



The Financial and Estate Planning Council of Metropolitan Detroit, Inc.

October 2015

33006 W. Seven Mile Road, #237, Livonia, MI 48152 • (248) 538-7654 • FAX: (248) 479-0350

President's Message

I hope you have all enjoyed the unbelievable string of warm, sunny, dry days over the last month. As I write this letter, Fall is definitely in the air; so sweatshirts and the like will definitely be required for any future Michigan or Michigan State games you plan to attend!

Thankfully, the weather cooperated at our Spouse's night in September. The evening started with a bus tour of the city led by an organization called the Detroit Experience Factory ("DEF") (www.weknowdetroit.com). We rented three separate buses, each led by a talented representative from the DEF who in an enthusiastic, entertaining way, educated us about the history of Detroit and current developments in the City. The quality of the experience was evident as the riders from each bus all felt "lucky to be on their bus" given their view that their DEF representative had to have been the "best." The evening was capped off with dinner in the historic Majestic Theater and an excellent, thought provoking presentation given by Matt Cullen, of Rock Ventures, regarding successful private – public partnership projects in Detroit. (A special thank you to Kris Wolfe for taking on this special event and all the incremental logistical planning that was required.)

We have one more great event scheduled this year - on November 10th - in Royal Oak at the Emagine Entertainment & Star Lanes. We have a nationally renowned speaker lined up – Sam Donaldson from the Georgia State University College of Law– who will give a two hour CE session in the afternoon titled "Federal Tax Update" and a presentation at dinner on "Hot Income Tax Tips for Estate Planners." This venue will be particularly conducive to networking and also allow the participants to listen to the CE presentations in comfort (relative to the typical uncomfortable "conference chair"). This event will also serve as the annual meeting of the Council.

As we approach the end of 2015, I ask that each of you continue to look for new ways to get involved with the Council by being active members of committees, by proactively offering your program ideas, and by promoting and attending our events. Speaking from personal experience, I know you will find that what you put into the organization will be far outweighed by what you gain from it.

We look forward to seeing you in November and as always, welcome any feedback that you may have.

Jeffrey M. Risius, CPA/ABV, President

Defusing the Emotional Minefields of Family Wealth Transfer

Jay Cherney, Ph.D.

The Challenge and Promise of Purpose-Driven Planning

Introduction

I've been a member of the Pittsburgh Estate Planning Council for nearly three years, yet I'm still a bit of an outsider, a minority. From my base of experience as a psychologist, I look at clients through a distinctly different lens from most attorneys and wealth managers. My mission is to more fully integrate the knowledge and expertise of family dynamics into financial advising. This article explains how I see the wealth transfer process. I'll make the case for integrating my kind of skills and perspectives into your work with client families. This new collaboration expands the advisory role and is gaining traction because it deepens our positive impact on client families.

The core of estate planning, as I understand it, is to facilitate wealth preservation down the generations. The technical, legal work you do is the essential bedrock for success with wealth transfer. Yet the powerful forces of family dynamics can turn your best work into chaos. I lived my own heartbreaking family feud, an experience which fuels my passion for this work. For me, it's personal.

Welcome to Our New Members

DAVID CLARK, CFP
Morgan Stanley

Sponsors: Tess Sullivan and Kevin Granger

J.R. HESANO
UBS Financial

Sponsors: David Hempstead and Mark Ambrose

CHRISTOPHER M. MANN, JD
Dawda, Mann, Mulcahy and Sadler, PLC

Sponsors: Glenn Ross and Lawrence Raymond

My Family Fractures

I grew up in Manhattan in the '50s and '60s with my two older sisters, parents and maternal grandfather. As a teenager around 1900, Grandpa fled Poland where life was bleak for Jews. He arrived in New York with nearly nothing but managed to establish a millenary business, which was successful enough to see his family through the great depression.

We lived two buildings down the street from my Aunt Sylvia, her husband and two daughters, almost exactly my sister's ages. We were very close. When I was 8, my grandfather died and the asset distribution in his will was disputed. My aunt and uncle joined forces against my mother, went to court and broke off all communication. I don't know who 'won' the litigation. We suddenly stopped seeing our cousins, which was a truly traumatic loss, especially for my sisters. My aunt and mother never spoke again, except for a chance meeting on the subway decades later, when (according to my mother) Sylvia refused to speak to her.

(In the strangest coincidence in my life, I next saw Aunt Sylvia 12 years later, sitting across from me in class at an international summer school in Oslo, Norway. After I convinced her of my identity by recounting facts only a family member would know, she poured out her story of the life-changing breakup.)

We all know how often families dissolve around the change of generations. The dispute was superficially over my grandfather's money, but material wealth was not the real fuel for the war. I later learned of the competition for Papa's love among the three siblings, greatly intensified by their mother's death when my mother was 13. As the oldest, she was thrust into the mother's role, stoking power struggles and jealousy.

The Hidden Force Field in Families

The traditional approach for wealth transfer is to create a financial architecture that prepares the assets for the next generation. This is clearly a necessary, highly valuable service. Yet what actually causes wealth transfer to fail? The harsh statistic reported by Williams and Pressier in their book, 'Preparing Heirs' is that 90% of wealth fails to transfer to the 3rd generation. The families interviewed by these authors reported that 60% of the failure was due to a lack of communication, 25% was caused by the heirs being unprepared to receive their inheritance, and only 3% could be connected to inadequate financial planning and investing.

Like an invisible force field, the dynamics and emotions of family relationships are present in your office whenever you encounter a family. The death of a patriarch or matriarch is often like stepping on a hidden mine, unleashing buried emotions and conflicting needs. Once these powerful forces surge to the surface, it's often too late to negotiate a resolution. The resentments, competitions, jealousies—universal human emo-

tions—usually get attached to wealth. People can't see that the money itself is not actually what pulls them apart. Rather, it's the powerful personal meanings projected into wealth that triggers intense emotions, and drives people toward 'defeating' family members to get what they deserve. This emotional tunnel vision devastates families. No matter who wins the money, everyone loses family closeness.

So what can estate planners and other financial advisors do to help prevent this common and devastating scenario? The general answer involves facilitating the family in exploring, through conversation, the meaning and purpose of money—well before inheritance happens.

In their excellent book, "The Cycle of the Gift", Hughes, Massenzio and Whitaker recount a story that points out the pivotal importance of preparing inheritors. A high net worth patriarch decided to transfer his wealth to the children and grandchildren while he is still alive, so he can witness and enjoy the positive impact of the wealth. He began sending \$20,000 checks through the mail one Christmas season. He was dismayed and deeply hurt when he heard no reaction from any family member. One of the authors was brought in to talk with the recipients to find out their reactions. One described this check as a meteor landing on her kitchen table—a sudden and unsettling intrusion into her family's life. Yes, it could have positive effects, but its abrupt and unannounced arrival was deeply unsettling, opening a host of fateful questions. How would she use this money? What was the intention of the gift and how would its use impact her family and the relationship with her Dad? Not seeing a pathway to begin answering these questions, she did nothing—which also had an impact on the relationship.

The authors suggest that wealth moving down the generations is better seen as a gift instead of a business transfer. This gift happens within a web of life-long relationships. Gifts have intentions, purpose and spirit; they carry wishes for a positive impact on lives in some way. Especially with significant wealth, the potential for changing lives is huge, for better and worse.

So the key ingredient in effective planning for a gift is apparently simple: talk about money and how it might be used. Yet most families avoid meaningful conversations about money, for several reasons.

What's So Tough about Money Conversations

Let's do a brief thought experiment. Imagine you're meeting with a group of colleagues and I suggest you stand up and reveal to them your specific financial worth. For most people, this would be a deeply anxious moment. We guard our financial information quite closely, which shows that money is an incredibly sensitive and intimate part of our lives. It's as

THE FINANCIAL AND ESTATE PLANNING COUNCIL OF METROPOLITAN DETROIT

presents

SAMUEL A. DONALDSON, JD

TUESDAY, NOVEMBER 10, 2015
FEPCCMD ANNUAL MEETING – ELECTION OF OFFICERS
Imagine Theatre
200 Main Street, Royal Oak, MI 48067

2 Hours CE and CFP credit for afternoon session: State of Michigan Life and CFP

AFTERNOON PROGRAM / AUDITORIUM #10:

Registration: 3:00 p.m.

Presentation: 3:15 p.m. – 5:30 p.m.

Break: 4:15 p.m. – 4:30 p.m. (cookies and beverages)

“Federal Tax Update” Life #67790 / CFP #216453

COST: \$90.00

COST: \$25.00 (CFP Discount for Those Who Completed the Oakland CFP course in the last 12 months)

EVENING PROGRAM:

Complimentary Cocktails: 5:30 p.m. – 6:30 p.m.

High Roller Room

Presentation: 6:30 p.m. – 7:30 p.m.

Skybox Lounge

Dinner: 7:30 p.m.

“Hot Income Tax Tips For Estate Planners”

COST: \$60.00

FULL DAY DISCOUNT: \$125.00

SAMUEL A. DONALDSON [J.D. University of Arizona; LL.M. (Taxation) University of Florida] is a Professor of Law at Georgia State University in Atlanta, Georgia. Prior to joining the Georgia State faculty in 2012, he was on the faculty at the University of Washington School of Law for 13 years. During his tenure at the University of Washington, he was a five-time recipient of the Philip A. Trautman Professor of the Year award from the School of Law’s Student Bar Association. Professor Donaldson served for two years as Associate Dean for Academic Administration and for six years as the Director of the law school’s Graduate Program in Taxation. He teaches a number of tax and estate planning courses, as well as courses in the areas of property, commercial law and professional responsibility. Professor Donaldson is an Academic Fellow of the American College of Trust and Estate Counsel (ACTEC) and a member of the Bar in Washington, Oregon, and Arizona. Among his scholarly works, he is a co-author of the West casebook, *Federal Income Tax: A Contemporary Approach*, and a co-author of the *Price on Contemporary Estate Planning* treatise published by CCH. Professor Donaldson has served as the Harry R. Horrow Visiting Professor of International Law at Northwestern University and a Visiting Assistant Professor at the University of Florida Levin College of Law. An amateur crossword constructor, his puzzles have been published in *The New York Times*, *The Los Angeles Times*, *The Washington Post*, *The Chronicle of Higher Education*, and other outlets.

AFTERNOON PRESENTATION: Focusing on recent developments in federal income, gift, and estate taxes of interest to estate planners, this session will cover fundamental and advanced tax strategies for affluent clients by recapping important cases, rulings, regulations, and legislation from the past 12 months and discussing how those developments impact the new planning paradigms applicable in advising high net worth individuals. Specific topics include the application of the net investment income surcharge to trusts managing rental property, new perils in the transfer of closely-held business interests, and strategies for insuring a complete step-up in basis on the death of a surviving spouse.

EVENING PRESENTATION: For most clients, federal wealth transfer taxes are irrelevant. Now federal income tax planning is the central component of modern estate plans. This session will highlight important income tax planning strategies that all estate planning professionals should know.

Log onto our website by **October 30** to make your reservation and pay with VISA or Master Card. www.metrodetroitfepc.org

OR PLEASE MAIL YOUR RESERVATION AND CHECK **BY OCTOBER 30** TO:

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Member Name: _____ Phone Number: _____

Guest Name: _____ Phone Number: _____

Full Day _____ Afternoon Program Only _____ Evening Program Only _____

Amount Enclosed _____ Dietary Restriction Request _____



Please plan on joining us from November 18-20, 2015 in Amelia Island, Florida for our signature annual event, the 52nd Annual NAEPC Advanced Estate Planning Strategies Conference with pre-conference sessions for Estate Planning Council Leaders.

Two full days of multi-disciplinary technical education

Nationally-known presenters

Up to 15 hours of continuing education credit in two days of sessions

Networking with estate planners from around the country

Private educational session just for Accredited Estate Planner® designees

Competitive registration fee with most meals included

Reduced registration fee for estate planning council members

The program offers one day for leaders of estate planning councils (Council Leadership Day, Wednesday, November 18th) and two full days of continuing education for every estate planning discipline (Thursday, November 19th & Friday, November 20th).

The Annual Conference is open to all estate planning professionals.

Please contact Kris at (248) 538-7654 for additional information.

Speakers & Topics

Our schedule is still shaping up and this page will be amended as more information is available. The following speakers have agreed to present during the conference educational program:

- Steve R. Akers, JD, AEP® (Distinguished): "Annual Update" & "Exclusive AEP® Session: A Dialogue with Steve Akers"
- Janelle Benefield: "Financial Reform & Its Impact on Your Merchant Account"
- Tom Breedlove: "The Case(s) for Household Employment Compliance: Case Studies Illustrating How to Mitigate Tax & Legal Risk"
- Mickey R. Davis, JD: "All About that Basis: Creative Ways to Obtain Basis at Death"
- Samuel A. Donaldson, JD, LL.M., AEP® (Distinguished): "Dealing with Uncle Sam, Everyone's Least Favorite Relative in the Family Business (Income Tax Planning for Closely-held Businesses)"
- Michael W. Halloran, CFP®, CLU®, ChFC®, AEP® (Distinguished) Nominee: "Due Diligence in Selecting and Understanding Life Insurance Policies"
- Stephan R. Leimberg, JD, AEP® (Distinguished): "Life Insurance - Key Cases and Rulings of 2014-15"
- Richard A. Oshins, JD, LL.M., MBA, AEP® (Distinguished): "Improving (and/or Revisiting) Popular Estate Planning Strategies"
- Jeffrey N. Pennell, JD: "Third Party Trusts in Divorce - Is a Beneficiary's Interest Marital Property?"
- John W. Porter, B.B.A., JD, AEP® (Distinguished): "The 30,000 Foot View from the Trenches: A Potpourri of Transfer Tax Issues on the IRS's Radar Screen"
- Nancy B. Rapoport, JD: "Nudging More Ethical Behavior through Incentives and Checklists"
- Martin M. Shenkman, CPA, PFS, MBA, JD, AEP® (Distinguished): "Planning Potpourri"
- Diana S.C. Zeydel, JD, LL.M.: "Portability or No: Death of the Credit Shelter Trust"

if we believe our net worth actually indicates some deep truth about who we are.

Embedded deep in our language and media culture is this money story: net worth equals self-worth. We celebrate the rich and powerful and compare ourselves to those above and below us on the ladder. We wonder what others are 'worth'. When we look closely at the idea that net worth is some valid measure of our self-worth as human beings, of course it's absurd. (Yet don't certain public figures actually trumpet this idea, proudly?)

Discovering Purpose through Money Stories

While erupting conflict within families is the force that blows people apart, I'm not suggesting that we add family therapy to estate planning. Rather, we can serve families by bringing to the surface one of the most powerful forces in life and relationships: purpose. Talking through and clarifying family members' purpose with money and in life can make the difference between devastation and unity.

Some observers seem to think we can discover purpose and core values with a simple, direct question. When asked 'What's most important to you' the vast majority of people answer, "My family". While we all want our loved ones to be healthy and happy, this immediate answer quickly begs deeper, more complex questions. The next layer of purpose usually involves security, freedom or peace of mind, but these are still general goals which can be constructed in many ways. Exactly how do you want to care for or support the well-being of your family? What elements make a good life, and would every family member agree with your idea? These are profound questions that require systematic inquiry and deep listening to peel back the layers of a value system.

These questions begin to capture a person's 'money story'. Every decision involving money (that's nearly all) is guided by the question, "What's this worth to me"? Money decisions reveal our core values in action.

Our relationship with money starts when we first observe how money impacts our family. Through our ongoing interaction with money we construct our unique blend of beliefs, emotions, core values and purpose. Another illuminating question is about the person's most satisfying or fulfilling experience with money. Pinpointing the greatest good money has accomplished is an x-ray of that person's highest purpose. The more clearly purpose is defined, the more effectively a person can map a course toward a life of fulfillment.

This intimate communication does not guarantee that family bitterness will be soothed and moderated, but it can help. Having the conversation in advance of the actual intergenerational shift of wealth lifts away some of the pressure. These conversations facilitate the potentially explosive decisions about fair vs. equal or distributing family heirlooms to sib-

lings. Simply getting these questions into the open provides a road map that guides estate decisions toward being more closely aligned with the family's true objectives and core purpose.

A Challenge to the Financial Professions

The idea of integrating family dynamics, emotions and purpose into financial planning is not brand new. A small group of advisors and psychologists have been collaborating for a while, mostly with higher net worth families. This practice is growing steadily, but is far from common. Most financial advisors I meet say they understand the need for this additional service because they see the family distress. In some recent surveys by advisory firms, clients pinpoint family dynamics as a prime concern, and where they need additional help. Yet the practicalities of implementing this new focus and set of skills are a complex challenge, in a few ways.

The expertise and viewpoints of a psychologist are distinct from those of attorneys and wealth managers. Dialogue about meaning and purpose is to some extent a foreign language to you. Integrating these distinctly different conversations into established practices takes time, thoughtful planning and can disrupt comfort zones. How do we introduce this process to clients? Who will pay for this new service and how will clients receive it? These are important and valid concerns which need to be negotiated to everyone's satisfaction. Here's the heart of the matter: the complex needs of families with wealth are beyond any single expert. Financial advisors should consider opening up to innovative practices which elevate all our professions.

Collaboration is always challenging, but the rewards run deep. We all know about the unprecedented trillions of dollars to be inherited in the coming decades. The purpose-driven approach differentiates your firm and is a pathway to connect with the rising generation of clients.

Many families struggle to stay cohesive as they search for ways to use wealth in constructing lives of significance and fulfillment. Guiding a family through the fateful minefields of wealth transfer is deeply satisfying; the positive effects ripple down the generations.

Isn't family our most precious resource?

Jay Cherney, Ph.D. is a psychologist with more than 30 years of experience as a clinician, facilitator, speaker and mediator. He consults with families and their advisors to clarify clients' money story, leading to more satisfying financial decisions. Dr. Cherney earned an M.S. in clinical psychology from Hahnemann University and a Ph.D. in counseling psychology from Temple University.



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Phone (248) 538-7654 Fax (248) 479-0350

email: fepcmd@associationoffice.org

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