



JANUS CAPITAL®
Group

Preparing Your Practice for the Great Wealth Transfer



An estimated \$59 trillion – divided among heirs, charities, estate taxes and estate closing costs – will be transferred from 93.6 million American estates from 2007 to 2061, the greatest wealth transfer in U.S. history.

– Center on Wealth and Philanthropy at Boston College (5/28/14)



Kathleen Burns Kingsbury

- > Wealth Psychology Expert and Behavioral Change Specialist
- > Founder of KBK Wealth Connections
- > Author of the book series “How to Give Financial Advice” for women and couples





Agenda

- > Introducing Wealth Transfer to Clients
- > Empowering Families to Discuss Wealth Transfer
- > Practical Strategies for Mid-Tier Millionaires
- > Ideas for Engaging with Your Clients' Children



JANUS CAPITAL[®]
Group

Introducing Wealth Transfer to Clients



Meet the Johnsons

Background Information:

- > Karl, 63, owner of a successful real estate franchise
- > Elena, 59, graduate-level college professor
- > Children
 - > Nicolas, 29
 - > Isabella (Bella), 24
 - > One grandchild
- > Investable assets: \$2.4M
- > Real estate: \$1.2M home and \$750K ski house; no outstanding liabilities
- > Two \$1M life insurance policies
- > Wills and trusts drafted 8 years ago
- > Reside in a state with no estate or inheritance tax



Meet the Johnsons





Best Practices for Introducing Wealth Transfer

- > Incorporate in annual review
- > Advisor self-management
- > Share stories
- > Be client-centric
- > Active listening



Best Practices for Introducing Wealth Transfer

- > Be patient
- > Explore family money messages
- > Be a resource
- > Identify passions
- > Act as an accountability partner



JANUS CAPITAL[®]
Group

Empowering Families to Discuss Wealth Transfer



Help Clients Articulate Their Goals

- > Completing the Breaking Money Silence™ questionnaire will help clients identify and articulate the key issues they wish to address
- > Couples may find it helpful to complete the questionnaire separately, then discuss their answers together
- > Advisors can use the information to craft a family meeting agenda or determine next logical steps



Sample Questions: Family Finance Questionnaire

Please answer the following questions to determine what areas of your family legacy planning have been completed and what areas may need more attention.

1. Family Values:
 - a. What are the three most important family values you want to pass down to the next generation? _____

 - b. What makes these values important to you? _____

 - c. What stories or examples from your own life may help communicate these values to your heirs? _____

2. Family Success Story
 - a. What is your family's success story and how does this story express your core values? _____

 - b. What are the financial lessons embedded in this story? _____

 - c. What other family stories may be helpful to communicate to your family? These may include successes, but also mistakes and lessons learned. _____

3. Philanthropy & Family Gifts
 - a. How do you view philanthropy and family giving as part of your legacy? _____



Facilitate the First Family Meeting

- > **Short** – The first family meeting should be 1 to 2 hours
- > **Inclusive** – Be sure to invite spouses/partners
- > **Useful** – Provide valuable information and make it fun and noncontroversial
- > **Neutral Location** – Choose a location that is pleasant and convenient for the whole family
 - > Ask your client to consider reimbursing the travel expenses of children
- > **About the Family, Not the Client** – Your job is to facilitate the discussion, take notes and follow up with attendees
 - > Don't forget to ask your clients to review the agenda beforehand



Sample Family Meeting Agenda

Johnson Family Meeting

March 20, 2017

123 Main St., Any Town USA

- > Welcome & Breakfast
- > Purpose of the Meeting
- > Guidelines for Healthy Financial Conversations
- > The Family Success Story
- > Family Discussion
- > Family Philanthropy
- > Next Steps
- > Adjourn



Additional Resources

- > Organizations
 - ▶ Purposeful Planning Institute
 - ▶ National Center for Family Philanthropy
 - ▶ Exponent Philanthropy
 - ▶ Aging Life Care Association
 - ▶ Association for Conflict Resolution
 - ▶ National Elder Law Foundation



Additional Resources

> Books:

- ▶ Breaking Money Silence: How to Shatter Money Taboos, Talk More Openly About Finances, and Live a Richer Life (Praeger, to be published 9/30/17) – Kathleen Burns Kingsbury
- ▶ Inspired Philanthropy: Your Step-by-Step Guide to Creating a Giving Plan and Leaving a Legacy (Jossey-Bass; 3rd Edition, 2007) – Tracy Gary
- ▶ The M Word: The Money Talk Every Family Needs to Have about Wealth and their Financial Future (McGraw-Hill, 2013) – Lori R. Sackler with Toddi Gutner
- ▶ Raised Healthy, Wealthy & Wise (Self-published, 2014) – Coventry Edwards-Pitt



JANUS CAPITAL®
Group

Practical Strategies for Mid-Tier Millionaires



Communicate Wealth Transfer Intentions

- > Many heirs will only learn about their inheritance after the parent passes away
- > Certain decisions – including the division of assets among siblings, disposition of family heirlooms and the use of a trust with restrictions on the timing or reasons for distributions – can cause resentment
- > Communicating the rationale for why certain decisions were made and allowing the children to ask questions can help to mitigate bad feelings and family discord



Appointment of Executors, Trustees and Agents

- > Very few children are ever prepared to assume the responsibility of being an executor, trustee or agent
- > Parents can be proactive by informing their children of their decisions and giving them the option of declining these responsibilities
- > If accepted, appointees should be given copies of all legal documents and clear instructions regarding who to call for assistance
- > In many cases, a single child rather than multiple children is a better choice



Business Succession Planning

- > Less than one-third of family businesses survive into the second generation, and only 13% make it to the third generation
- > Thorough succession planning takes place in three different phases

Pre-Boarding	On-Boarding	Post-Boarding
<ul style="list-style-type: none">> Succession planning is a process, not an event> Position at the company is an option, not an obligation> Children should obtain outside experience	<ul style="list-style-type: none">> Hire into an existing, defined job> Teach the historical, cultural and strategic foundations of the business> Work with a mentor rather than a parent	<ul style="list-style-type: none">> Develop complementary skills> Draft the succession plan, business plan and estate plan together> Set an exit date and stick with it



Modest Lifetime Gifts

- > There may be several benefits to making modest lifetime gifts not related to tax planning
- > Many clients feel a sense of enjoyment because they will be alive to witness how the recipients benefit from their generosity
- > Other clients may use modest lifetime gifts as an opportunity to gauge the emotional and intellectual maturity of the recipient, depending upon how the funds are used
- > Poor decisions regarding modest wealth transfers can provide clues regarding how to structure larger gifts or inheritances



Donor Advised Funds

- > A convenient, cost-effective way to teach children about philanthropy by establishing the fund in the family's name
- > Clients can make tax-deductible contributions while delegating grant-making authority to a child (either informally or formally depending upon the age of the child and other circumstances)
- > Many Donor Advised Funds offer searchable databases regarding specific causes and can help investors determine suitable grants depending on their interests

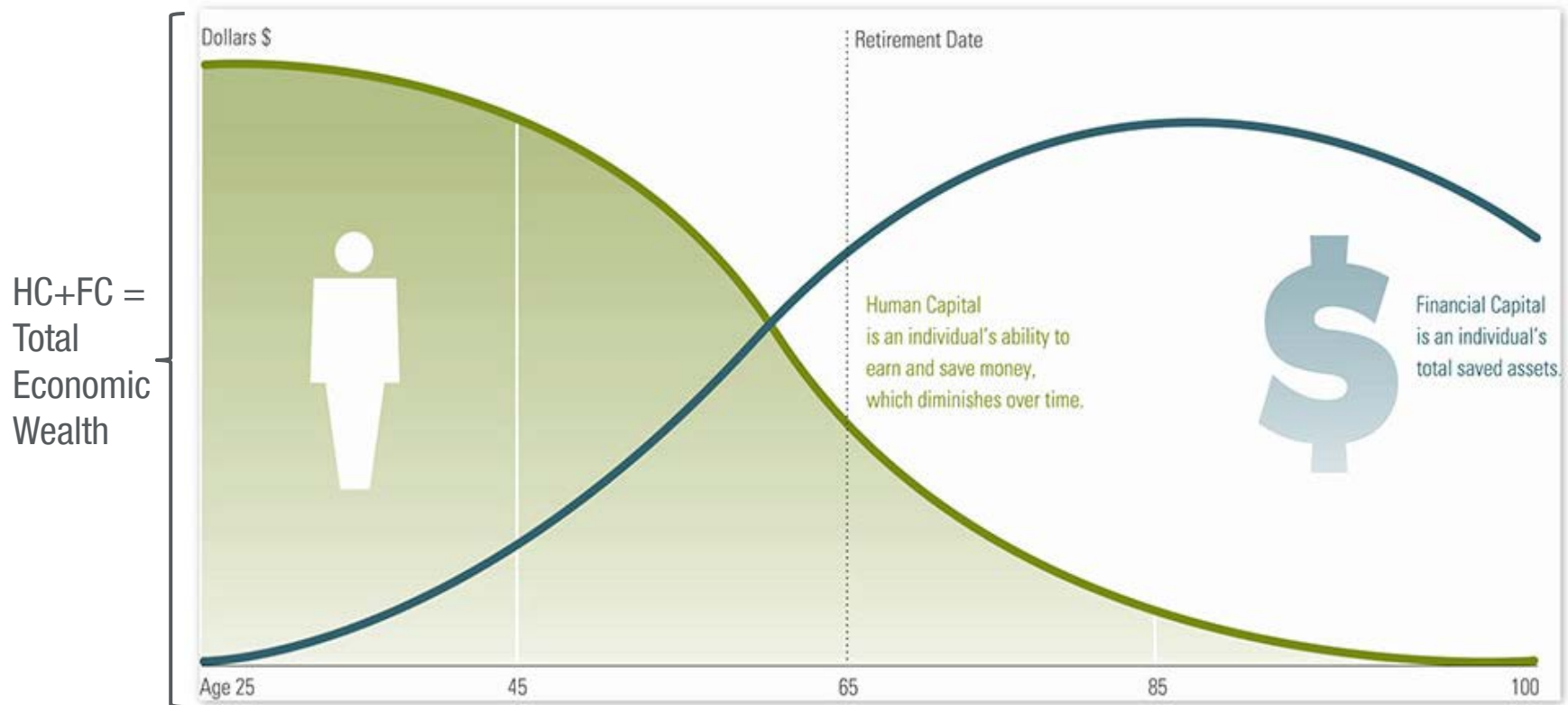


JANUS CAPITAL[®]
Group

Ideas for Engaging with Your Clients' Children



Economic Wealth Over Time



Source: Morningstar



Key Issues for High Human Capital Clients

- > Liability Management
- > Career Development
- > Purpose Investing



Liability Management: Credit

- > Credit reports should be checked once a year by going to annualcreditreport.com at no cost
- > Credit scores can be obtained at myfico.com for a \$20 fee
- > FICO scores are determined by the following formula:
 - ▶ 30% - amount owed
 - ▶ 35% - payment history
 - ▶ 10% - new credit
 - ▶ 15% - length of credit history
 - ▶ 10% - credit mix
- > Ways in which FICO scores can be improved
 - ▶ Individuals should have two to four credit cards, but use only one, as lenders look at how much credit is available versus how much is not being used
 - ▶ If nonrecurring, issuers may be willing to delete a late fee from their records
 - ▶ Borrowers should pay off credit cards first, then apply extra to installment loans



Liability Management: Student Loans

- > Overview of the student loan landscape:
 - ▶ \$1.3T total debt
 - ▶ Owed by 44M Americans
 - ▶ Average debt for the Class of 2016 is \$37,172, up 6% YOY
- > There are a number of repayment programs including traditional and income-driven plans
- > Individuals with multiple federal student loans can combine them into a single Direct Consolidation Loan

FEDERAL STUDENT LOANS

Repaying Your Loans

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

PROUD SPONSOR of
the AMERICAN MIND®



Liability Management: Student Loans

- > **Clean up Online Presence** – Sites such as spokeo.com and pipl.com, as well as Google, can help individuals see what is out there; also privacy settings on Facebook, Instagram and other networks should be checked
- > **Develop Technical Expertise** – Proficiency in Microsoft Office is no longer enough; strong preference is likely to be given to candidates who understand Photoshop, HTML/CSS, iOS, Balsamiq and Final Cut Pro



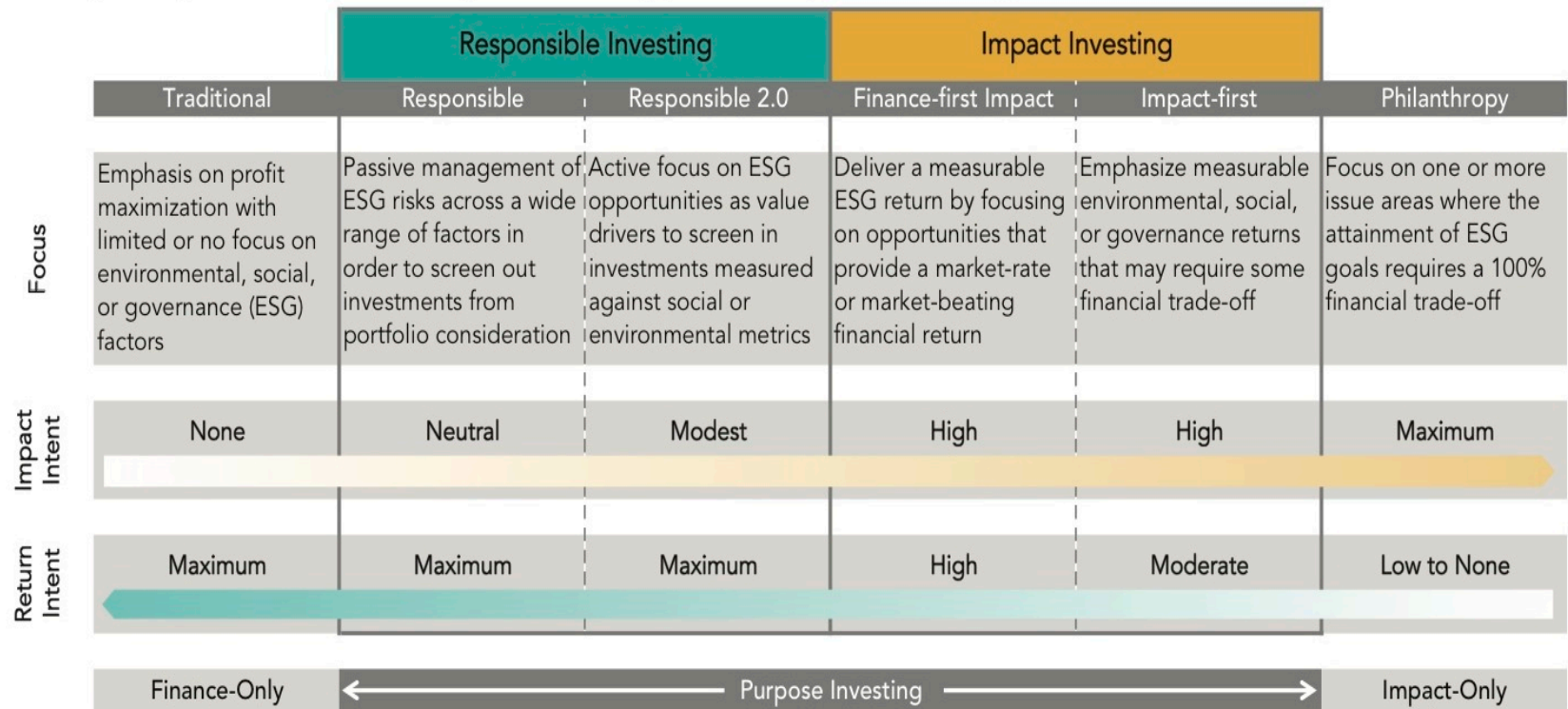
Career Development: Once Established

- > **Disability Insurance** – There is a 1-in-3 chance that any given 20-year-old will become disabled prior to reaching retirement age; but 4 in 10 workers currently have no disability insurance
- > **Negotiate Salaries Smartly** – According to a study by George Mason and Temple universities, individuals who negotiate by using a collaborative and competing strategy – using open discussion of issues and perspectives – received starting salaries \$5,000 higher than those who used avoiding, accommodating and compromising approaches (see *Bargaining for Advantage* by G. Richard Shell for additional information)



Purpose Investing: Various Types

The Capital Spectrum: Delineating Different Types of Purpose Investing

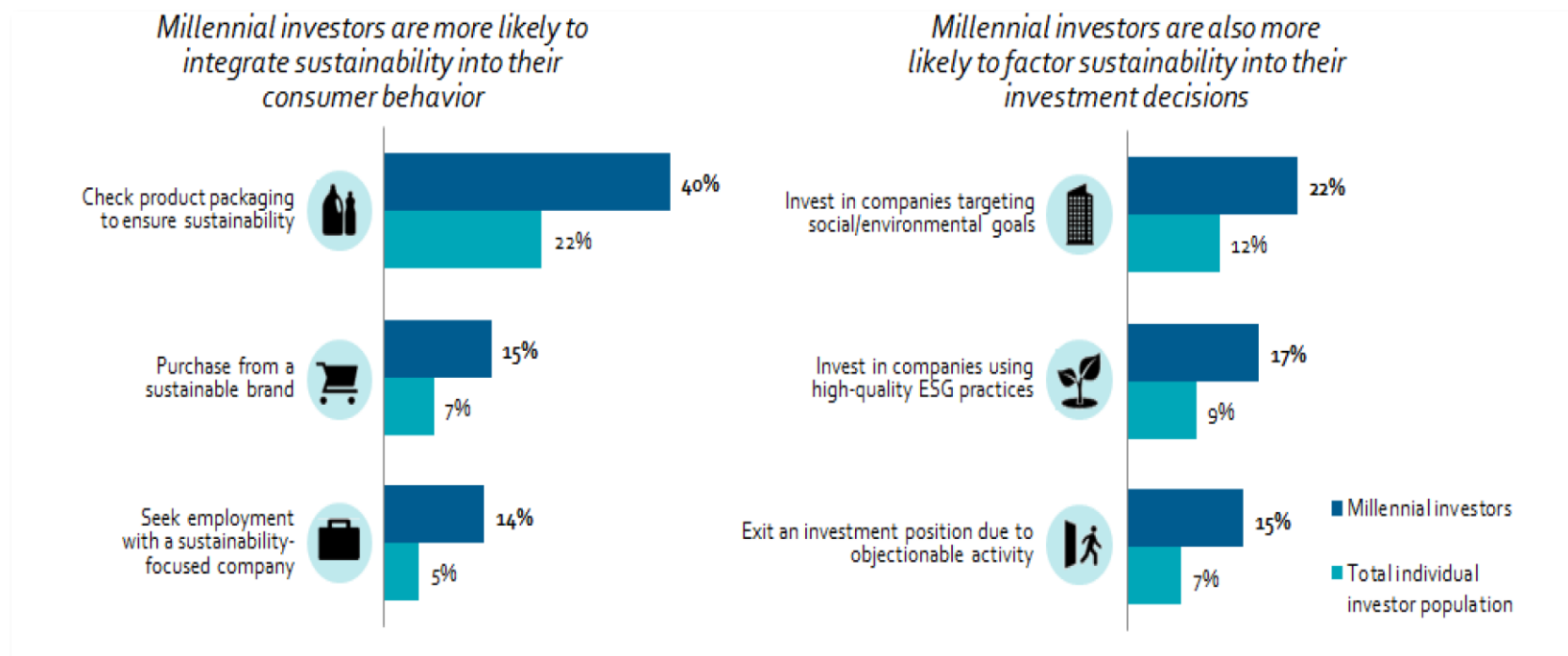


Source: Sonen Capital



Purpose Investing: Millennial Movement

- > According to the Morgan Stanley Institute for Sustainable Investing, 84% of millennial investors are interested in sustainable investing





JANUS CAPITAL®
Group

Additional Resources from Janus

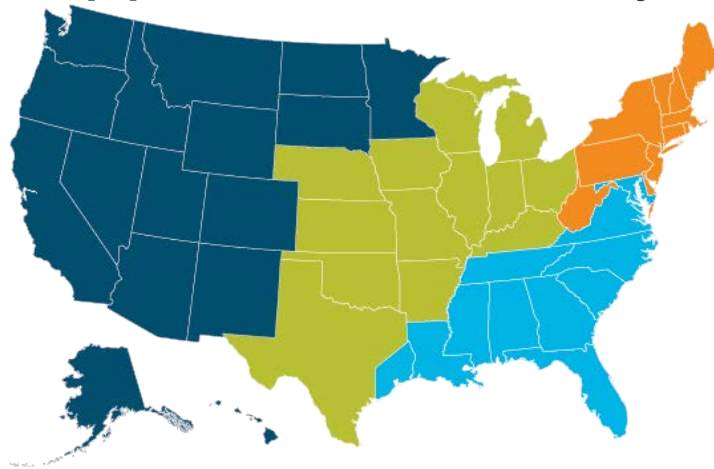


Continuing Education

- > Janus offers accredited continuing education seminars for financial advisors, CPAs, human resources professionals and other retirement and financial industry participants
- > Each seminar qualifies for one credit hour of continuing education (CE) credit
- > Live, in-person, on-demand and webcast options available
- > Available for CFP[®], CIMA[®], CPWA[®], CRPC[®], CRPS[®], CRC[®], AIF[®], CPA[®], HR and CEBS designations



Additional Support Provided by Janus



Experience in:

- > Fiduciary Responsibility
- > Wealth Management
- > Industry Trends
- > Legislative and Regulatory Updates

DEFINED CONTRIBUTION & WEALTH ADVISOR GROUP

WESTERN U.S.	CENTRAL U.S.	EASTERN U.S.	SOUTHERN U.S.
--------------	--------------	--------------	---------------

Taylor Pluss, APMASM, CRPS[®], CDFA
 Retirement Director
 taylor.pluss@janus.com
 (303) 960-9032

Eric Magyar, AIF[®]
 Retirement Director
 eric.magyar@janus.com
 (312) 206-2333

Ruben Gonzalez
 Senior Retirement Director
 ruben.gonzalez@janus.com
 (917) 885-3540

Mike Malinsky, CRPS[®], CRPC[®]
 Senior Retirement Director
 mike.malinsky@janus.com
 (303) 304-7913

NATIONAL SUPPORT	INTERNAL SUPPORT	INTERNAL SUPPORT
------------------	------------------	------------------

Matthew Sommer, CFP[®], CPWA[®], CFA[®]
 Vice President and Director
 matthew.sommer@janus.com
 (303) 336-4046

Benjamin Rizzuto, IMBA, CFS[®]
 Retirement Director
 benjamin.rizzuto@janus.com
 (303) 336-4142

Marquette Payton
 Assistant Retirement Director
 marquette.payton@janus.com
 (303) 336-5483



The information contained herein is provided for informational purposes only and should not be construed as legal or tax advice. Your circumstances may change over time so it may be appropriate for you to evaluate tax strategy with the assistance of a professional tax advisor. Federal and state tax laws and regulations are complex and subject to change. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of the information contained in this document. Janus does not have information related to and does not review or verify your financial or tax situation. Janus is not liable for your financial advisor's or your use of, or any position taken in reliance on, such information.

In preparing this document, Janus has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

For more information contact your financial advisor.

Janus Distributors, LLC

151 Detroit Street, Denver, CO 80206 | 800.668.0434 | www.janus.com