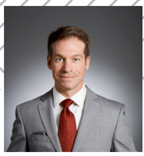 

Why is tax and estate planning important in wealth management?

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In the world of tax planning the roles of a financial advisor and an accountant are inseparable as fewer taxes means more cash flow, allowing for additional savings and a more successful retirement and succession plan.

Increasingly, there has also been a focus on estate planning in wealth management. Even with the best investment strategies, clients can suffer significant financial losses and have their entire financial plan derailed in situations like a marital breakdown, unanticipated dependent relief or creditor claims. In many of these situations, the range of risks could have been identified early on, reduced and/or prevented through more holistic wealth planning.

While we understand the need to pay taxes, few of us would choose to pay more than is required. A capable financial advisor has the skills and insights to help clients determine the most advantageous account types to hold within their investment portfolio and guide them on the appropriate asset allocation strategy for each account in order to minimize taxes over the long term.

Clients who have set up their own corporations or use trust or partnership structures to hold assets should seek the advice of tax and legal specialists. Using these entities usually provides more opportunities to be flexible in tax and estate planning, but this also introduces more complicated planning. For example, introducing adult children as direct shareholders in a family business will expose those assets to each child's spouse in the event of marital breakdown. Before making a decision, the first step is to identify the issue or possible issues, and then carefully utilize a number of tools and techniques to mitigate the associated risks. As an example, a commonly used strategy would be to use a discretionary family trust rather than have children own their shares directly. However, if one of the tax savings goals is to split income in the short term, the impact of the tax on split income (or "TOSI" as they are commonly referred) will need to be considered.

If clients with these 'complex situations' already have relationships with accountants and lawyers, then why should a wealth manager or financial advisor to be part of the conversation?

Here are few areas where there are benefits:

- **Issue identification** – wealth managers who manage their clients' portfolio on a discretionary basis have a fiduciary obligation to be current on their clients' circumstances, to always act in their clients' best interest and attempt to meet with them on a regular basis. Accountants and lawyers that bill fees for services will generally be engaged to perform specific work on an as-needed basis. However, issues can arise when clients make decisions outside of these collaborative instances that may have other unanticipated tax consequences or legal ramifications. A wealth manager who is attuned to identifying a broad range of estate planning issues can help a client avoid costly missteps by always looking at the holistic implications of individual decisions.

- **Making meetings with specialists more productive** – clients will benefit from discussions with a wealth manager who can provide a high-level understanding of different strategies used in the tax and estate planning world before they walk into their lawyer's or accountant's office. The more they know going in, the better their questions and discussions will be, and the more comfortable they will be with their decisions.

- **Range of viewpoints** – because lawyers and accountants have unique areas of specialization, each with their own complex skills, and because estate planning requires a breadth of knowledge, a wealth manager with a good client relationship can be invaluable in reminding clients to consult with other members of their advisory team. For example, a client undertaking a tax-driven estate freeze should always consider the potential corporate, family and bankruptcy law implications of introducing new shareholders into a company.

When seeking a wealth manager best suited for you, consider more than just past investment returns, and look to the additional skills, expertise and fiduciary duties your advisor will bring to your long-term financial success.

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