

A TEAM EFFORT

Case Highlights Our Collaborative Approach

THE STORY



Our Partner Programs team pulled resources from across the company to build a plan for an ultra-high net worth client that is projected to **SAVE** him over **\$31 million** in taxes while meeting his specific and complex goals.

The case also developed a strong relationship with the referring Financial Consultant (FC), who is already promoting the capabilities of Wealth Enhancement Group.

The FC introduced one of our Regional Vice Presidents and local advisor teams to a prospective client with complicated and unique needs. A retired health care professional in his 80s, he had accumulated more than **\$100 million**. Most of his assets (over \$90 million) were held in an Individual Retirement Account.

His main concerns were, in order of priority, **privacy, control**, and **tax-efficiency**. He wanted to leave a positive legacy for his children, grandchildren and great-grandchildren. Because he was worried about the possible negative effects that a large inheritance could have on his family, it was essential to keep his asset levels private. He wanted to create provisions that allowed him to remain in control of his assets, even after his death.

Our team prepared a detailed plan that educated the client about the options available to meet his goals. The plan showed how various combinations of tactics and strategies could affect his final outcome and empowered him to come to his own conclusions.

Our advisors took advantage of the full range of Wealth Enhancement Group's deep Roundtable™ expertise, pulling in multiple senior advisors, our High Net Worth Planning Director, Wealth Enhancement Trust Services, and the Wealth Enhancement Tax and Consulting Services team. Our local advisor team tapped into its area connections to find a skilled attorney. Together, they created a client-centric team that built a thorough and flexible plan in a remarkably short time frame without compromising on quality.

The advisor team and the trust services director met with the client to present their initial recommendations. They painted a vivid picture, showing the client what would happen if he continued on his current path versus the impact of strategic, deliberate and disciplined planning. Various strategies, including a Roth conversion, charitable giving, the use of a Family Foundation and the correct and tactful drafting and implementation of trusts were critical to the plan.

OUR OPTIMAL PLAN IS DESIGNED TO:

- Protect the privacy of the majority of the client's assets and **educate the client on the pros and cons of our recommended strategies**
- **Maintain control** of the estate even after the client passes
- Support the client's lifestyle and **provide for his wife after his passing**
- **SAVE** the client over **\$31 million** in estate and income taxes (compared with his current plan)

Our team provided a straightforward, all-encompassing fee structure, a clear timeline for next steps, and an understanding of what he could expect. This was essential to building trust throughout the process.

Moving forward, we will also begin to implement investment management and tax preparation services, both on the personal and Trust Services side. We will also handle the management of

the client's additional assets held in separate accounts. We are committed to delivering a high-touch, holistic, comprehensive high net worth customer experience. This is not a one-and-done plan, but an ongoing process.

Once presented with the capabilities of the team and our collaborative Roundtable™ approach, as well as the team's ability to listen and respond to complex needs with a comprehensive level of detail, the client did not hesitate to sign on.

Without our full-service approach, this client would have been left to construct his own team of attorneys, accountants and financial advisors and coordinate with a trust services company in the hopes that these independent services could work together in his best interest to reach his complex goals.

Thanks to the responsiveness and dedication of our entire team and its planning capabilities, this client signed paperwork less than one month after his initial meeting.

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PLAN DETAILS:

GOAL	ACTION	RESULT
REDUCE TAXABLE ESTATE – PART 1	Convert Traditional IRA assets to a Roth IRA	Income taxes paid on the Roth conversions will reduce the taxable estate. In addition, leaving a Roth IRA as an inheritance often has tax benefits and provides flexibility for the client's heirs. This strategy keeps these assets from being double taxed and could be even more beneficial when considering certain predicted upcoming tax law changes, such as the scheduled expiration of the Tax Cut and Jobs Act.
REDUCE TAXABLE ESTATE – PART 2	Strategically donate \$10 million to charity or through a Family Foundation	This tactic will allow the client to control how he supports a cause close to his value system (anonymously if desired) while strategically reducing his tax liability.
PROVIDE A SOURCE OF INCOME WHILE STILL LIVING	Implement a Marital Trust by funding the client's wife's current marital exemption of \$12.6 million into a Marital Trust (Qualified Terminable Interest Property or QTIP).	This will take full advantage of the client's spouse's federal exemption*. A QTIP trust is an irrevocable trust that pays income generated to a spouse. Then, after the death of the spouse, the trust allows the assets to pass to the beneficiaries. In this case, the beneficiary will be the "Quiet" Trust for the benefit of the family. This strategy alone is projected to save an estimated \$4 million in taxes while also providing for the client's spouse while living. Most importantly, it meets the client's essential goals of privacy and control.
PROVIDE FOR HEIRS WHILE PROTECTING PRIVACY AND MAINTAINING CONTROL	With the remaining funds, create an irrevocable South Dakota "Quiet" Trust during the client's lifetime. Upon the client's spouse's death, remaining funds from QTIP will flow into this trust. The irrevocable trust will ultimately hold all assets except those in the Family Foundation.	A "Quiet" or "Silent" Trust has the opportunity to restrict the disclosure of what is within the trust to beneficiaries and can be perpetually sealed by the courts. This takes the estate plan out of the public eye as well. Also, an argument can be made that no one is required to know about the trust. The client will have total control of the irrevocable trust and its future disbursements. He will be able to determine exactly when and how the funds will be dispersed, never disclosing how much is in the trust.

OUR OPTIMAL PLAN

Roth conversion + gifting + irrevocable trust

Convert IRA to Roth IRA	\$90M
Charity Contributions	\$10M
Invest remaining funds in Irrevocable Trust	~\$26M to start
At least enough to utilize the spouse's federal exemption is placed into a marital trust for the spouse's benefit	\$12.6M
Total Estate and Gift Taxes Paid	\$10,081,000
Total income taxes paid on IRA	\$34,399,000

TOTAL ESTIMATED PROJECTED ESTATE, GIFT AND INCOME TAXES **\$44,480,000**

NO PLAN

Compared to total projected estate, gift and income taxes with no action taken

IRA Passes to Estate	
Per New York intestacy laws, spouse receives \$50,000 + half of remaining assets	
Children receive the other half outright	
Total Estate Taxes Paid	\$38,291,600
Est. IRD (Income in Respect of a Decedent)	\$37,246,000

TOTAL ESTATE AND INCOME TAXES PAID **\$75,537,600**

DIFFERENCE: \$31,057,600

Do you have clients in need of sophisticated wealth management solutions? Contact your RVP to discuss.

*Tax exemptions are based on 2023 levels.

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