Winter 2014

LegacyPress

Waller Financial Planning Group

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Fact

6,891…Number of federally insured banking institutions in the country in Q3 2013; the lowest amount since regulators began keeping track in 1934.

- Source: Federal Deposit Insurance Corporation

Quote

There is nothing noble in being superior to your fellow man; true nobility is being superior to your former self.

- Ernest Hemingway

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Trusted Advisor

The Highest Compliment

Recently, I was asked to speak on a panel at an educational symposium for professionals in the financial services industry. The topic was being a trusted advisor. The purpose of the session was to discuss what being a trusted advisor means, the benefits and drawbacks associated with being a trusted advisor, and how to position oneself or your business to be a trusted advisor. While there were numerous ideas shared and stories told during the session, I am writing now to share what being a trusted advisor means to us.

When someone hires us to help with their financial situation, it is not done so lightly. They are taking a leap of faith that we will be able to provide guidance and long-term counsel to assist them in achieving their desired lifestyle and legacy. Because of this, we feel it is important to get to know as much about a person as possible, which includes finding out about the people and causes that are dear to them. It is paramount that we fully understand their financial situation. The intent is to listen and learn with the objective of earning trust.

If we hear and understand what matters, we can provide proper advice. Routinely providing sound advice, coupled with being reliable, increases our credibility. Being reliable is something we talk about constantly. As a staff, we are always discussing how our words matter. If we tell someone we are going to do something, then we need to deliver. Yes, words matter. But the actions that occur because of what we say matters even more.

As a company in the business to serve, we cannot forget to say what we will do and then do what we say.

Having a relationship where we are viewed as credible is essential. The more credibility we build, the more trustworthy we become. The more trustworthy we become, the more likely our ideas will be valued and our advice implemented. One of our hopes is to build a relationship that enables us to share in not just the highs and lows of the markets, but more importantly, your life.

Being in a vocation where your work matters is immensely rewarding. Our clients give us purpose. So, what does being a trusted advisor mean to us? It means that we have been paid the highest compliment.

Jason Eliason is a CERTIFIED FINANCIAL PLANNER™ practitioner and Partner at Waller Financial Planning Group

[Investment Management]

Important Tax Reminder: IRS 1099 Mailing Deadline is February 18, 2014

Effective since 2009, the IRS extended the due date to furnish 1099 Consolidated Reporting statements to customers from January 31 to February 15. Since February 15, 2014 will fall on a Saturday, the IRS has extended this date to February 18, 2014.

The custodian of your accounts is required to report your sales, dividends and other distributions paid by investment companies on the 1099 Consolidated Reporting Statement (1099 DIV, INT, B, MISC, OID).

The mailing dates for the 1099-R forms will remain the standard deadline of January 31, 2014.

Prudence - Important as Ever

Coming on the heels of strong performance last quarter, stock returns were quite impressive again this quarter. Conversely, bond returns were slightly negative during the quarter, with the exception of municipal bonds. Across the board, US investments outpaced their foreign counterparts[1].

Interestingly, 2013 was a year in which US stocks significantly outperformed all other asset classes. US Stocks were up more than 30% for the year. Foreign stocks also performed well, being up more than 22%. As for the other asset classes, positive returns were quite hard to find. Real estate was slightly positive for the year, while all other major asset classes posted negative returns. Bonds were in the negative 2%-4% range for the year[2].

On further reflection, it is interesting to see how many of the major headline risks never came to fruition. We entered 2013 on some very unstable ground – Congress narrowly avoided the fiscal cliff to end 2012, congressional partisanship and brinksmanship interfered with fiscal resolve, Middle East unrest, and lingering economic concerns in Europe. One major reason the aforementioned fiscal issues did not become more serious was due to the actual economic growth we experienced. It's amazing how a little economic growth can go a long way in addressing our fiscal woes.

We have talked a lot the last six quarters about the Fed because they have been extremely influential in supporting the economy, aiding the recovery and creating some of that growth. The Fed's accommodative stance has not only helped the economy improve, but it really aided the equity markets in achieving robust returns. While we end 2013 giving the Fed high marks, they will remain in the headlines for 2014.

We will start 2014 talking about the Fed because Janet Yellen will be taking over for Ben Bernanke, closing one historic chapter and starting another. Mr. Bernanke admirably guided the Fed through one of the most difficult financial situations our country has ever seen, and it appears he has done a terrific job. While it may be historic that Mrs. Yellen is the first female Chairman of the Fed, we strongly believe her gender will have little to do with how history will remember her - for as good of a job the Fed has done under Bernanke, the job is only half done. Yellen will have the very difficult challenge of unwinding the Fed's positions without hurting economic growth.

Looking forward, we are tempering our short-term outlook for equity market returns mainly because they have so significantly outpaced economic growth. While we do not believe the market to be over-valued, we have a hard time believing stock returns will be half of what they were in 2013. We continue to advocate well-diversified portfolios, with a focus on your specific investment needs. While investment results have been very good, the risks associated with investing have not vanished. For that, we need to be cautious. The virtue of prudence is as important as ever.

1,2Morningstar Office 2013; US equities as measured by the S&P 500 index, Foreign equities as measured by the MSCI EAFE ND index, and Bonds as measured by the Barclays Aggregate Bond index, Barclays Municipal index, and the Citi World Government Bond index.

[Financial Planning]

Dynasty Trust Planning - Passing on your Values along with your Valuables…

Whenever we hear the term "Dynasty Trust Planning," many of us think about maintaining wealth for generations of ultra high net worth families. Although the definition of "ultra high net worth" can be subject to varying definitions, most of us do agree that the number is north of $30 million of investable assets.

Trust planning of this type is designed to minimize the amount of taxes paid, predominantly estate, gift and generation-skipping taxes. In addition to tax planning, it also protects successive generations from the normal occurrences of everyday life such as divorce, bankruptcy, and the occasional lawsuit. But know that in today's environment of high federal estate exemptions, it is possible for one to leave $5.34 million federal estate tax free (per person), or $10.68 million for a married couple. As such, trust planning has taken on an even greater meaning. The true value for clients is in the creativity that an advisor may help clients understand. Trust planning is only limited by one's imagination and not only for the ultra high net worth families.

Remember, trust planning is only limited by your imagination. Consider what you do for your beneficiaries, rather than to them.

Take, for example, the widow who desires to pass on philanthropic integrity to her children and grandchildren. The client has for years made gifts to various charities and is a strong believer in tithing. In order to help her beneficiaries recognize the importance of philanthropic capital and the significance of giving back to the community, she decides to do something creative upon her death. She cares very deeply about her children and grandchildren, but may never know the next generation. She decides to pay only a certain percentage of income from the trust (not principal) to her children. However, in her trust, she stipulates that of the income the beneficiaries receive annually, a certain fixed percentage is given to the charity of their choice. By doing something creative with her planning, she is able to pass on the security of income without the burden of principal, while stressing her lifetime values. Upon the death of her children, the same stipulation exists for her grandchildren. At the last grandchild's death, the corpus of the trust is paid to the various charities that were important to the widow during her lifetime.

Another example is the husband and wife, both former business owners. The couple has an only child who never held gainful employment for any length of time and had no interest in the family business. As such, the parents sold the business and have been living comfortably. The son is also divorced with two children.

The parents have provided a wonderful education for their son, but he has never really made an effort to provide for himself. In addition, the son is a spendthrift, not well versed in managing his financial affairs nor able to pass on the value of hard work and financial savvy.

Again, the parents love their son and grandchildren. They want to be sure that their son is provided for at their deaths, but not at the expense of inhibiting him from becoming a productive member of society. They want to consider what they can do for their son, not to him. As such, they create terms within their trust documents to pay a certain amount of income at their death per year, with additional "bumps" in income, should he prove earned income for the year. Depending upon their view of the grandchildren, they may provide the same for them.

Charles Kerwood III is a CERTIFIED FINANCIAL PLANNER™ practitioner and Partner at Waller Financial Planning Group

[News & Notes]

New Addition

Congratulations Chris and Michelle Olsgard! Chris, Michelle and Ataleigh have a new addition to the family. Alese Marie Olsgard was born on October 28, 2013.

New Office Space

Our Naples office has moved to a new suite location. This update is effective immediately. The mailing address for our Naples office is:

801 Laurel Oak Drive
Suite 710
Naples, FL 34108

Keep in Touch

Stay connected with Waller Financial Planning Group on Facebook! In addition to investment news and updates, we will be certain to keep you up-to-date on the activities within our office, our community involvement and the accomplishments of our staff!
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