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Planning for Successful Wealth Transference: Leave an Inheritance That Endures

by A. Scott White, CFP®, ChFC, CLU

While we would all like to believe that a well-formed and up-to-date estate plan alone can successfully transfer wealth from one generation to the next, recent research illustrates a very different outcome. According to studies cited in the book *Preparing Heirs* by Victor Preisser and Roy Williams, nearly 70% of family wealth transference and business succession plans fail. Couple this statistic with the fact that the largest intergenerational wealth transference (an estimated \$25 trillion) will occur in the next 20 years, and we have a compelling and urgent challenge to address.¹

Why do less than a third of wealthy families retain control of their assets in the wealth transference process? Although it may be surprising, even the most solid and well-crafted plans can fail, typically due to estate erosion caused by inadequate tax planning, liquidity issues forcing below-market sales, and lack of specificity leading to conflict among heirs. More striking, the heirs might lose control of their inheritance not from external sources, "...but rather in the values and practices of the heirs themselves."¹

So if you're already spending time and money developing sophisticated plans to protect your assets, such as a family business, real estate and financial investments, as well as philanthropic foundations and trusts, what else can you do? Although it may sound simplistic, the answer is communication. Candid discussions about our own mortality are undoubtedly uncomfortable; however, postponing them may actually make situations worse. With \$7.2 trillion going directly from elder parents to baby boomers in the next two decades, there's a great deal at stake.

A clearly developed plan, family mission statement and open communication greatly increase your odds of successful wealth transference. Ken Dychtewald's Age Wave study in 2005 revealed that less than one-third of baby boomers and their parents had held a comprehensive discussion on all aspects of legacy planning. Although personal discomfort with discussing death and inheritance is a major hindrance, another hindrance may simply be misinterpreting each other.



For example, boomers feared upsetting their parents with such discussions, and vice versa. Almost 35% of the boomers were more uncomfortable discussing their parents' situation than the parents themselves (22%). And both groups

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STAFF PROFILE

Staff Profile

Becky Pardue, Director of First Impressions



What are your job responsibilities?

As Director of First Impressions, it is my pleasure to greet clients and provide superior service to our clients and to assist Scott in making sure our clients have a positive experience when either calling or visiting our office. I also provide assistance to office personnel in communications and day-to-day client transactions.

How did you become interested in the personal financial planning profession, and what led you to Scott White Advisors?

I have worked for 16 years in the financial field in the trust and estate administration areas. I started in the industry working for an estate attorney and found the estate administration very intriguing with each estate having its own set of unique details and challenges. I then became interested in the personal financial planning profession when I became employed as a Senior Relationship Administrator with Fleet Bank. Prior to moving to Cape Coral in September 2010, I was employed as an Administrative

Assistant with Mountville Mills in LaGrange, Georgia. After relocating to Cape Coral in September 2010, I became aware of the open position with Scott White Advisors. I am very happy to now be a part of this team.

How do you enjoy spending your personal time?

I enjoy spending time with my husband Pete and family, which includes three children and nine grandchildren, antiquing and relaxing at the beach. I am also active in our church and choir.

What are the most rewarding aspects of your job?

The most rewarding aspect of my job is to provide professional support to our clients. I have a genuine interest in serving and caring for other people. I want our clients to feel at home when they walk into our office. ■

Identity Theft: Florida Ranked First in U.S. for ID Theft in 2010

From "Protect Your Identity!" by Stephen B. Russell, State Attorney, 20th Judicial Circuit, State of Florida



James Molenaar, Assistant State Attorney, Economic Crimes Unit, State of Florida 20th Judicial Circuit, presents ID theft prevention tips

Identity theft is the criminal use of an individual's personal identification information. Identity thieves steal information such as your name, Social Security number, driver's license information, or bank and credit card accounts and use the information to establish credit, make purchases, apply for loans or even seek employment.

The statistics are staggering. According to the Federal Trade Commission, Florida was ranked first in the nation for identity theft in 2010, with 21,581 reported complaints. Victims of identity theft can come from any lifestyle regardless of race, gender, age or socioeconomic status.

Once someone obtains your personal information, they can open fraudulent credit accounts, write checks, obtain loans, and more — all in your name. Thieves can obtain your personal information in many ways, including:

- Stealing wallets
- Stealing bank or credit card statements from the mail
- Taking personal data from the trash
- Intercepting information transmitted electronically
- Diverting mail to the intended recipient by submitting a change of address
- "Skimming" credit card numbers electronically

Tips to Prevent Identity Theft

- Have your mail carrier hold delivery of your mail when you are out of town
- Promptly remove mail from your mailbox after delivery
- Deposit outgoing mail in post office collection boxes or at the post office
- Keep copies of all your credit card receipts to verify against your statement
- If at all possible, personally observe merchants as they process your credit card
- Empty your wallet of extra credit cards and IDs

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Designing a Plan for a Surviving Spouse

by A. Scott White, CFP®, ChFC, CLU

What happens when you're gone? Beyond the mourning and grieving for the loss of a beloved spouse, life does go on. The question is how does it go on—with fear and anxiety about finances or calmly with the knowledge that the money will last? Thorough financial planning can help ensure that your surviving spouse continues to enjoy and appreciate life, free of the fear of running out of money. Such a financial plan covers your estate, investments, income tax, incapacity, asset preservation, philanthropic goals, IRA distribution, and insurance (life and long-term care).

The financial challenges facing a surviving spouse are numerous, but can include:

- Deceased spouse's failure to do proper estate and tax planning
- Overspending on self, children or grandchildren
- Rising costs of living expenses (inflation)
- Lack of appropriate legal documents to manage affairs
- Caregiver costs, whether a family member or professional caregiver
- Exceeding Medicare coverage limitations
- Required spend-down provisions to qualify for Medicaid
- Failure to purchase appropriate long-term care insurance
- Losses from investment schemes, con artists or scammers
- Not having adequate property casualty insurance
- Lawsuit judgment
- Misuse of credit
- Second marriage
- Living too long
- Making impulsive decisions during grieving process

There are a number of areas on which to focus as you develop your financial plan. First of all, maximize the Social Security survivor benefits. Selecting the correct option for your individual situation is crucial and can make a significant difference in the future. Secondly, if you have a pension payment option, choosing the right one can also contribute to the financial well-being of the surviving spouse.

Your financial plan should also include a well-articulated written investment plan. When emotions are high during the grieving process, a surviving spouse might be tempted to make hasty changes. In fact, emotions are the biggest risk for investors, since fear and/or greed drive decisions. You can help your spouse make wise investment decisions after you've gone by sharing your investment policy with him or her. It helps avoid unplanned and impulsive revisions of sound long-term policy, especially during times of market upheaval.

Finally, planning for incapacity—both mental and physical—is vital. Legal documents aren't sufficient to cover the many challenges a surviving spouse might encounter: injuries from falls, diseases such as Parkinson's or Alzheimer's, or terminal conditions. A caregiver will most likely be a part of the plan, whether it's a family member living nearby or a qualified professional caregiver. However, keep in mind that burnout, depression and fatigue are common among family caregivers. Long-term care insurance can help defray the costs of hiring a caregiver. It's best to consult a professional to help determine the best plan for your needs. Keep in mind that Medicare only covers acute care—something from which you will recover—not chronic custodial care.

No one can protect their loved ones from everything. However, with proper planning, you can help ensure your surviving spouse does more than just survive. You can leave behind an opportunity to thrive. ■



Ensuring Successful Wealth Transference *continued from the front cover*

thought the talk would cause conflict within the family (22% boomers, 20% parents).²

The first step to solving this is to reframe the entire conversation. Rather than limit the topic to physical assets and possessions (the tangible inheritance), we encourage families to expand the topic to include intangibles, such as positive memories and stories. Recalling family memories, stories and traditions illuminate a family's ethics, morality, faith and even wishes for the future. The revealed shared history facilitates intimacy and can even provide insight into how other issues might be addressed in the future.

Regardless of how uncomfortable we might be to discuss death and inheritance, postponing these discussions doesn't make the discomfort go away. If anything, it increases the likelihood of more intense conflict at a later point. Consider it another aspect of the legacy one generation leaves the next—confidence in each other and their financial future. ■

(1) *Preparing Heirs: Five Steps to Successful Transition of Family Wealth and Values*, Roy Williams and Victor Preisser, San Francisco: Robert D. Reed Publishers, 2003

(2) "The Allianz American Legacies Study" by Dr. Ken Dychtwald of Age Wave, 2005

Identity Theft *continued from page 2*

- Never leave receipts at bank machines, bank counters, trash receptacles or unattended gas pumps
- Only release your personal data (Social Security number, date of birth, bank or credit card account numbers, etc.) to agencies that require it for action you have initiated
- Ensure that your PIN numbers cannot be observed by anyone while you're utilizing an ATM or public telephone
- Beware of promotional solicitations or "get rich quick" schemes through the mail, telephone or email that offer instant prizes or awards and seek to obtain your personal information or credit card numbers.
- Contact your creditor or service provider if expected bills don't arrive.

Tips to Prevent Credit Card Fraud

- Don't let your credit card out of your sight if possible
- Never give your credit card info out when you receive a phone call that you did not initiate
- Shred all credit card applications
- Never provide your credit card information on a website that is not a secure site
- Don't write your PIN number on your credit card or keep it anywhere near your credit card
- Never leave your credit cards or receipts lying around
- Open credit card bills promptly and make sure there are no bogus charges.
- Treat your credit card bill like your checking account and reconcile it monthly. Save your receipts to compare them to your monthly bills

If you find any charges that you don't have a receipt for—or that you don't recognize—report promptly and in writing to the credit card issuer.

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- Shred anything with your credit card number written on it
- Never sign a blank credit card receipt. Carefully draw a line through the blank portions of the receipt where additional charges could be fraudulently added
- Never lend anyone your credit card

If you suspect credit card fraud, or if your credit cards are lost or stolen, contact the issuer. According to U.S. law, once you have reported the loss or theft of your credit card, you have no more responsibility for unauthorized charges. Further, your maximum liability under federal law is \$50 per card.

Prevention Checklist

Request a copy of your credit report on a yearly basis by subscribing to:

www.equifax.com
www.transunion.com
www.experian.com

For a free credit report, call 1-877-322-8228 or log on to www.annualcreditreport.com

Remove your name from mailing lists for pre-approved credit lines by calling 1-888-OPTOUT (1-888-567-8688)

Remove your name, phone number and home address from marketing lists by contacting:

DMA Mail Preference Service
 P.O. Box 9008
 Farmingdale, NY 11735-9008
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