Financing your children’s education. Managing your mortgage and investments. Strategizing business succession. Planning for retirement and your family’s future. While everyone’s needs require individual planning, in our experience there are 13 Wealth Issues everyone is likely to face in some combination at some time. Understanding and anticipating these issues and how they interact at various stages of life is critical to effective long-term wealth management.

The 13 Wealth Issues provide a proven roadmap for assessing individual needs and addressing critical questions in designing an integrated, personal financial plan. This plan is an evolving, flexible strategy that helps you and your family take control of your financial future and lays the foundation for success. Constantly tracking progress and fine-tuning the plan over time, your Key financial advisor will use this roadmap to accommodate changes in your life, goals, finances and the law to deliver effective wealth management over the long term.

**Issue #1: Investments that build and preserve wealth**

A sound investment strategy begins with a detailed discussion of your risk tolerance, expectations and investment horizon, as well as potential liquidity events (e.g., the sale of a home) and funding needs (e.g., education, long-term care).

These factors will drive the creation of a portfolio with the asset allocation, diversification and tax management strategies necessary to achieve your objectives. Equally important, your portfolio needs constant attention. Your Key advisor can help you keep an eye on the big picture and balance long-term objectives with short-term tactical adjustments.

**Issue #2: Insurance that protects you and your family**

There are thousands of insurance products in the marketplace to choose from covering life, disability, liability, long-term care and other critical events. Which products do you need? How much is enough? Insurance is an essential part of financial planning and a crucial part of estate planning that protects you against unforeseen events. At a minimum, that means protection against premature death, disability, liability and the possibility of enormous long-term healthcare costs.

Used wisely, insurance also can help defray estate taxes and other major liabilities.

**Issue #3: Using credit strategically**

Having debt is not necessarily a bad thing, and eliminating it entirely isn’t necessarily a good thing. Managed prudently, debt—ranging from equity lines of credit and credit card debt to asset-secured loans—can be a useful financial tool to smooth cash flow crunches and help manage taxes.

**Issue #4: Retirement planning for long-term security**

Retirement planning doesn’t involve just accumulating wealth. It also means prudently managing assets while in retirement and having a plan to pass that wealth on to heirs. Thankfully, today there is much greater breadth and...
flexibility in the financial vehicles used to fund retirement than the 401(k) or IRA—from reverse mortgages and use of net unrealized gains to “stretch IRAs,” which ensure distributions over multiple generations. As life unfolds, tactical adjustments will need to be made to your plan. Solid retirement planning helps you navigate key stages of life smoothly and with peace of mind.

**Issue #5: Stock options—maximizing your returns**

Stock options are very different from traditional securities and demand special consideration and planning. Many people are unclear about their option program and its rules. A Key financial advisor can work with you to examine the important attributes of your option program (e.g., qualified vs. non-qualified, vesting triggers), your objectives for the use of the proceeds, and how best to exercise options in terms of timing, tax implications and transferability. All these components are important considerations as you seek to reap the most from your holdings and coordinate your stock option strategy with your overall investment and estate plans.

**Issue #6: A beneficial business succession plan**

A well-formulated, long-range business succession plan gives your business continuity. It safeguards the interests of all its stakeholders and it can materially benefit your personal wealth and welfare.

Businesses are as diverse as the people who own them, which is why your Key advisor will work with you to develop a customized succession plan that takes into consideration the successful transfer of management and ownership control (e.g., family, insiders or outsiders), a contingency plan in case of premature death and succession in the context of personal relationships, among other factors.

**Issue #7: Durable power of attorney, executors and trustees**

Who will have the legal authority to manage your business and legal affairs if you become mentally incapacitated? Unless a power of attorney is “durable,” it becomes void if you lose mental capacity. In that case, a court-appointed guardian or conservator would take charge of your assets. Wouldn’t you rather make that decision yourself? Your Key financial advisor, working closely with legal counsel, can guide you in making a durable power of attorney to ensure that your assets are managed by the one person or persons whom you trust the most.

**Issue #8: Giving gifts to children and descendants**

Transferring wealth is fraught with potential hurdles to navigate, including tax implications, the children’s sense of financial responsibility, sources of funding, control and flexibility. Your objectives and timeline will be the key drivers of the broad array of financial vehicles that can be used to transfer wealth smoothly—from conventional Uniform Gifts to Minors Act (UGMA) accounts to Family Limited Partnerships, irrevocable trusts, and intra-family property transfers and sales.

Key’s experienced, objective counselors will not only coordinate with representatives of other disciplines such as attorneys and accountants, but also provide invaluable help to families navigating these often emotionally charged issues.

**Issue #9: Charitable giving as a tax strategy**

Charitable giving can play an important role in executing your financial plan, especially as a tax strategy to bring about future estate tax savings. High-net-worth individuals also have several options to minimize current tax obligations by monetarily supporting organizations and causes that they are passionate about. Your Key financial advisor can counsel you on making maximum use of the charitable income tax deduction according to your personal preferences. You should also ask your advisor about integrating charitable giving across your entire financial and estate plans.

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FOR MIDDLE- TO UPPER-INCOME HOUSEHOLDS LED BY COUPLES BORN IN THE YEARS 1941-1945, SAVING AN ADDITIONAL 9% A YEAR WOULD LEAD TO A 90% CHANCE THAT ALL EXPENSES WOULD BE COVERED IN RETIREMENT.

— Employee Benefit Research Institute, “Can America Afford Tomorrow’s Retirees?”, November 1, 2003

FEWER THAN HALF OF BUSINESS OWNERS IN A RECENT SURVEY SAID THEY HAD CREATED FORMAL BUSINESS SUCCESSION PLANS.

— Spring 2005 McDonald Financial Group Affluent Consumer Confidence Index—Business Owners Survey

WE ESTIMATE THAT LESS THAN HALF OF OUR NEW CLIENTS HAVE TALKED TO THEIR CHILDREN OR GRANDCHILDREN ABOUT GIFTING AND INHERITANCE ISSUES.

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We estimate that less than half of our new clients have talked to their children or grandchildren about gifting and inheritance issues.
Issue #10: Titling of assets

While spouses list each other as sole beneficiaries under “Joint Tenancy With Rights of Survivorship,” it is not always the best choice. While it may sound equitable, this approach may not be the best match for your financial plans or your estate, and it may not maximize your tax advantages. A Key financial advisor can help you consider a range of factors, including access to assets during lifetime, contingency for incapacity, transfer after death, tax advantages/probate, and protection of assets from liability during life and after death.

Issue #11: Selecting and working with trustees and executors

Perhaps the most underrated financial planning option is retaining the services of a professional trustee. Trusts, estates, and all the attendant issues are complex and often involve handling sensitive communications. As a result, it is important to have experienced professionals help manage the process. A Key financial advisor, working together with legal counsel and accounting professionals, can guide you through the entire process, including informing appointees, communicating with family and planning for the transition of your investment portfolio.

Issue #12: Planning and passing on your estate

All of the financial disciplines come together in estate planning, with many of the wealth issues discussed in the previous sections converging.

Your Key financial advisor will first work with trust services specialists with in-depth expertise in estate planning and taxes before supplementing those capabilities with knowledge from our banking and investment specialists. In addition, your Key trust advisor will help you deal with the often-emotional family dynamics involved in the transfer of wealth, which can help you achieve a holistic perspective on your financial needs, resulting in a balanced, strategic and flexible plan for the long term.

Issue #13: Charitable inclinations/planned giving

For many people, charitable giving also means a perpetual legacy that expresses their personal passion for certain groups and causes. It is important to ensure that your desire for giving to favorite charities and organizations is integrated across your entire financial plan so that your estate can continue to support the causes you believe in even after your death. Talk to your financial advisor about the best vehicles for planned charitable giving and rest assured that your wealth will continue to make a difference for generations to come.