
By Philip Marcovich

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A few extracts from Weath Management: The Destructive Power of Family Wealth

• On the Needs of Wealth Owners

"Wealth owners have latent needs - they fear, need, but don't know what they are. Knowledgeable advisors are often treated as a proxy for them - they look to the advisor as an individual who understands their needs. For a wealth owner, the advisor does not understand their own succession plan, whether it involves the big family gift, the large philanthropy, or the simple exit plan. When they encounter a need to make decisions if they are disabled or die, who can replace the trustee? Who will monitor conflicts of interest, including how asset managers and others charge for their services? What can be done to manage the risks of divorce and other risks to wealth?"

• On Succession Planning and Asset Protection

"The first step in succession planning is to understand that having no succession plan is a place to start. If I die, something will happen to my assets, and this notwithstanding I may not have actually thought about my succession plan and place."

• On Changing Demographics and Aging

"Do failing minorities put assets at risk? Is it sectarian that we are all living longer, but is it good that we do not want to have a minority put at risk if no one knows where they are? Early succession and asset protection planning is necessary to address my goal of financial independence and more aggressive actions on the part of the family who will be left in my place in the next generation."

• On "Gold-Diggers"

"I am often asked by families I work with about the risk of in-laws or others being gold-diggers, more interested in the wealth of the family than they should be. This is not a difficult evaluation to make, although I do think it is critical to understand how laws designed to protect a spouse can be abused to provide a spouse with status and wealth regardless of what the wealth owner intended. You should have access to. And with marriage falling, which many do, the self will and should end up with something - so everyone needs to be prepared, and all too often, women are.

• On Divorce

"In the case of divorce, community property - cohabitation and otherwise, it is easy to say that the divorce is a difficult situation that is critical to protect your client by protecting the wealth owner. And this is often the case, and why laws are in place to protect this. But for a wealth owner, it is not just a question of how will the wealth owner fare after the divorce, it is critical to understand how laws designed to protect a spouse can be abused to provide a spouse with status and wealth regardless of what the wealth owner intended. You should have access to. And with marriage falling, which many do, the self will and should end up with something - so everyone needs to be prepared, and all too often, women are.

• On the Need for Women to Understand their Rights and Financial Position

"There is one very important reality about women and wealth. Chances are that they will end up with the money, one way or another - so they better know where it is and how to deal with it. Women live longer than men, and in a marriage, it is likely they will outlive their husband. And if the marriage falls, which many do, the self will and should end up with something – so everyone needs to be prepared, and all too often, women are.

• On Who You Can Trust

"Trust no one. This is not because no one can be trusted, but because the safest way to protect your wealth is to trust your own judgement. If you have a bad wealth owner, that is often the case, and why laws are in place to protect this. But for a wealth owner, it is not just a question of how will the wealth owner fare after the divorce, it is critical to understand how laws designed to protect a spouse can be abused to provide a spouse with status and wealth regardless of what the wealth owner intended. You should have access to. And with marriage falling, which many do, the self will and should end up with something - so everyone needs to be prepared, and all too often, women are.

• On Tax Advantaged Investing

"There are many faces to tax advantaged investing, but in the simplest terms, to invest on a tax advantaged basis means focusing on the after tax and not the pre-tax return on an investment. It is very easy to get into an investment, but often not enough attention is given to the tax consequences of that investment, and what the tax consequences of this might be.

• On Taxation

"In a world where disparities of wealth is increasingly at the forefront of the political and social agenda, is "hiding the money" either an option or the right thing to do? Advisors and wealth owning families have to change their ways, and in many cases, the ways of the legal and tax systems must also change. Do they now understand the advice receive and be able to challenge that advice, and ask the right questions. Being aware of how tax systems work can help families to make informed decisions in control of the succession and asset protection planning put in place for their families."

• On the Move to Tax Transparency and Automatic Information Exchange

"In transparency in the tax world a rocky road that will create a new kind of refugee problem and a drain of capital and entrepreneurship from countries most in need. I worry that advisors will be caught with their hands in the fire of this transnational tax transparency. Politically motivated use of tax information, corruption, leakage of tax information to taxpayers and more will lead to entrepreneurs still being in the countries - at some point in future. I always advise families to hope for the best, but plan for the worst."

• On Mistresses and Toy-Boys

"Wealth owners are not infallible - so despite the concept. Mistresses, toy-boys and other relationships all too often move into situations of blackmail, and there are approaches that wealth owners falling into common traps can employ to manage things effectively. One golden rule is to never miss a minute of a lump sum payment - before long, she is in the know - why not use this to your advantage and be prepared to make payments over her lifetime, but conditioned on her keeping things quiet?"

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