

The Blitz

February 2019

Information on Tax and Estate Planning from the Masonic Charities of the Grand Lodge of Pennsylvania



Facts: I got a call from Joan, the widow of a Mason I used to visit in Naples, Florida, on occasion, and where my wife and I hope to retire. Joan was in a panic because she had just received word that her financial advisor, Jim, was retiring, and that a new "young buck" in the office, Deion, was going to replace him as her advisor. She had never met Deion, and she wasn't sure what to do about the situation because her livelihood depended on her investments. She asked if she should blindly accept Jim's successor or take other steps to protect her interests. I told her that anyone who is going to make major life decisions needs to be independently researched. Here is what I suggested she do.

Answer: Succession planning with your advisors, whether it be your lawyer, accountant or financial advisor, is a critical process to protect yourself. But many of us put off this decision until it is thrust upon us. Whether it is due to death or retirement, selecting a successor advisor requires us to take prudent steps, or the outcome could be devastating. I went over some due diligence for Joan to take in determining whether to accept Deion as her financial advisor or consider someone else.

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Background Check

First, being a life-long Eagles fan, I asked Joan to make sure that Deion wasn't a former Dallas Cowboy player. That could be a sure warning sign if he was. She said that she was an Eagles fan, too, and already researched this fact. Deion, being from Bryn Mawr, Pa., was an Eagles fan, too. Next, I told her to do a broker check review of Deion's background at the Financial Industry Regulatory Authority website, www.FINRA.org. This site provides background information on all of Deion's education, certifications and licenses. Most importantly, it will show any actions or claims filed against Deion which, if there are, is a sure sign to reconsider retaining him. Luckily, Deion had a clean background and was a certified financial planner (CFP) with a degree in finance from the University of Pennsylvania.

Research Questions

Next, I went over a litany of questions that Joan should ask Deion about his investment philosophy. Many of these questions were derived from an article in the Moneybeat section of the Wall Street Journal dated Aug. 25, 2017, which I recommended Joan read before meeting with Deion. Some of the key questions from that article I told Joan to consider asking are the following:

1. What is your investment philosophy? Ideally, your advisor will invest in a way you are comfortable with and to obtain your long-term goals. Joan needs income for retirement, so she can live in Naples for the rest of her life. Therefore, a conservative or balanced portfolio is probably her best option.

2. How often do you trade, and how do you report investment performance? Generally, the answer should be as seldom as possible, with no market timing and performance reported net of expenses.

3. What are your fees for investing, and how are they determined? A broker will just charge you the standard cost for trading, whether it be a commission or some other charge included in the price of the asset. It is important to understand that

a broker is not an advisor. He or she only executes those trades that you approve, while an investment advisor has a fiduciary duty to only take action with your account that is in your best interest. Fees range from one-time advisory fee to a percentage of your assets for ongoing advice. These fees can vary wildly among advisors, so you may want to compare advisor fees as part of the review process.

4. Do you focus solely on investment management, or do you also advise on taxes, estate planning and retirement planning? The answer to this should depend on what you need. For Joan, all three areas of advice would be helpful.

5. Do you believe in market timing, and can you beat the market? The answer should be no to both these questions. A stable long-term strategy and investment philosophy will help you sleep better at night, especially when the market is volatile.

6. Which professional credentials do you have? Since you want investment advice and not just a broker, look for certification as a Chartered Financial Analyst (CFA), Certified Public Accountant (CPA), or Certified Financial Advisor (CFP). Many other certifications are simply great marketing tools that look good on the advisor's wall.

7. After inflation, taxes and fees, what is a reasonable estimated return on my portfolio over the long term? Most experts are telling me around 4% annually, and if you hear more than 5%, maybe you should question his or her investment practices.

8. Who manages your money? The reply should be "I do, and I invest in the same assets I recommend to my clients."

Conclusion

This is not an exhaustive list for interviewing your investment advisor, but inconsistency in response to these questions should set off the pause button on trusting your financial assets with someone. For the record, I even did a background check of my own investment advisor and posed many of these questions to confirm my confidence in using him.

Armed with this information, Joan arranged an appointment to talk to Deion about his investment philosophy. She asked her daughter to go with her to provide support and listen in on the conversation (which is a good idea if you think you are getting a sales job). Joan also asked that her current advisor, Jim, sit in on the meeting. She said the meeting went well, and Deion seemed like a nice gentleman who was dedicated to doing what was best for her. (Remember, it is important that you feel comfortable with your advisor and have confidence in him or her since conflicting personalities can lead to bad relations even with a good advisor.)

Joan said Deion answered all her questions, but he was a little overly optimistic on how much he can make on her portfolio each year and even predicted the Eagles would win back-to-back Super Bowls (which we now know was wrong). Luckily, Jim chimed in at that time and explained to Deion that with the experience of many years in investing

(and watching Eagles football), his numbers were a little high in the long run, and his goal should be to protect Joan's assets for retirement at this stage of her life. Joan said Deion seemed to get the picture and changed his estimate to about 4% a year based on a balanced portfolio, along with recanting the Eagles Super Bowl prediction. I am happy to say I met Joan about six months later at my Naples winter reception, and she said she was very happy with Deion and believed that doing her homework in interviewing him first resulted in a better working relationship with him. In fact, she was so thankful for my advice, she met with me to set up a charitable remainder trust for her daughter to provide her with income for life and then leave whatever is left over at her daughter's death to the Masonic Villages. We will go over the rest of that story in a later edition.

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Ask Alvin In Person!

Catch up with Alvin in person to learn updates on the Masonic Charities of the Grand Lodge of Pennsylvania and more about tax and estate planning.

Feb. 10 - 14, Ft. Myers, FL

March 3 - 7, San Diego, CA

March 21 - 24, Houston, TX

April 2 - 8, Silicon Valley, CA

April 22 - 23, Raleigh, NC

May 8 - 12, Portland, ME

May 15 - 18, Tampa, FL

June 2 - 10, Los Angeles, CA & Las Vegas, NV

June 19 - 22, Portland, OR



As Chief Gift Planning Officer of the Masonic Villages in Pennsylvania, Alvin H. Blitz, Esq., serves the Masonic Charities of the R. W. Grand Lodge of Pennsylvania, which consists of the Masonic Villages, the Masonic Children's Home, the Pennsylvania Masonic Youth Foundation, the Masonic Library and Museum of Pennsylvania and the Masonic Charities Fund. Attorney Blitz holds a Bachelor of Science degree from the University of Scranton, a Master of Arts degree from

Fairleigh Dickinson University, and a Juris Doctorate from Dickinson School of Law. He has given estate planning seminars throughout the country and is a member of Carlisle Lodge No. 260, Carlisle, Pa.

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