



**OSWEGO**  
PRIVATE WEALTH MANAGEMENT

What Is Wealth  
Planning, Really?



It can be all too easy to focus on just one aspect of your financial life—and in doing so, miss opportunities as well as incur unnecessary risk.

That's where wealth planning comes in. Wealth planning is all about examining your full financial picture—not simply investments, although they're included, but also your advanced needs. These might include wealth protection, tax mitigation, wealth transfer (also known as estate planning) and charitable giving.

Armed with a full view of your situation and goals, you can set out to consider and examine a wide variety of financial and legal strategies that might be good options for you.

Here's a look at some key aspects of wealth planning, and why they can be so important to affluent families looking to make smart financial decisions.

## CRITICAL TOOLS AND TECHNIQUES

The basics of wealth planning include legal strategies and financial products that are readily recognized and generally appropriate for most wealthy families. For example:

- 1. TRUSTS.** In many ways, trusts are cornerstone solutions for many successful individuals and families. A trust is nothing more than a means of transferring property using a third party—the trust. Specifically, a trust lets you transfer title of your assets to trustees for the benefit of the people you want to take care of (your designated beneficiaries). The trustee will carry out your wishes on behalf of your beneficiaries.

Trusts can be flexible wealth planning tools. You can use them in all sorts of ways to transfer your wealth and determine how it is to be deployed. Trusts also can prove to be very useful in shielding your assets from plaintiffs and creditors. Depending on the kind of trust, there are different tax consequences. For example, a trust could enable you to sell appreciated assets without paying any taxes on the increase in the value of those assets from the time you acquired them.

**2. PARTNERSHIPS.** As with trusts, there are various types of partnerships. They can determine how the partners address ownership issues, and they have varying tax benefits. For example, within the business world, disharmony among family members or unrelated business partners can mean a higher tax bill if the owners are forced to divide assets among the partnership's members. Through the use of certain partnership structures, business owners can divide their companies' assets in ways that eliminate taxes.

**3. LIFE INSURANCE.** One area that has captured the interest of the affluent is the use of life insurance policies to help pay estate taxes. While life insurance can cover estate tax liabilities, the estate taxes will still need to be paid. Options such as extensions and loans to pay estate taxes can be very useful. However, these approaches can be problematic, especially if the situation involves extensive family businesses and significant nonliquid assets.

For some, life insurance is a significant component of their overall approach to paying estate taxes. By using life insurance in estate planning, they can more effectively orchestrate the transfer of assets and better protect the family's wealth (and their legacy for future generations).



## SEVEN IDEALS

But effective wealth planning isn't exclusively about technical solutions and expertise. Any wealth planner you enlist for help or guidance should adhere to seven ideals, all of which work together and should be treated as prerequisites in any situation:

- **Flexibility.** Effective wealth planning is able to change and adapt to your evolving circumstances, as well as to shifts in the financial and legal environments. Successful elite wealth planners are flexible, accommodating, and capable of analyzing a range of anticipated scenarios.
- **Discretion.** A high degree of discretion is a requirement for any professional working with the wealthy. As it relates to wealth planning, discretion regarding specific legal strategies or financial products can help avoid unwanted attention, unnecessary levels of questioning and retroactive changes to rules.

- **Transparency.** In many situations, neither you nor a wealth planner would benefit from sharing the intricacies of a sophisticated or customized legal or financial solution. Nonetheless, it is important for each solution to be as transparent as possible and open to scrutiny by appropriate authorities.
- **Cohesiveness.** While the legal strategies and financial products of wealth planning can be employed on a stand-alone basis, a certain degree of integration and coordination should inform all wealth planning. This can help ensure that your goals and objectives remain the focus of all efforts—and potentially enable various legal strategies and financial products to work in concert with each other for better outcomes.
- **Risk sensitivity.** The spectrum of wealth planning solutions ranges from the plain vanilla to the truly exotic. Without stepping over any legal boundaries, there is still ample room to be creative. It is therefore critical that you and your other trusted advisors understand the level of assertiveness associated with a particular solution and consider it in the context of your capacity for taking risk.
- **Cost-effectiveness.** There are times when the cost of a possible solution is much greater than the benefits it is likely to deliver. That's when more mainstream solutions may be sufficient. Smart wealth planning will carefully weigh the benefits of a recommended course of action against both its financial and psychological costs.
- **Legitimacy.** Wealth planning should never incorporate tools or techniques that are—or may be perceived to be—illegal or even unethical. There's no reason to cross the line.



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