



## INVESTMENT PERSPECTIVE – THIRD QUARTER 2019

*“Nothing in life is certain except death and taxes” ~ Benjamin Franklin*

The second quarter of 2019 brought volatility much like the previous 18 months, driven by many of the same themes: fears of a global economic slowdown, jitters about corresponding Federal Reserve activities, and saber-rattling amongst global trading partners. Despite the headlines, there were few tangible economic effects and the markets closed Q2 near all-time highs. We are not attempting to *call the top*; instead we continue to identify long-term oriented investments in equities trading at a discount to their *intrinsic value*.

### *This Too Shall Pass*

In past *Investment Perspectives*, we’ve discussed the importance of a long-term perspective for successful investing, allowing for wealth creation and preservation through equity investing. In this letter, we ask clients to consider their wealth over a much longer time period: the period *beyond* their own lifespan. For many this is an uncomfortable subject, which is why so many avoid thinking about it, much less planning for it.

We raise this topic — at the risk of ending another good quarter in the markets on a solemn note — because it is top-of-mind for us after recently helping several clients navigate estate transfers and, sadly, experiencing a death in our own family.<sup>1</sup> We have witnessed painless transfers and problematic ones, including a recent case where because the deceased had no will, the assets were ultimately divided by a state court. Good planning can make post-mortem wealth transfer relatively trouble-free. Poor planning leads to unnecessary headaches, expenses, delays, and probate battles - and can damage family relationships.

### *Heaven can wait...but estate planning can't*

Estate planning addresses topics that many don't like to think or talk about - illness, disability, and ultimately, death - but we all must face at least one of these eventually. Even if actuarial tables tell us we have many more years to live, fate may have other plans, and lack of planning often creates confusion and other problems for those left behind. A specific plan mapped-out before your demise can prevent a great deal of difficulty and additional anguish. The Latin phrase *memento mori* - remember, you will die - dates from antiquity and reflects the nature of human mortality and the virtue of living in the present while remaining mindful of the end. To translate this into financial estate planning terms:

***Would you prefer your financial legacy to be guided by your clearly communicated and well-documented intentions, or subject instead to the interpretation of attorneys, low-level government officials, far-flung family members, and the costly burdens of legal process?***

As uncomfortable as it may be to contemplate a financial future that doesn't include you, we suggest that the exercise of estate planning serves as an opportunity to make a very long-term assessment of your overall financial picture, giving you the confidence and peace of mind that comes from knowing your long-term wishes will be fulfilled – leaving no doubt of your intentions - and doing it with clarity, expediency, efficiency, and lower expense.

***Your Financial Plan's role is to accumulate and preserve wealth, while your Estate Plan's role is to maintain control over your wealth and its ultimate disposition.***

Estate planning is a vast and complex topic, but there are some basic considerations worth mentioning here, to provoke thought and further conversation. There are three main objectives of estate planning: (i) control the disbursement of assets; (ii) avoid probate; and (iii) minimize tax liabilities to the estate and its beneficiaries. Some essential starting points:

**Will** — A document that controls what will happen to your estate upon your death. If you do not have a will, a probate court will dispose of your assets according to the relevant state laws. These laws are often archaic and counterintuitive. Their application to your estate may lead to unforeseen results that you would disagree with.

The will is a good place to start your estate-planning process. *Key questions include:* Who will receive what upon my death? Who will take care of my minor children, and have sufficient funds been provided for their care? Who will distribute my assets?

**Trust** — A legal vehicle that can persist after your death and hold, manage, or disburse assets according to your instructions. Trusts are not always necessary, but under some circumstances they can enhance or multiply your estate planning options. Properly implemented, a trust can simplify the transfer process for your heirs, avoid probate, reduce costs, prevent publicity, and permit effective, ongoing management of your assets according to your wishes in the event that you become incapacitated during your lifetime.

**Power of Attorney** — A legal instrument authorizing others to act on your behalf while you are alive. A durable power of attorney designates a person, typically a trusted family member or a friend, to make decisions for you in the event of your incapacity. A healthcare power of attorney designates a representative to make decisions about your healthcare when you cannot.

**Living Will** — Also referred to as an *advance directive*, a living will permits you to communicate your binding instructions regarding end-of-life care to healthcare providers.

**Proper Titling of Assets** – The *titling* and beneficiaries of assets (e.g. brokerage accounts or bank accounts) defines the rights and ownership in the event of death of the holder and may compete with (or even supersede) a will or a trust. As a result, all account titling should be consistent with wishes in your will and/or trust.

**Beneficiary Designations** – Some of your assets may pass to your heirs without being specified within the will (such as retirement accounts, brokerage assets, bank accounts, and insurance plans), which also allows those heirs to circumvent the probate courts. It is important to specify a beneficiary and contingent beneficiary on these assets and ensure that these designations are up-to-date and consistent with your current wishes.

**Tax Considerations** – The Federal and State tax implications of after-death asset transfers are an important consideration of an estate plan. Taxes are a complex topic with many significant recent changes to the laws. If the estate is of substantial size and complexity, professional estate tax planning is advised.

We at *Westbourne Investment Advisors* are experienced in the aspects of estate planning involving investment and wealth management, including management of assets held in trust and the management of estate transfers. We can discuss your goals with you, and work with estate attorneys to help you assemble the documents and establish the legal structures that will form the core of your estate plan.

We hope you are enjoying your summer and if you'd like to discuss any estate planning aspect of your long-term wealth management or any new developments in your financial life, please do not hesitate to contact us.

All the Best,

Joe

Joseph C. Wilkinson - Managing Director

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<sup>i</sup> Lewis E. Labin, 5/25/37 – 2/11/19. Husband; Father; Lt. Colonel, U.S. Marine Corps. A life well lived.