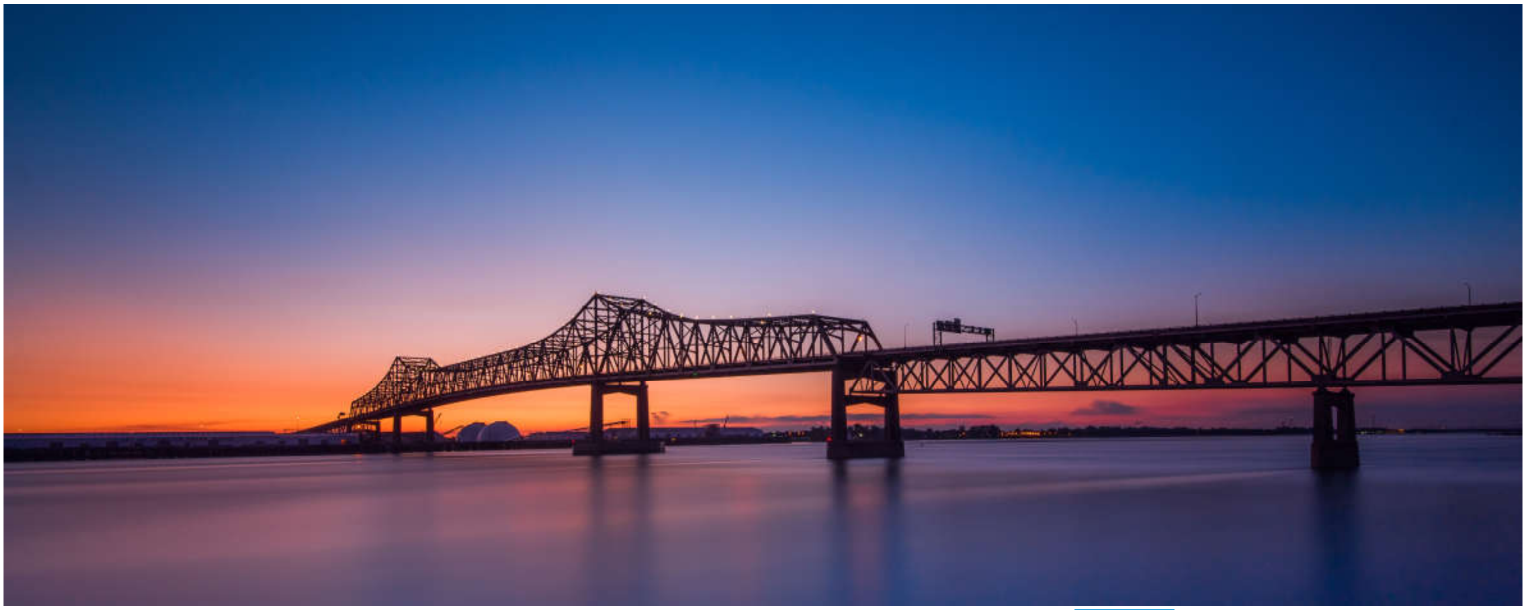
Planning for Your Wealth

2nd Quarter 2022



The Importance of Discussing Inheritance With Your Heirs | *Estate and Giving*

As you finalize estate plans and decide how you'll distribute your fortune, it will benefit everyone involved to open lines of communication with presumed heirs.

In This Issue:

You've achieved a level of financial success that allows you to share your wealth with the ones you love. Of course, substantial inheritances are a generous gesture that also carry great responsibility. Having a series of conversations with your heirs – to openly discuss the transfer of wealth and what expectations come along with it – will make sure everyone is on the same page. Oftentimes, your children have questions too, but money (especially large sums) feels like a taboo topic. They don't want to seem greedy, for example. Give them permission to better understand your hopes for your family's future.

Who?

It's best for transparency to include all involved parties in a group conversation, but you know the dynamics of your family best. You may opt to have one-on-one discussions first to discuss details with individual heirs, then get the family together to touch on wider topics, like division of future caregiving responsibilities or carrying on certain values with the inheritance. Consider bringing in your advisor so your family can not only meet them but also feel comfortable asking any financial questions that arise over time.

What?

Consider what needs to be said to your children before you set a meeting. Most important is to address exactly what's being gifted and what's not. Some other common threads are intentions for your wealth and how family changes may affect the inheritance. If wealth is being distributed unequally or you've decided all or some of your wealth will be donated to charity, it may be uncomfortable to talk about – but this just means it needs to be discussed. Make a to-do list so it doesn't feel overwhelming and write out discussion points so you can rest assured you've covered everything.

Where?

Have the initial inheritance conversation with your heirs in person, if possible. For meetings to review documentation, for example, you may want to consider inviting your heirs to your advisor's or lawyer's office. A neutral location can help put everyone at ease; just make sure it's not public and it's conducive to candid, potentially emotional and lengthy, conversations.

When?

Putting off difficult conversations is all too common, but it's important to talk to your family about the plans for your estate well *before* something happens. If you think plans may change over the years (and they often do), you can let your heirs know you'll keep an open line of communication as your wishes and circumstances evolve. But, if you start the discussions early, at least your children will feel comfortable coming to you with questions as time goes on. They'll also be more prepared to jump in and assist with caretaking duties or financial matters if the need arises.

Why?

Financial wealth is only one part of the conversation, so it's important to have a meaningful dialogue with your heirs about your wishes as you age. It allows you to express your expectations for your family to honor your legacy after you're gone. And it also gives heirs the opportunity to plan for their own financial future and to prepare for executing your estate once it's time. Having these deep conversations often strengthens relationships and reinforces family values.

How?

You don't want to surprise your heirs by springing the inheritance conversation on them unexpectedly. The topic warrants a meeting (or series of them) that is solely focused on discussing your plans as you age, from financial matters to desired living arrangements and caretaking responsibilities. Support your conversations with any documents you may have, like legal paperwork and insurance policies, and provide your family members with the contact information of your estate planning team for when they'll need it later on.

Remember, your advisor is there to support you in the conversations you have around transferring your wealth. By opening the lines of communication earlier rather than later, you'll ensure your family understands the legacy you want to leave behind with your generosity.

Sources: lessinglaw.com; frontierwealth.com; eksinsights.blog; Raymond James research

Shobe Tech Corner

Locating Documents in Client Center

Client Center has an array documents and other account information available to you in real-time. You can access statements, trade confirmations, tax reporting, shareholder documents, and more.

If you have specific questions about your account, please contact your planner.

Your Business Deserves an "Estate Plan" | *Business Ownership*

Drafting a succession plan now can help your business stand the test of time.

As a business owner, you've invested so much into making your business successful – hard work, time, money, energy.

It's truly hard to imagine your business without you. But chances are there will come a day when someone else will take the reins. And a seamless succession plan, one carefully and thoughtfully devised well in advance, is essential to making sure your business enjoys continued success for generations to come.

Harder than it sounds

The facts are a bit grim. Only 30% of privately held businesses survive into the second generation, and less than 15% survive into the third, according to Nuveen Investments. However, a well-planned transition strategy can help support your business's longevity.

For many hardworking business owners, succession planning represents the notion they can be replaced – a pretty uncomfortable scenario. Perhaps that explains why only a third of business owners surveyed for the 2018 U.S. Trust Insights report on Wealth and Worth had established a formal succession strategy.

But in the manner estate planning seeks to protect your loved ones and assure your wishes are carried out as you intend, a succession plan does the same for your business if for any reason you are no longer there. In short, it's designed to safeguard your legacy.

A thorough succession plan considers not only your exit from the business, but also your retirement needs and personal estate. It provides for an orderly transition of management and the passing of control of the business. It also avoids the potential pitfalls of loved ones having to make difficult decisions during stressful times, or leaving the future of your business to happenstance.

And it's never too early to start thinking things through.

With your professional advisors, consider these questions:

- How can you protect your business and benefits in order to hedge catastrophe and ensure future continuity?

Shobe Current News

Erin Sibley Welcomes New Addition to Her Family

In late January, Erin Sibley (Financial Planner) welcomed a baby boy Monroe. Both Erin and Monroe are healthy and doing well.

Corey Luckett Becomes a Newlywed

Congratulations to Corey Luckett (Vice President) and his new wife Kelsey on their wedding in Baton Rouge this past February!

Save the Date! ShredFest 2022 is May 6, 2022 8-11 AM

On May 6th, we will hosting our 3rd annual ShredFest. We will have a shred service onsite for you to drive up and drop off your important documents to be securely shredded. Refreshment will provided and feel free to bring a friend, too! If you have questions about this event, please email us at events@shobe.com.

- With retirement on the horizon, how can you gracefully exit the business and realize the maximum value for your hard work?
- What if something happened to you unexpectedly? Have you created an effective contingency plan that protects your staff and customers?

You may want to groom an heir from within the family, groom someone outside the family, consider an outright sale, or have an expert take over until your chosen heir is old enough or fully prepared. Any one of those scenarios takes time to develop.

Succession strategies

The financial implications of business succession are complex, but you and your financial advisor can tap into several strategies to help you refine your plan.

Here are a few examples:

- **Sale to intentionally defective grantor trust (IDGT)** – Don't let the name throw you off. A sale to an IDGT is a sophisticated planning strategy to transfer assets from one generation to another, while minimizing income, estate and gift tax liabilities. Families with closely held businesses structured as partnerships or S corporations may find it particularly helpful as they smooth transfers to your heir without incurring gift or capital gains taxes on the sale and shift the value of the assets out of the grantor's estate.

- **Grantor retained annuity trust (GRAT)** – A GRAT can help insulate assets that you expect to appreciate significantly from being overly taxed, and can create a meaningful difference in net proceeds for business owners contemplating a sale or transfer. This is one technique that can transfer wealth with little practical impact on the underlying transaction, yet with substantial wealth transfer results.

- **Self-canceling installment note (SCIN) and intra-family loan** – When you use an SCIN to finance the sale of your business interest, the buyer promises to make payments of portions of the sale price to you for a specified period of time. If the seller dies before payment in full on the note, the note is canceled and no further payments need to be made to the seller's estate or beneficiaries. Selling a business interest to a family member in a lower tax bracket using an SCIN may allow for a reduction in overall family tax liability. An intra-family loan can be used in coordination with an SCIN.

Putting a plan in place means you and your business are prepared come what may, even in the case of disability or an untimely death. But it's not just about being prepared in an emergency. It's about sustainability.

While these can be difficult conversations to have with family members and business associates, they can actually bring comfort – knowing everyone is on the same page when it comes to the future success of your business.

Source: Nuveen Investments. Changes in tax laws or regulations may occur at any time and could substantially impact your situation. Raymond James financial advisors do not render advice on tax or legal matters. You should discuss any tax or legal matters with the appropriate professional.

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