

# PRESERVING

*Family Wealth*



Sponsored by

**CITY NATIONAL BANK**  
The way up. 

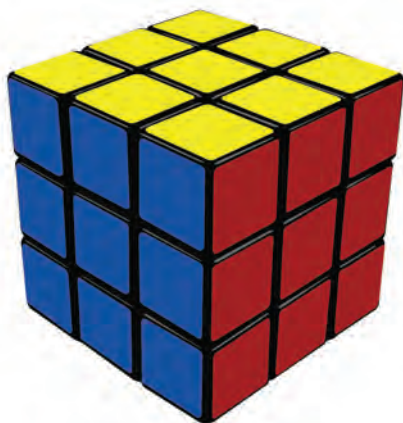


## Matsen Voorhees Mintz LLP

Maximizing Value with Integrated Estate, Business,  
Tax, and Asset Protection Planning™

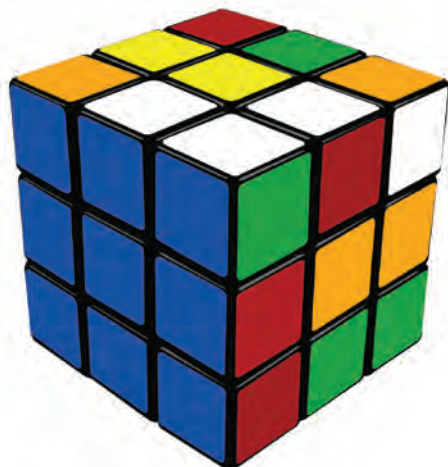
# With So Many Choices for Services and Advisers, How Can You Identify the Best Choice for Your Unique Situation?

Working with thousands of high-net-worth clients over a combined 100+ years, the principal partners at Matsen Voorhees Mintz LLP have learned that comprehensive planning – what we call integrated wealth planning – is analogous to completing a Rubik's Cube®. If you focus on only one or two sides, you will never successfully complete the puzzle; you must focus on all six sides simultaneously to complete a Rubik's Cube! That's why we developed extensive expertise in six key areas, all of which are critically important to you and your family:



1. **Estate Planning**
2. **Business Tax & Succession Planning**
3. **Income Tax & Retirement Planning**
4. **Charitable Planning**
5. **Asset Protection**
6. **Probate & Trust Administration/Litigation**

This integrated wealth planning approach is very unique and what sets us apart in the industry. Other firms' expertise is typically limited to one or two main areas, with no one capable of looking at your complete picture. Unfortunately, as a result, many families receive piecemeal planning that more closely resembles an incomplete Rubik's Cube, like the one pictured below, rather than the completed one above.



What does this mean to you? If your adviser team isn't looking at your family's complete picture – an ability developed from working with the top 0.01% of income earners – not only could you be victims of too much risk and unnecessarily high taxes and planning expenses, but you could also be missing many opportunities to maximize your wealth.

Here is a true story: Rob S. is one of those people who didn't know how to maximize his returns. Good situation; Rob worked hard and built a successful company. He has 15 different accounts, multiple properties and consistent income, more than what he needs to maintain his comfortable lifestyle. For whatever reason, Rob hit dead ends with the advisers he consulted about his unique situation: a brilliant CPA who focused more on the past than what Rob should do moving forward; an intelligent estate planner who didn't understand Rob's needs

beyond estate planning; and an equally smart financial advisor who similarly couldn't help with the big picture. After interviewing more than 10 different, skilled professionals, Rob concluded that each was too limited in scope, even with their offer to bring in outsiders with additional expertise.

This is a common issue. At MVM Law we have built what many clients call a "dream team" comprised of nationally known attorneys to solve this problem.

Here's what Rob said after working with us, "I'm thrilled with MVM Law. They have pure knowledge, research and a complete team approach. They listen well. They are experts at putting together estate, tax and financial planning needs in a specialized plan. I can't tell you how happy I am with them!"

Here is a sample of some of the benefits of using our highly creative strategies (note that each family situation is unique, and the strategies selected will depend upon the family's unique circumstances):

#### Concerned about your loved ones?

A lack of planning altogether (e.g. Terri Schiavo), or a lack of planning beyond the basics (e.g., James Gandolfini), can lead to tragic results – and unnecessary taxes and expenses – for the family members you leave behind.

#### Paying too much income tax?

Drastically reduce your tax liability (the top marginal income tax rate in California is 57%) to as low as zero!

#### Have philanthropic goals?

Find deep significance in passing millions more dollars to your favorite charity or charities while significantly reducing or even zeroing out your taxes.

#### Want to protect your hard-earned assets?

Use carefully crafted and implemented structures, which have been tested over the years, to protect your hard-earned assets from creditors and predators.

#### Own a business?

Be part of the elite 5% who successfully pass on their business and wealth to the third generation.

#### Questions about what to do after a loved one dies or how to administer a trust?

We've got answers. Let our experienced team help you navigate through these difficult processes and procedures.

We will give you a whole new level of perspective on what is possible, and then work with you and your team to roll out and implement a plan that achieves objectives you may not even know existed.

Rather than spending countless hours personally researching and studying all of the choices to see what may or may not work, we're happy to save you the time and trouble and simplify the process.

To talk with one of our nationally recognized attorneys – **Jeff Matsen, Tim Voorhees, or Jonathan A. Mintz** – call us toll free at 888.798.7714.

#### About Matsen Voorhees Mintz LLP

At Matsen Voorhees Mintz LLP, we provide legal services in the areas of sophisticated asset protection, estate, business, and income tax planning to affluent individuals and families, prestigious institutions and successful business owners. Together, Jeff Matsen, Tim Voorhees and Jonathan Mintz have over 100 years' experience, and they have the technical experience, resources and strategic professional alliances to handle not only local cases, but sophisticated national and international matters as well.



## “City National made it happen with one call.”

City National is the perfect bank for entrepreneurs. They understand the needs of a start-up and the growth stage of a business. We’ve experienced so much growth that we had to double our line of credit and City National got the process for approval in motion with one call.

City National is *The way up*® for The Honest Company.

### **Brian Lee**

*CEO  
The Honest Company*

Hear Brian’s complete story at [Findyourwayup.com/GrowOC](http://Findyourwayup.com/GrowOC).

### **Find your way up.™**

Call (866) 792-8320  
to speak with a business banker.

**CITY NATIONAL BANK**   
The way up.®

# THE CAPROCK GROUP

## What Matters Most

Families that have success spanning multiple generations know that wealth is more than money. They have a strong understanding of their values and beliefs and invest significant time articulating the purpose of their wealth. They also spend the time to educate and engage the family members on family's purpose. These families pass on values as well as wealth. The family office structure is uniquely positioned to assist the family in fulfilling their vision and to assure that there is alignment of the family's objectives among the family members, their investments and their structures. Families that define what matters most to them can create a lasting legacy, sustain their wealth and impact the world for years to come.

### The History of the Family Office

Private family offices emerged in the United States during the late 19th and early 20th centuries at a time when a handful of elite families amassed staggering wealth. To manage this wealth, the Rockefellers, Vanderbilts, Phippses, Carnegies and others organized offices and staffed them with full-time attorneys, accountants and investment professionals.

This structure ensured independent, unbiased advice and comprehensive counsel that best allocated the family's resources to a variety of investments, properties and personal assets. Each discipline was tended by an expert responsible for managing and protecting the family's wealth for, and from, future generations. The explosion of wealth in the late 20th century created demand for the service and sophistication offered by private family offices, but with a modern, results-oriented focus. Problematically, private family offices are expensive propositions. Despite the value they offered, even families with prodigious wealth sometimes found they couldn't afford the expertise necessary to build and maintain a private family office themselves. Thus, the multi-family office was created, leveraging the private office concept to serve multiple families at a time when the demand for performance, transparency, accountability and technology-based investment solutions was on the rise.

### The Benefits of a Family Office

Wealthy families typically have multiple relationships, each of which have input into the family's financial affairs – a variety of attorneys and accountants, a stable of brokerage firms and banks and a string of unrelated alternative and private investments – but no one relationship is accountable for executing the overall strategic direction. With balance sheets as complex as some corporations, wealthy families need an objective financial partner who is responsible for bringing order and structure to a family's financial affairs via long-term planning and ongoing assessment of assets. The traditional brokerage firms and banks are not equipped to provide this objectivity. They are sales organizations that manufacture and distribute financial products. These organizations have top down profitability targets and large overhead costs that get allocated across all of their business units. These costs are passed to the clients in a less than transparent way. Because of these profitability targets, they typically only offer proprietary products or products that can scale, which creates inherent conflicts for the client. In these companies, the client gets the best of what they have, not necessarily the best solution available. They are not able to provide advice outside of the assets they manage. It is important that a family consider the entirety of their wealth. A genuine multi-family office is uniquely positioned to protect and manage wealth by focusing on all aspects of a family's balance sheet.

Acting as your family's Chief Financial Officer, the family office is responsible for processing what can be an overwhelming volume of information required to make sound financial decisions that benefit the entire family for generations. A family balance sheet can include cash and investments, various business entities, real properties and personal assets and accounts for long-term family goals. The family office builds the balance sheet to determine real net worth, measure returns and manage cash and cash flows. It provides a comprehensive view of the family's wealth.

### Family Wealth Management by Design

There are many successful approaches to investing. But The CAPROCK Group understands that there is only one way to ensure that any approach is successful: the steady, consistent application of *methodology* and *process*. These two parallel but distinct concepts reveal the way in which an advisor chooses to interact with the capital markets, both through the tools they use and the manner in which they gather, interpret and prioritize the variables that impact portfolio performance. We combine our methodology and process with the science and art of investing. We work at the intersection of a deep understanding of the body of investment theory and its limits, and the application of informed market judgment.

### The Perspective and Strategy of a Family CFO

It is the family office's role to act as the Chief Financial Officer, assisting the family's decision makers. Most successful people possess the skills required to manage their day-to-day flow of income and expenses, and to evaluate the merits of individual opportunities. Very few, however, have the time to define and digest the information necessary to make informed,

long-term strategic decisions that span the entire financial spectrum. The frequent result is a portfolio by default rather than a portfolio by design, and a portfolio that typically ignores tax and estate issues in pursuit of raw performance numbers.

Wealthy families typically manage multiple relationships, each of which has input into the family's financial affairs: a short list of preferred brokers, one or two CPA's and a team of attorneys, each with their own niche specialty. A successful family CFO must have the time, the skills and the aptitude to ensure that everyone involved understands the comprehensive financial plan. No matter how well asset managers perform, if the family's wealth management plan is not executed, the end result will be at best disappointing or, worse, disastrous.

*For more information, contact Greg Mech at 949.891.0039 or [gregmech@thecaprockgroup.com](mailto:gregmech@thecaprockgroup.com). Visit [www.thecaprockgroup.com](http://www.thecaprockgroup.com).*

### Greg Mech

Prior to joining The CAPROCK Group, Greg Mech worked for more than 35 years as a consultant, wealth manager, entrepreneur and senior executive. Greg is the former Managing Director of Merrill Lynch & Co. Inc., where he was responsible for the Global Private Client Wealth Management Business and Strategy in the Western U.S. In addition to serving in numerous senior leadership roles at Merrill Lynch, he began his career as a financial consultant and wealth manager. He also co-founded eMaxx Partners, a virtual advisory firm, that utilizes an "open source intelligence model" to deliver a full suite of consulting, marketing, creative and advertising services. Greg is a board member of Alzheimer's Orange County, Operation Underground Railroad and an advisor to Shatterproof. Greg has been a dedicated mentor to many professionals and is also enthusiastic in promoting education and financial literacy for the children in our communities. Greg is a graduate of Northwestern University, and resides in Laguna Beach, Calif.



Because no two clients  
are ever the same.™



Snell & Wilmer  
LAW OFFICES

Understanding  
what makes *you* unique.®

[www.swlaw.com](http://www.swlaw.com)

PLAZA TOWER | 600 ANTON BOULEVARD | SUITE 1400 | COSTA MESA, CA 92626

DENVER | LAS VEGAS | **LOS ANGELES** | LOS CABOS | **ORANGE COUNTY** | PHOENIX | RENO | SALT LAKE CITY | TUCSON

# The Loaded Question

by Jeffrey M. Verdon, Managing Partner, Jeffrey M. Verdon Law Group LLP

"Dad, are we rich?"

Ethan's father drops his fork mid-bite. "That's an unusual question," Roger carefully responds.

Ethan, who just turned 16 and still fears his father's disapproval, hesitates before continuing. He knows there is an unspoken rule in his family to never speak about money. Despite his nerves he plows on determined to get to the bottom of the wild claims his classmates made.

"So, the guys said I didn't need to get a summer job and I was like, 'yeah, right,' and then they asked if I had ever Googled you - I mean us - as a family. I hadn't so I did."

"Ah," responds Roger, "You want to know if it's true."

Ethan shrugs, embarrassed. "I guess," he mumbles, eyes locked onto his plate.

Roger sets down his fork, gently folds his large hands and looks Ethan in the eyes. "Yes, it's true, son. But that changes nothing. You are to work, you are to study hard and you are to go to college. You are to find a career - any career - and you are to live a productive life. An inheritance changes nothing. I know from experience, understand?"

Ethan nods.

"Now that this nonsense is cleared up, we will never speak of it again," and true to Roger's word, he didn't.

## The Fallout

Unfortunately, just eleven short years later, Roger and his newest wife die in an airplane accident on their honeymoon, and Ethan suddenly inherits the responsibility of his late father's estate.

What Ethan quickly learns is that an inheritance does, in fact, change everything.

Ill-prepared, Ethan must suddenly shoulder a nearly half-billion-dollar empire consisting of several closely held businesses, a myriad of trust funds for his multiple



half-siblings, step-siblings and cousins, and properties around the world about which he wasn't even aware. He fails to fend off vultures purporting to give advice and guidance under the guise of feigned concern, which he realizes too late are really efforts at grabbing as much cash from his family as possible.

His family's businesses slide downhill as key personnel jump ship without the consistent vision of a well-prepared leader. And, because money is a magnifier of all things, family infighting leads to mistrust, lack of communication and eventual lawsuits.

Feeling that his father threw him like a screaming lobster into a pot of boiling water, Ethan drops out of veterinary school to try to manage the estate. He's not dumb, so he should be able to learn on the go. But as lawsuits mount and his family falls apart, Ethan becomes clinically depressed. Furious at being forced to change his life for this unexpected, stressful burden, Ethan blows through money like water, supporting a lavish lifestyle with several marriages and overly-entitled children. In defiance of everything his father wished, Ethan, who knows nothing about his family's history, lets the estate's businesses fail and real estate investments depreciate. At this rate, the next generation will be lucky to inherit anything.

Think something like this can't happen to you or your loved ones? Think again.

## Wealth Transfer Today

The United States is currently experiencing the largest wealth transfer in history. According to the Boston College Center for Retirement Research, two-thirds of baby boomers will inherit family money over their lifetime to the collective tune of \$7.6 trillion, and over the next 46 years, the Boston College Center on Wealth and Philanthropy (CWP) estimates that over \$59 trillion will change hands. Yes, that's trillion with a "T."

So, affluent families should expect to inherit huge estates that will keep generations rolling in it for years to come, right?

Wrong. Worldwide, including the United States, 70% of all wealth transitions fail. Used in this context, "wealth transition failure" means that financial "reversals" remove the estate's assets - involuntarily - from the control of the beneficiaries. These reversals can occur due to poor financial or legal planning, taxes, economic downturns, litigation, mismanagement, inattention, incompetence, family feuding and simple financial loss. Furthermore, 70% of heir families lose family cohesion after receiving an inheritance, and only one-third of family businesses successfully make the transition from one generation to the next. This consistent failure rate gives rise to the phrase "shirtsleeves to shirtsleeves in three generations."

Ethan's story isn't so unique after all.

Researchers at the family-wealth consultancy, The Williams Group in San Clemente, California, conducted a study of over 3,250 affluent families and asked why the 70% failure rate was so consistent around the world. Their results are eye-opening.

The reasons for wealth transfer failure most often cited by lawyers and financial planners, high taxes and poor investments, surprisingly only account for 15% of all failures. In fact, the single biggest factor of wealth transfer failure in 60% of all cases is poor trust and communication among family members. Additionally, the failure of parents to prepare their heirs for their wealth resulted in 25% of wealth transfer failures. **Doing the math, a full 85% of wealth transfer failures are due to family dynamics rather than poor legal and financial planning.**

So, it's not enough to prepare your assets for your heirs....You must also prepare your heirs for your assets.

Talking about wealth transfer means talking about death and money, which are admittedly two of the most highly sensitive and uncomfortable subjects for families. But not talking about it risks your entire estate. Don't let Ethan's story become your own.

While our law firm has always prepared our client's assets for the heirs, we now have a comprehensive program to prepare the heirs for the assets. The program is called Heir Estate Education Program. We invite you to contact our office to learn more about the program. Let us help you start the conversation to preserve your wealth, and your family unity, for generations to come.

For more information about any of the information discussed in this Client Alert, or any other income or estate tax planning or asset protection planning assistance, please contact the: Jeffrey M. Verdon Law Group at 949.333.8150 or visit [www.jmvlaw.com](http://www.jmvlaw.com).



Jeffrey M. Verdon

Was I  
**WORTHLESS**  
or  
**WORTHY**  
Now I know.

Often times the most precious gift of all is a second chance. For over 20 years we've taken in those that society has forgotten, empowering them with life-changing job skills.

To learn more, visit [tsjhopebuilders.org](http://tsjhopebuilders.org) or call (714) 543-5105.

**TALLER SAN JOSE**  
**HOPE BUILDERS**

WELLS  
FARGO

Your neighbor first.  
Your banker next.

Wells Fargo is now part of Irvine and is looking forward to getting to know you. Right in your neighborhood, you can enjoy one-stop convenience for financial guidance and services, from managing daily expenses and saving for your child's education, to keeping your retirement goals on track.

**Please stop by and see us soon — we're on your way.**



**Los Olivos Marketplace**

8587 Irvine Center Dr.

949-358-6750

Monday - Friday: 9:00 a.m. - 6:00 p.m.

Saturday: 9:00 a.m. - 4:00 p.m.

[wellsfargo.com](http://wellsfargo.com)

© 2016 Wells Fargo Bank, N.A. All rights reserved. Member FDIC. (2292901\_17427)

Together we'll go far





## Finding and Keeping Your Balance

It is hard to find balance in wealth matters when one's wealth reaches substantial levels and complexity. There is a seemingly endless amount of information; ideas, claims, predictions, and legal and tax techniques. Much is written about legacy planning, family values transfers, and the responsibilities of wealth. It all can be useful to varying degrees after the center point for families is established and they know all that they are balancing.

The center point is simply the family members and their goals. They should know the answer to the question of "what is this wealth intended to accomplish specifically." I regularly find that families are either not thinking of, are mis-prioritizing, or are losing sight of the objectives of their wealth. They're off balance. With substantial wealth, however, they may not realize it. The question of purpose is a simple one but can be difficult to answer completely and the answers can often seem to change for unclear reasons.

First things first. Clients should expect that the first priority of their advisors – including tax, legal, banking, investment, real estate, etc. – is to help them clearly identify, understand, and refine their needs and goals that are aligned with the purposes of their wealth. Every advisor should make a beneficial contribution to helping establish and maintain balance. Each has a role to play in that regard, formal or informal.

How do you focus on what's important to you and what works within a uniquely tailored plan that has the right risks and expected returns while also remaining open to new ideas and retaining financial flexibility? It's a tall order and there are always tradeoffs to consider.

► **Balance how you spend time to create goals, quantifying them to the extent possible, and then determining what return is required to reach them.** This is your risk need. It's a simple but valuable starting point. It gets tough quickly when you consider all the various types of assets, use of leverage, liquidity, cash-flow, volatility, fees, taxes, account types and titling, and perhaps other matters. With substantial wealth, the need to create separate accounts or structures for specific needs like college planning or retirement disappears. Unfortunately, the desire for adequate planning also seems to fade as well due to the often misplaced sense of security greater wealth provide.

► **Balance how you view risk.** Ask yourself what the risks of not reaching particular goals? Risks come in many forms; investment loss, lack of liquidity at the wrong time, performance risk, inflation risk, correlation risk, reinvestment risk, and more. Balancing your risk need and your risk tolerance is crucial. Understanding and accepting the implications of not reaching your goals is key before taking the risk.

► **Balance your team.** Seek out experts that look at the entirety of your goals and all aspects of your balance sheet to take advantage of sophisticated strategies that are suitable. It may be that you can ladder loans to an intentionally defective trust to minimize taxes. Or utilize customized leverage to improve cash flow or enable asset transfers to the next generation. Alternative investments can be used for either downside risk management or to generate incremental risk-adjusted returns. More wealth means more choices and more decisions. Your assets, debt, and structures should be simple enough to meet your goals and preserve flexibility but not so simple that they are ineffective.

► **Balance your evaluation and assessment.** Think about how to roll everything up annually to review it in an integrated fashion. This helps you get a clearer picture of how all the elements mentioned above are interacting. With regard to assessing investment performance, don't spend much time bench-

marking your performance and concentrate on what **you** need to reach your objectives. Industry benchmarks can be useful references, but they are secondary to the performance you expect given the risk you are taking and your constraints for liquidity, cash-flow and other elements. Calculating your returns and seeing everything holistically takes work when you consider your real estate, other real assets, illiquid assets including private and direct investments, partnerships, business ownership interests and partnerships, stock options and restricted stock, all debt, etc.

**“How do you focus on what's important to you and what works within a uniquely tailored plan that has the right risks and expected returns while also remaining open to new ideas and retaining financial flexibility?”**

With a clearer understanding of your own balance, staying there should encompass these considerations:

1. Know your limits. For example, we see professionals in one field suddenly try to become experts in another too quickly. It's tough to be a great doctor and also a great real estate investor at the same time. Take time to understand how that real estate fits in to your bigger picture. Avoid becoming too ambitious too quickly in the name of being opportunistic.

2. Check regularly, perhaps annually or whenever something in your life changes, to see that your balancing "plan" for risk need and risk tolerance are known by you and your advisors and are still sustainable and comfortable for you to reach your goals.

3. When planning, gifting, or making philanthropic commitments be sure not to plan yourself into financial inflexibility. Losing too much financial flexibility by over-committing can inhibit the capacity to borrow and use leverage when appropriate to maintain your balance.

4. Staying with an advisor of any kind, financial, legal, tax, etc., just because you always have is not reason enough. Every advisor, friend or otherwise and their firm has to earn more than your trust. Trust is all-important of course, but not all-encompassing. Your advisor should be able to provide advice and also challenge your assumptions and sentiments in a way that helps you define and reach your goals and stay in balance.

5. Most importantly, be focused on your own objectives and be certain that your tax, legal, financial, and other advisors are clear on them. Set high expectations. It is very difficult to find and keep **your** balance otherwise.

*Non-Deposit investment products are not FDIC insured, are not obligations of or guaranteed by the bank, and are subject to investment risk, including possible loss of principal. Past performance is not a guarantee of future results.*

### Michael Pagano

Michael Pagano is executive vice president of Private Client Services for City National Bank. Private Client Services tailors solutions to help wealthy families and individuals grow, preserve, and transfer their wealth. The group also specializes in working with professional services firms and select nonprofit organizations. Mr. Pagano has been with City National since 2007, and is a member of the bank's Executive Committee. Mr. Pagano has worked in the financial services industry since 1985 and has been in private wealth management and private banking since 1994.



### About City National Rochdale

City National Bank is backed by \$36.4 billion in total assets, and provides banking, investment and trust services through 75 offices, including 16 full-service regional centers, in Southern California, the San Francisco Bay Area, Nevada, New York City, Nashville and Atlanta. The company and its investment affiliates manage or administer \$53.9 billion in client investment assets, including \$40.3 billion under direct management.

City National is a subsidiary of Royal Bank of Canada, one of North America's leading diversified financial services companies. RBC serves more than 16 million personal, business, public sector and institutional clients through offices in Canada, the United States and 38 other countries. For more information about City National, visit the company's website at [cnb.com](http://cnb.com).

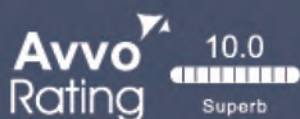


**Matsen Voorhees Mintz LLP**  
**Big Firm Legal Services**  
*Boutique Firm Customer Service.*

Matsen Voorhees Mintz LLP (“MVM Law”) has the experience and expertise to tackle even your most challenging asset management, creditor protection, and wealth transfer issues. Whether you are kept awake at night worrying about: creditors and predators who might try to attack your assets; the lack of a business succession or estate plan that will allow you to transition your wealth tax efficiently; or high federal and state income taxes, MVM Law provides you with nationally recognized attorneys who understand each critical component involved in planning, protecting and preserving your wealth.

Combining practice area expertise with the wisdom of over 100 years of experience between the three partners, Jeffrey R. Matsen, Timothy Voorhees, and Jonathan A. Mintz, MVM Law is uniquely qualified to design and implement integrated and comprehensive planning solutions, without giving up the focused attention, skill, and service you need in any area. MVM Law uses extensive knowledge and wisdom to combine strategies that address your most urgent needs for protection, efficiency, and relationally-oriented wealth transfer to pass on values before passing on value.

Discover why US News & World Report ranked MVM Law as a Top Law Firm in Orange County for 2014 and 2015. Call us today at 888-798-7714 to schedule an appointment.



# Snell & Wilmer

LAW OFFICES

## A Death in the Family – Now What?

by Timothy J. Kay, Partner and Steffi Gascón Hafen, Associate, Snell & Wilmer

A death in the family is an emotional time, and often the task of closing out the decedent's life is an overwhelming and stressful responsibility left to the decedent's loved ones. Advance planning for the administration of your assets at your death can provide stress relief and a clear path forward. Estate planning may also alleviate the tax burden to your loved ones and allow your legacy to remain intact for future generations.

Below are some considerations when there is a death of a family member or loved one:

### To Do Immediately:

- ▶ Search for the decedent's Advance Health Care Directive for instructions regarding burial and organ donations – the named agent has the authority to make these decisions
- ▶ Notify friends and family
- ▶ Secure and lock up property
- ▶ Consider funeral and burial preparations
- ▶ Prepare an obituary
- ▶ Search for the decedent's will and other estate planning documents
- ▶ Notify Social Security, Medicare, etc.
- ▶ Stop health insurance
- ▶ Look into death benefits through employer
- ▶ Notify life insurance companies
- ▶ Make a list of important bills (such as mortgage payments and property insurance) to ensure that bills are appropriately handled
- ▶ Notify mortgage companies, banks and credit card companies
- ▶ Notify credit reporting agencies
- ▶ Meet with an estate planner to discuss the administration of the estate. There are plenty of tax and state law rules that require attention and compliance.

### Trust or Probate Administration?

If the decedent created a revocable trust during life with a "pour-over" will, then the decedent's estate will be administered according to the trust, most likely with no court intervention. If a decedent did not establish a revocable trust or left a probate estate, then a probate administration should be commenced with the applicable Superior Court.

In a trust administration, a successor Trustee can immediately begin acting on behalf of the Trust. The successor Trustee can take control of Trust bank accounts and other assets, act on behalf of the Trust with respect to closely held business interests and otherwise manage the Trust's affairs almost seamlessly. Assuming there are sufficient assets in the Trust, distributions to the decedent's beneficiaries can be accomplished in short order. All of this can be done without court supervision and without making a public record of the decedent's assets and liabilities.

On the other hand, in a probate administration, an interested person must petition the probate court to commence an estate administration and appoint a personal representative, which can take months. An inventory of the decedent's assets and liabilities will be filed with the court and open to public inspection, and all actions are subject to judicial scrutiny. It can easily take more than a year to distribute the assets and close the probate administration – probate courts in Los Angeles and Orange Counties are quite backlogged.

### Will the IRS Take All the Family Money?

**Income Taxes.** Some may expect to get a hefty income tax bill when they receive an inheritance. However, the recipient of an inheritance does not generally pay California or Federal income taxes on the bequest. (Retirement plan assets are the big exception to this rule.) Furthermore, the income tax basis of the assets received through inheritance are "stepped up" to fair market value at date of death, potentially eliminating significant capital gain on the subsequent sale of such assets.

Keep in mind, however, if you inherit something that has produced income since the date of the decedent's death, that income could be taxable to you.

**So-called "Death Taxes" (aka Estate Taxes).** There is no California estate tax or inheritance tax, so families of California decedents generally need only focus on Federal estate taxes.

The American Taxpayer Relief Act of 2012 (ATRA) set the Federal gift and estate tax exemption and the generation-skipping transfer tax (GST tax) exemption at \$5 million, indexed for inflation. For 2016, the gift and estate tax and GST tax exempt amounts all equal \$5.45 million (which means \$10.9 million for married couples). For individuals with a net worth under \$5.45 million (reduced by lifetime taxable gifts), there will be no estate tax or GST tax at the taxpayer's death.

For larger estates, the estate and gift taxes and GST taxes are all set at a flat 40 percent rate. This means an individual with a net worth of \$15 million and a fully taxable estate could expect a Federal estate tax bill of up to \$3.82 million upon death. For those with a net worth above the exemption amount (or those expecting an event to cause their net worth to exceed the exemption amount), a check-up with your estate planner is advised to ensure that your plan takes appropriate advantage of today's laws and the cutting edge techniques that can reduce the future transfer tax bill from the IRS.

### To File or Not to File an Estate Tax Return

If a decedent leaves an estate over the exemption amount (reduced by taxable gifts), a Federal estate tax return must be filed. Some estates under the lifetime exemption amount should also file a Federal estate tax return to elect "portability."

ATRA made "portability" permanent – a great benefit to married couples. If a spouse dies without exhausting his or her lifetime gift and estate tax exemption, so long as the decedent's executor makes the proper election on an estate tax return, the unused exemption is credited or "ported" to the surviving spouse for use during life or at death. The deceased spouse's unused exemption at the survivor's death will be combined with the survivor's own estate tax exemption to offset any estate tax liability in the survivor's estate.

Keep in mind, however, unused GST exemption is not portable; if it is not used by the decedent, it is lost. Families wishing to engage in multiple generational planning should consult with their estate planner.

Finally, a new Federal law passed in 2015 provides that executors of an estate and others may be required to file IRS Form 8971, which reports information on property acquired from a decedent by a beneficiary. Form 8971 is intended to ensure consistent income tax basis reporting by estates and their beneficiaries. The Treasury Department and the IRS expect to issue proposed regulations to provide more guidance on such reporting shortly.

### Timothy J. Kay

Timothy J. Kay is a Certified Specialist in Estate Planning, Trust and Probate Law, California Board of Legal Specialization and is a partner in the Orange County office of Snell & Wilmer. His practice is concentrated in tax, trust and estate matters with emphasis in estate planning, trust and probate administration, estate and gift taxation and trust and estate litigation. Reach Tim at 714.427.7400 or tkay@swlaw.com.



### Steffi Gascón Hafen

Steffi Gascón Hafen is an associate in the Orange County office of Snell & Wilmer. Her practice is concentrated in estate planning and taxation matters, with emphasis in advanced estate planning techniques. She also has experience in trust and probate administration, state and local taxation, and succession planning for closely held businesses. Reach Steffi at 714.427.7076 or shafen@swlaw.com.



# THE CAPROCK GROUP

*A fresh perspective on family wealth management*



## Perspective

The CAPROCK Group develops customized, comprehensive and strategic financial solutions for high net worth individuals and families who don't have the expertise or the time to do so on their own. We base every decision on unbiased analysis that suffers no outside pressure and that has only one goal: to protect and grow our clients' wealth. We invest in people and technology to deliver transparent, comprehensive performance reporting. We impose structure on what we frequently see as quasi-organized confusion.

### The CAPROCK Group was founded on six observations

- Investors want impartial advice but rarely get it.
- Most families would choose to enjoy their wealth rather than administer it.
- Accurately assessing opportunity in any asset class demands direct experience.
- Crafting a properly diversified portfolio requires more knowledge and time than one person can master.
- Assembling a performance report that captures the full scope of such a portfolio can be an overwhelming task.
- The intelligent approach to investing and passing wealth between generations is based on simplicity and structure.

## About Us

Established in 2005, The CAPROCK Group is a multi-family office with locations in San Jose, Seattle, Newport Beach, Park City, and Boise. We strive to become true partners with our clients, helping them to protect and grow their wealth with a full range of financial solutions that are strategically customized for each family's unique circumstances.

The CAPROCK Group is proud to be one of just 33 family offices in the world on the Family Office Exchange's (FOX) Leading Wealth Advisors list. The FOX Leading Wealth Advisors list identifies firms that have passed a comprehensive screening process to assess their ability to deliver integrated wealth advice to families with more than \$20 million in investable assets.



## 4 Tips to Help Family-Owned Businesses Create a Successful Succession Plan

Family-owned businesses account for more than 28 percent of U.S. firms, and they play a powerful role in the economy. From small businesses to large entities, there isn't a one-size-fits-all approach for family-owned businesses and many have unique or complex arrangements when it comes to ownership, roles and responsibilities. However, one commonality that many family-owned businesses share is that they want their business to stay in the family for years to come.

According to a Wells Fargo/Gallup Small Business Index survey, almost half (40 percent) of small business owners said they were motivated to open their business to provide jobs for children or family members in the future, and another 34 percent say that when they retire, they plan to transition their business to a family member. Yet how many family-owned businesses have a succession plan in place?

As you think about the future of your business, it's a good time to evaluate the status of your succession plan so that you can leave a legacy you're proud of when it's time to pass down the business. Here are four things to consider when preparing to develop or update a succession plan for your family-owned business:

**Define family members' roles** – Identifying roles and responsibilities for family members who are active in the business will help you articulate how the transition will impact each stakeholder, and what type of support the successor can expect. If you're hoping to hand the business down to a son or daughter, now is a good time to check in to understand if he or she wants to be involved in the business long-term, and in what capacity. It is also a good time to take a fresh look at your company's staffing structure, analyze performance, and assess who is most equipped to lead when you step down.

**Explore financing options** – As part of your succession plan, you will need to identify how to properly transition the business to the next owner from both financial and legal standpoints. Is your business a sole proprietorship or is it co-owned? Will your successor outright purchase the business, or will it be gifted to them? Does your business carry any debts? What are the tax implications? These are important questions to ask as you map out your departure from the business. Make sure you have a team of trusted professionals in place, including a banker, CPA and attorney, to help you answer these questions. Schedule time to meet with these professionals to learn more about how you can best fulfill your financial needs, and to design an agreement that's fair for all family members involved in the business.

**Set up a smooth transition** – After you establish the financial and legal aspects of the succession plan, you'll need to make sure your business is as organized as possible when you hand over the reins. One way you can do this is by creating an up-to-date, streamlined business plan. In a recent survey, only one in three small business owners reported they had a formal, written business plan. To help make it easier for more business owners to prepare plans, Wells Fargo has a free, online Business Plan Center that provides step-by-step instruction to create or update written business plans.

**Establish a timeframe** – As you finalize your succession plan you'll want to make sure you have a timeline that works for both you and the successor. Build any remaining training into the plan so you can be certain that you're leaving

### Small Business Retirement Insights

Wells Fargo talked to small family business owners for insight into their thinking about retirement. Small business owners have some financial concerns about retirement but are feeling more optimistic than during the recession.

- ▶ 66% anticipate that they will have enough money to live comfortably in retirement.
- ▶ 57% are either very or moderately worried about not being able to pay medical costs for a serious medical issue in retirement.
- ▶ Over 50% of small business owners said they aren't ready to sell their business or quit working yet.
- ▶ Over 50% of business owners said they estimate the best time to sell their business would be in the next 1-10 years; 25% said the best would be more than 10 years from now.
- ▶ 62% of business owners said they are not worried or not too worried about being able to sell their business when they are ready.
- ▶ 55% said if money were no object they would opt to continue working full- or part-time, while 26% said they would retire completely, 13% would start another business and only 4% would choose to work for someone else.
- ▶ 55% are either very (26%) or moderately worried (29%) that they will not have enough money in retirement. The percentage reporting worry in third quarter 2010, the height of the recession, was 64%.

the business in capable hands. As you communicate your succession plan to family and staff, make your exit strategy clear so everyone knows your role in the business following the transition.

There are many emotions involved in selling or handing down a family business, and a well-organized succession plan will help save you time and money. It also will give your successor the best chance of long-term financial success. For more tips on succession and business planning, visit [www.wellsfargoworks.com](http://www.wellsfargoworks.com).

#### About Wells Fargo

Wells Fargo & Company (NYSE: WFC) is a diversified, community-based financial services company with \$1.8 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through 8,700 locations, approximately 13,000 ATMs, the internet ([wellsfargo.com](http://wellsfargo.com)) and mobile banking, and has offices in 36 countries to support customers who conduct business in the global economy. With approximately 265,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 30 on Fortune's 2015 rankings of America's largest corporations. Wells Fargo's vision is to satisfy our customers' financial needs and help them succeed financially. Wells Fargo perspectives are also available at Wells Fargo Blogs and Wells Fargo Stories.

#### Ben Alvarado

Ben Alvarado is executive vice president and president of Wells Fargo's Southern California Community Bank. He oversees approximately 3,800 financial professionals at 234 banking stores and manages more than \$34.1 billion in deposits and \$11.3 billion in loans. A 24-year banking veteran, he assumed his current role in December of 2014. Prior to being named president for the Southern California Region, he ran the Orange County-Inland Community Bank. He also has served in various positions at the company, including retail bank district manager for the Pasadena and South Bay markets; commercial loan officer; sales development coach; banking store manager; personal banking officer, and bank teller. As one of the top ranking executives in the bank, he also sits on the Management Committee, which provides oversight on

operations, practices and to lines of business.

Alvarado earned his bachelor's degree at California State University, Long Beach, and an MBA from Pepperdine University. Alvarado is active in the community and serves on the board of directors for Orange County United Way; the advisory board for Miller Children's & Women's Hospital Long Beach; Memorial Medical Center Foundation; the board of directors for Bundles of Books in Los Alamitos; the alumni board for La Salle High School in Pasadena and is the current president of Wells Fargo's Latin Connection team member networking group. Alvarado resides in Rossmoor with his wife and two children.





CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

## No More Inconsistencies in Estate Tax and Income Tax Basis

Effective for any assets that were reported on an estate tax, Form 706, after July 31, 2015, the value of the asset reported on the estate tax return must be used for income tax purposes. This new requirement is meant to close a loophole that has existed for years. In an attempt to “work” the system, certain filers were using a low basis value for assets when reporting them on an estate tax return in order to reduce the amount of estate tax due. Then, when the asset was ultimately sold they used a higher basis to lower the amount of gain or increase the amount of loss for income tax purposes. The Internal Revenue Service has now mandated that if an estate tax return is filed and the inclusion of the asset increases, the estate tax due for the return the basis used for income tax purposes can't be more than the basis reported on the estate tax return, or, if the return is subsequently examined, can't be more than the value placed on the asset as a result of the IRS examination.

Along with this consistent basis requirement comes new information reporting for inherited property.

Effective for property listed on an estate tax return filed after July 31, 2015, if the gross estate exceeds the basic exclusion amount, (\$5,430,000 for 2015 and \$5,450,000 for 2016), the executor is now required to furnish to the IRS and to each beneficiary a statement identifying the value of each interest in such property as reported in the estate tax return.

The statements required to be filed with the IRS or furnished to a beneficiary have a current due date of March 31, 2016, however, the IRS is recommending that executors wait to prepare the statements until the Treasury Department and IRS issue further guidance. Eventually these statements will be due the earlier of 30 days after the return is filed or 30 days after the return is due.

As of now, there is no requirement for providing this information if an estate tax return is not required, however, the IRS has been authorized to issue regulations for reporting requirements for small estates that don't require the filing of an estate tax return as well. As always, the IRS is able to assess penalties for failure to file

information returns as well as penalizing taxpayers who report inconsistent estate and income tax basis for inherited assets.

ELLS Certified Public Accountants & Business Advisors provides accounting, audit, assurance, tax, business advisory and wealth management services to closely held businesses and their owners. Founded in 1968, we are among the largest mid-sized CPA firms in Orange County.

For more information, contact Sherry Radmore at 714.569.1000 or [sradmore@ellscpas.com](mailto:sradmore@ellscpas.com).

### Sherry L. Radmore

Sherry L. Radmore has been part of the ELLS team since 1985 and a shareholder since October 1984. Sherry's area of expertise include individual and business taxation, IRS and Franchise Tax Board representation, strategic growth strategies, tax planning, estate, gift and financial planning, and wealth preservation. Sherry is responsible for the development of our estate and trust department as well, specializing in estate and trust planning and gifting options. Her clients include healthcare professionals, distributors and wholesalers, manufacturers and real estate developers. Sherry has served on the board of directors and on several committees for the California Society of Certified Public Accountants (CalCPA) for the past fifteen years. Her dedication to exposing up-and-coming accounting professionals to the world of public accounting has earned her the respect of the accounting community.



WILL OUR  
WEALTH BE A  
CURSE OR A  
GIFT?

Around the world, families trust GenSpring to manage important aspects of their financial lives... helping them answer the questions that keep them awake at night.

*What would you like your family office to do for you?*

**Know more. [GenSpring.com](http://GenSpring.com)**

GENSPRING<sup>Y</sup>  
FAMILY OFFICES

SUSTAINING FAMILY WEALTH

**Chris Walters**

*Managing Director, Western Region*

714.641.1402 | [Chris.Walters@GenSpring.com](mailto:Chris.Walters@GenSpring.com)



## Creative asset and lifestyle protection requires challenging the status quo.

When it comes to Tax Efficient Portfolio Management, Estate Tax Planning and Asset & Lifestyle Protection, there are effective, and tax code approved strategies used by experienced investors, to reduce or eliminate their death taxes, reduce their income taxes, and protect their wealth from lawsuits. And using conventional techniques just won't get it done.

Let Jeffrey M. Verdon, of the Jeffrey M. Verdon Law Group, show you modern disruptive technologies that will transform your thinking. These game-changing strategies can protect and increase your wealth.

For instance, most everyone has a living trust, but does your trust protect your assets from unforeseen lawsuits?

As a successful investor, you haven't achieved your success by being content with the status quo. So thinking differently should hardly be disruptive. Call our offices now. There's no downside in looking.



**JEFFREY M. VERDON  
LAW GROUP, LLP**

*The Fusion of Planning and Protection.*

1201 Dove Street, Suite 400  
Newport Beach, CA 92660

949.333.8150 ▼ [www.jmvlaw.com](http://www.jmvlaw.com)

TALLER SAN JOSE  
**HOPE  
BUILDERS**



## Under the Radar: Meet the Group That's Been Closing the Skills Gap for More Than 20 Years

There is an Orange County program that has been closing the skills gap for at-risk young adults for more than 20 years. You may not know their name, but you're probably familiar with the businesses and leaders that they consider partners.

Hope Builders, originally named Taller San Jose, was founded in 1995 by Sister Eileen McNerney and three other nuns who envisioned a place where young people could transition away from poverty and gang violence toward the more satisfying life that work and self-reliance brings. As one of their graduates wrote in a Huffington Post article:

"If you had told me five years ago that I, Manny Tapia, would find a job where I was earning \$30 an hour, I would've called you crazy."

Tapia joined Hope Builders in 2010, and he learned practical education and construction skills that led to employment beyond his modest dreams of a steady job.

"It has been a long, winding journey, but I am now proud to be a father, husband and a provider for my family."

Mr. Tapia is one of 5,000 Orange County young adults who rose from despair to hope – by learning marketable skills – and then to pride as they earned good jobs from local businesses. Employers have praised their skills, work ethic, and positive attitude. Hope Builders also follows their graduates, for 2 years after they get a good job, to make sure they have the support and knowledge they need.

### Hope Builders and Their Partners

Nationally, more than 6.7 million youth, between the ages of 16 and 24, are both unemployed and out of school. These youth suffer high rates of chronic poverty, exposure to violence, and diminished health and wellbeing, contributing to a future lifetime taxpayer burden of \$1.56 trillion.

In Orange County, more than 55,000 youth, ages 18 to 28, live in poverty. Despite an eagerness to work, these youth lack access to employment and education pathways. Meanwhile, businesses struggle to find entry-level workers with the right skills and personal attributes to meet their workforce demands.

Hope Builders bridges this gap and partners with local employers in construction, healthcare and technology who need energetic workers with comprehensive training.

Throughout a 28-month program, Hope Builders simulates the workplace, reinforces critical professional behaviors and provides:

- ▶ Hard Skills Training in Construction, Healthcare or Business Applications
- ▶ Life Skills and Counseling
- ▶ College Credit and Links to Apprenticeships
- ▶ Employment Placement and Retention Support

This year, Hope Builders is opening a new site in Anaheim, where it will double the number of young people that it serves annually and increase its capacity to meet employers' workforce needs.

To join this initiative, visit [www.tsjhopebuilders.org](http://www.tsjhopebuilders.org). For more information, please contact James Le, Director of Strategic Partnerships and Brand Integration at [jle@tallersan jose.onmicrosoft.com](mailto:jle@tallersan jose.onmicrosoft.com) or 714.543.5105, Ext. 121.



## What Is a Family Office?

*The Wall Street Journal* describes a family office as a “step up” from the traditional form of wealth management<sup>1</sup>. In the United States the concept of the family office evolved out of necessity during the late 19th and early 20th century as some of the great American families, such as the Carnegies, Fords and Rockefellers, accumulated vast fortunes. With significant wealth came considerable responsibility, and the establishment of single-family offices (SFOs) to exclusively manage the complex interplay between the financial, business and personal affairs of these multi-generational families. One of the more thoughtful definitions of a family office comes from The Family Office Exchange (FOX), which defines it as “a unique family business that is created to provide tailored wealth management solutions in an integrated fashion while promoting and preserving the identity and values of the family.”

### The Industrial Revolution and the Growing Demand for Family Offices

As America prospered, more fortunes were made and the number of family offices expanded generally as a result of one of the following scenarios:

- ▶ Investable assets of the family outgrew the expertise and time constraints of the family business personnel who had historically been tasked with oversight responsibilities, making professional management a necessity.
- ▶ The family business was sold and the wealth creators realized they needed a dedicated professional structure and specialized personnel to manage their affairs.
- ▶ The family attempted to manage their own affairs to the detriment of their business and/or the level of time and complexity proved overwhelming, ultimately leading them to seek professional assistance.

### The Birth of the Multi-Family Office

As more families achieved significant wealth and the complexities of their wealth escalated, the demand for family office services grew. Unfortunately, the costs of running a single-family office became prohibitive to all but an elite sub-set of the most affluent (>\$500 million in net-worth). By the 1990’s, families began to combine offices and share resources to defray the costs of specialized personnel and expand the breadth of services provided to the family- the “multi-family office” or MFO industry was born. Today there are over 2,500 SFOs and 140 MFOs worldwide, according to a survey conducted by Family Wealth Alliance<sup>2</sup>.

### 10 Elements of a Family Office

The family office industry is and always has been about serving families. Family offices are designed to prepare family members to collectively manage their wealth over multiple generations. Just as each family is unique, so are their needs. GenSpring categorizes these needs into ten distinct but interrelated elements offered by SFOs and MFOs. They include lifestyle, expense management, taxes, document management, fiduciary, investments, education, estate, philanthropy and governance. A threshold requirement to be considered a family office is the ability to integrate advice across these elements.

Ultimately, the advice and services a family office delivers are based on the unique needs of the family it serves. Not every family desires a comprehensive multi-generational family office that includes services across all ten elements. Many families find only certain family office elements relevant at particular times. The beauty of a family office is that its services are customized, personalized and aligned in a way to best serve the unique interests of the family.

<sup>1</sup> Peter Lattman and Mary Pilon, “Winfrey Hires a Star Manager,” <http://www.wsj.com> (May 18, 2010)

<sup>2</sup> The Family Wealth Alliance Report (2011)

#### Chris Walters

Chris Walters has over 25 years of wealth management experience with a foundation in helping families sustain and enhance their wealth through generations. As managing director of GenSpring’s Western Region, Chris oversees all aspects of our business across the Western U.S. and served through our local family offices located in Orange County, Los Angeles and San Francisco. For more information, contact him directly at 714.641.1402 or [chris.walters@genspring.com](mailto:chris.walters@genspring.com).



## 10 ELEMENTS OF A FAMILY OFFICE

- Li** LIFESTYLE: Provide goals-based financial planning, including customized financial reporting, custom credit solutions, risk assessment, assistance in meeting private banking needs and guidance with acquisition/financing of lifestyle assets.
- Em** EXPENSE MGMT: Receive/post outstanding payables, establish expense approvals and archiving, categorize and code expense transactions, facilitate detailed financial reporting.
- Ta** TAXES: Provide federal, state and income tax planning, charitable tax planning and structuring, tax planning for trusts and estates, and documentation for tax compliance.
- Dm** DOCUMENT MGMT: Maintain document inventory and summary of major assets, as well as copies of investment documents, statements, financial reports and correspondence.
- Fi** FIDUCIARY: Provide trust administration and management, fiduciary accounting and beneficiary communications, liability support and a complete infrastructure to meet the complex obligations of the Trustee.
- In** INVESTMENTS: Develop Investment Policy Statement and strategic asset allocation and investment strategy. Perform investment due diligence and consolidate reporting.
- Ed** EDUCATION: Educate the next generation, develop individual and family education plans, and deliver educational programs based on all aspects of wealth.
- Es** ESTATE: Review and illustrate estate plan; create and communicate wealth transfer objectives; carry out annual estate plan review, recommendations and monitoring.
- Ph** PHILANTHROPY: Educate on philanthropy; identify shared values and giving interests; develop philanthropic mission statement; involve the next generation.
- Go** GOVERNANCE: Facilitate family meetings; develop and implement family mission statement; develop family governance system and constitution; plan succession.



# OUR FOCUS IS YOU.



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

ACCOUNTING | AUDITS & REVIEWS | TAX | BUSINESS ADVISORY  
WWW.ELLSCPAS.COM | 714.569.1000

