with the appropriate account or entity that will allow them to grow in the most tax-efficient manner.

At BNY Mellon Wealth Management, our wealth strategists work closely with our clients to ensure their asset location is properly aligned with their asset allocation. One of the ways they do this is by reviewing the client's estate plans to identify gaps or oversights that could have an impact on their overall wealth plan.

While reviewing the estate plans for individuals, corporate executives and business owners, our wealth strategists tend to discover many of the same issues. Based on those experiences, we've come up with five important questions to ask yourself about your wealth and estate plan. While they don't cover everything, whether or not you can answer them can help you determine if you need to take a closer look at your arrangements.

Have You Kept Up With Changing Circumstances?

It's not enough to just have a plan for your wealth. It needs to be reviewed and revised regularly. We often see clients who've neglected to update their plan to reflect changes in their personal or financial situations. Perhaps your family has grown since you wrote your plan, or maybe you've acquired additional assets that need to be accounted for. Life isn't static—your wealth plan shouldn't be, either.

Furthermore, new legislation has dramatically affected the estate planning landscape in recent years, and could dramatically affect your exposure to taxes. For example, the amount that individuals can pass on free of federal and estate taxes has increased more than eightfold over the last 15 years, while the maximum estate tax rate has dropped 5%. If your plan was created under the old rules, you're likely to be missing out on a tremendous opportunity for savings.

Have You Taken Steps to Ensure the Long-Term Success of Your Trusts?

A trust can be a valuable part of your wealth plan, but vague or incomplete trust documentation can cause confusion if you're not around to administer it. If you're currently serving as your own trustee, have you formally named a successor trustee who can take over for you when you pass away, or if you are otherwise unable to carry out your duties? If you have, are you sure that they are still up to the task?

Additionally, have you given your trustee the power and guidance they need to handle complex situations? For example, we often see clients who place their businesses, or large amounts of concentrated stock, into a trust without providing instructions on how they want such assets to be handled. Given that a trustee may need to manage the desires and expectations of your family after you're gone, it's important to be sure that they understand and can articulate what you had in mind.

Do You Know If Your Family Is Ready?

Leaving a legacy to your family involves more than just leaving them your wealth. It's also about ensuring that they appreciate the values that helped you create it and are capable of managing it responsibly. Your wealth should be empowering for your family, but in the absence of a well thought out wealth plan, it could easily become something of a burden. We've seen many clients whose plans don't provide the trustee with any guidance of how or when to make distributions to the beneficiaries beyond the typical boilerplate trust language. The result is that, in many cases, the children receive too much too quickly, before they are truly ready for it.

Placing your wealth in a trust not only gives you a degree of control over how it is distributed to your children in the short term, it can also protect your children down the road by shielding the wealth in the event of a divorce or some other claim on their assets.

What's Going to Happen to Your Business?

If you've spent years working to create a successful business, you want to be sure that it's left in good hands. But failing to integrate your plans for your business with your estate plan can lead to unexpected outcomes. For example, are you confident that your family won't need to sell the business to pay the taxes your estate will face? Without a full appreciation for your liabilities that takes all your assets into account, it's easy to overlook potential risks such as this.

Your wealth plan should also include a detailed succession plan for your business, one that addresses any questions that might arise when you're gone and quells potential conflicts among family members who may have an interest in the business.

Do You Have a Plan for Your Property?

Tangible property, such as real estate or personal belongings, can be the trickiest part of an estate plan. Even when the subject is addressed, it's rarely with the level of detail and direction necessary to ensure for a smooth transition.

One issue we see crop up time and time again is the need to determine the fate of a family's vacation home. It's a challenging matter, and can often lead to serious rifts when family members disagree on what should be done. On the one hand, the home is a place of great emotional attachment and cherished memories, and there may be an inclination to try and keep it in the family for future enjoyment. On the other hand, it's a potential source of additional wealth, and some family members may wish to sell it and reap the financial reward. By addressing these concerns as part of your plan and making your wishes clear, you could save your family a substantial headache.

In the event that the home is placed in a trust, it's still important to be clear about your intentions. In some cases, your trustee may be required by law to diversify the trust's assets, which could result in the sale of the home—unless you specifically instruct them otherwise.

A Collaborative Process to Strengthen Your Plan

Our wealth assessments are performed by a BNY Mellon wealth strategist who works with your wealth manager, attorney, CPA and other members of your team to conduct a review your estate documents and wealth plans. While it's not intended as a complete review of your plan, and does not seek to verify its technical accuracy, it will assist in analyzing how well your plan reflects your overall wealth plan goals.

We consider your investments, trust agreements, wills, health care power of attorney and property documents, in the hopes of identifying issues, concerns and potential gaps in your plan that may get in the way of maximizing your wealth after taxes and across generations. Information provided by your team, like projections completed by your wealth manager or strategies designed by your insurance consultant, are vital to crafting a solid plan that maximizes your benefits while still meeting your objectives.

Effective wealth management begins with a firm foundation built on plans that take advantage of modern estate planning opportunities and accurately reflect your intentions. At BNY Mellon Wealth Management, we have the knowledge, expertise and experience to help optimize your wealth and estate plan so you can feel confident that your wealth will be taken care of well into the future.

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