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CHECKLIST: ANNUAL REVIEW

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Summary: Annual checkups are vital to all plans. You cannot keep your ship on course if you don't regularly check its location, direction and final destination. Too often this doesn't happen. Folks uniformly say "nothing has changed." Those meeting regularly with their wealth managers often feel that the wealth manager knows all. They don't. There is no substitute for getting all your advisers involved in planning on a regular basis. While what should be looked at each review will vary by person and by meeting, here are a few suggestions:

- ❑ **Budget:** When was the last time you realistically looked at your budget? Most wealthy people seem to think that wealth means you are beyond budgeting. Nope. Even wealthy people can overspend but their budget is more. It may demonstrate you can give more to children now, more to charity. Like exercise, everyone needs a budget.
- ❑ **Financial Plan:** What you do with that budget is key. Have your wealth adviser forecast out to some reasonable age (think 95+) and see what your finances look like. If your forecasts were limited to age 80 or 85, unless you have a known health issue, that's pretty risky given longevity increases. Stress test the results (more health care costs, etc.) to find what seems to be a realistic balance. While many wealth managers think this exercise is solely within their purview, that's a dangerous mistake (note the collaboration theme song). If the wealth managers uses very conservative assumptions she could be hurting the client.
 - *Example:* Dr. Jain is worried about malpractice liability, and she and her husband are evaluating funding non-reciprocal spousal lifetime access trusts ("SLATs") for asset protection purposes. If the wealth manager completes conservative forecasts, that might suggest lower funding of the SLATs then what is actually done for asset protection. Those forecasts around might prove damaging to Dr. Jain if a future malpractice claimant argues that the funding of the SLATs was excessive and a fraudulent conveyance. Teamwork folks.
- ❑ **Asset Allocation and Location:** Asset allocation is what portion of your investments are held in a particular asset class, e.g., small cap equities. Asset location is which "buckets" specific assets are held, e.g., bonds in your IRA and family business interests in a dynasty trust. Be sure asset location decisions are reviewed with input from your entire team. Also, buckets can be changed. An irrevocable grantor trust (trust income taxed to you) might be changed to a

non-grantor trust (income taxed to the trust), part of your regular IRA might be converted to a Roth. The “which bucket” decision can be made in a broader context with adviser input and perhaps net you better income tax or asset protection results.

- ❑ **Life Insurance**: Coverage should be reviewed periodically. Who owns the policy? Are there options in the policy to evaluate (e.g., convert a term to permanent policy because of a negative health diagnosis), should more be paid in to the policy to assure appropriate funding? Are there new insurance needs, fewer needs, or just different needs?

- ❑ **Property, Casualty and Liability Insurance**: This coverage is vital to everyone’s financial security but is too often treated casually if at all. Periodically identify risks that may exist and then determine if the coverage meets those risks. Risks change over time. The wealth being protected changes. Too often policies bought under different circumstances are just continued without thought.
 - *Example*: Mom has home health care workers. Was appropriate workers compensation purchased? Employment practices? Have the number or role of those workers changed?

- ❑ **Estate Planning Scan**: Step back and take a big picture look at the plan and whether it makes sense. Overviews of each document and component of the plan are often worthwhile to get everyone on the planning team, especially the folks whose plan it is, up to speed. But avoid complacency.

- ❑ **Communication with Fiduciaries**: When is the last time the trustee and trust protector of each trust have been at an annual review meeting? Communication with Fiduciaries: Don’t answer the question. You get the point. Without periodically having all key players involved in an update discussion they won’t be prepared when a problem arises. Formalities can’t be adhered to if the fiduciaries charged with carrying out trust duties have no active role.

- ❑ **Communications with Advisers**: Are all the advisers in the loop? Not every adviser has to be at every meeting, but every adviser should be kept up to date with the plan and general overview. If you’ve met with a wealth manager quarterly for years but don’t remember your attorney’s name that’s a problem!

- ❑ **Communication with Heirs**: Have the heirs ever been spoken to about the planning? Age and position appropriate discussions are important to have. Acclimating heirs slowly over time is best.