

ESTATE TAX EXCITEMENT: THE WRONG RESPONSE



TRUXTON TRUST
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J. Overton Colton
Managing Director,
Chief Administrative &
Risk Officer

The U.S. Congress doubled the federal estate tax exemption. What a relief! You and your spouse are expecting your total family assets to land close to or ahead of the previous \$11.2 million threshold. The new threshold is \$22.4 million for a married couple and you are thrilled to put off some tedious financial planning and estate tax legal work.

Sadly, I believe that this is the wrong response.

From where I sit, estate tax issues are most often the least relevant component in the fulfillment of any family wealth plan. Attentive, comprehensive wealth management should be your goal regardless of adventures in Washington or at the IRS, and regardless of the size of your nest egg whether it's \$4 million, \$10 million, or \$20 million. Unfortunately, affluent, smart, accomplished people, just like you, procrastinate and drift in the management of their own wealth with injurious results. I see it every day.

To begin with, there are still very meaningful tax ramifications associated with your property and investments calling for proactive attention to tax matters. Strong wealth accumulation is frequently associated with some form of financial concentration and capital gains over some period of time. You will want to make sure that these assets reside within a planned structure, properly titled, that assures the lowest possible tax liability. Additionally, anticipated near-term market volatility will amplify opportunities for tax-advantaged trades and asset movements.

Let's look at risk and diversification. Are you susceptible to sharp value movements in a particular asset class? Are you concentrated in a particular stock? Americans have enjoyed a stunning increase in wealth over the last eight years. Most wealthy families have concentrations. It can be difficult not to feel more prosperous and take these gains for granted. However, time and attention spent to reduce asset concentrations today can save heartache and hard dollars for you and your family in the future. An economic slowdown, an increase in interest rates, and/or an international political incident can and will impact the value of some assets more than others.

Or we can talk about the related issue of risk and return. Is your wealth generating an appropriate investment return given the level of risk in your portfolio? Do you have an appreciation for how much risk is embedded in your holdings? Too often, particularly in times of prosperity, wealthy families adopt a laissez-faire attitude with their investments and assets. In our ninth year of US economic expansion, families should review those great investment ideas from a few years ago and prune accordingly. More to the point, everyone benefits when balance sheets have less clutter, less risk, and greater coordination. Rarely does less attention generate an optimum outcome.

But the effect of these investment machinations pale in comparison to the impact of proper attention to future personal and familial outcomes. Such consideration is at the core of any comprehensive wealth management program. The primary role for your wealth is to benefit your family, retirement, health, charities, and quality of life. The ease enjoyed in facing tomorrow's expected and unexpected events is directly correlated to the time spent today in assiduously managing your wealth in conjunction with possible financial and familial outcomes. It is not a casual exercise nor one best suited to amateurs or part-time practitioners. Rarely is one professional, an accountant, an attorney, or an investment advisor, sufficiently schooled and experienced to help you understand and assess the suitability of all your financial connections and obligations. You will need a team. You are energetic and focused on earning and sustaining your wealth.

Have the discipline to manage it appropriately so that it best serves your purposes, today and tomorrow.

It is a joy to work at Truxton Trust, where we place a very high emphasis on this more holistic approach. With a staff that is among the most experienced and credentialed in the nation, our client onboarding process includes a review of all manner of documents including wills, insurance policies, trusts, financial statements, tax returns, etc. We work with you at length to identify your long-term financial objectives, your family's unique dynamics, and your tolerance for risk. Then, with this full understanding of your circumstances, we present our best recommendation for getting you to where you need to be.

At the end of the day, your wealth management administration serves a higher purpose. You should think, as we do at Truxton Trust, that your wealth should "perform" in ways that are personal and tangible for you and your family. You will want to sustain your quality of life into the future, care for a spouse or a family member with health needs, limit a child's loss of inheritance due to a marital or creditor claims, help your children in buying their first home and in educating your grandchildren, and so on and so forth.

We regularly hear sad stories of wealthy individuals who thought that estate tax avoidance was the exclusive reason for initiating a structured, proactive wealth management program. They and their families then suffered unnecessary angst due to this lack of foresight. Please give us a call... ■

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