WILMINGTON TRUST
WEALTH ADVISORY SERVICES

WEALTHtoday®

The New Agenda: What Matters Now

Unprecedented changes in the fundamentals of the markets have reordered some of financial planning's most basic assumptions. We asked a panel of experts to explain how Wilmington Trust is responding to the markets and client concerns.

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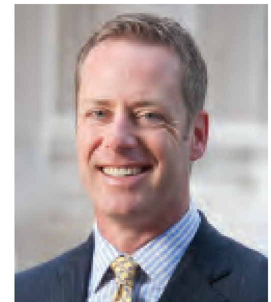
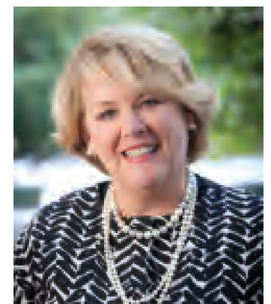
Wilmington Trust Today

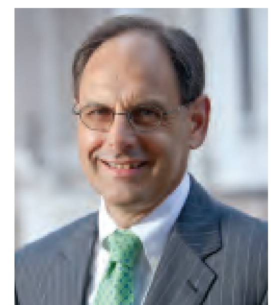
Mark A. Graham

The New Agenda: What Matters Now

Today, clients are struggling to make sense of a world in which the bedrock assumptions on which their family legacies were founded—our nation's role as an economic leader, the continuing prominence of generation-spanning businesses, the soundness of the U.S. Treasury bond—have been challenged. WEALTHtoday recently talked with Mark Graham, executive vice president; Chris Randall, president, mid-Atlantic region; Anna Smith, group vice president; and Jack Garniewski, senior managing director, about how their Wealth Advisory team is helping clients navigate this changed world in a comprehensive way, thanks to their combined strengths of diverse yet coordinated talents.


Christopher D. Randall


Anna L. Smith


John P. "Jack" Garniewski

***WEALTHtoday (WT):** In a market environment like this, people tend to become very focused on the short-term performance of their investments. How do you help clients keep longer-term issues in focus?*

Mark Graham: Integrated wealth management is key to our approach and always has been. While we certainly discuss investment performance, we don't lose sight of the fact that what's really important for sustaining wealth over generations is what you and your family are able to keep after taxes and after fees. We focus on legacy planning, philanthropic work, family governance—the broader goals each family has for its wealth.

Chris Randall: Our clients want to preserve their wealth not just from market downturns but also from taxes. In historical terms, the federal estate tax rate is currently low—a maximum of 35 percent. Even so, every dollar that escapes exposure to this tax delivers the equivalent of a 35 percent risk-free return to an individual's heirs. You can't find that anywhere in the investment markets.

***WT:** We're living in a period of heightened uncertainty, which often breeds inaction. How do you help clients stay proactive?*

Anna Smith: Good ideas are one thing, but getting clients to make choices and move forward with a recommendation is really an art. Our whole approach is strongly oriented toward promoting action. We know that our clients are extremely busy people. Around

each issue, we offer a road map that makes it easier to act: We come up with a timeline and steps and walk them through the process while keeping an eye on the deadlines. We also know there are decisions that simply take time. We begin some discussions as much as 18 months in advance of any deadline, depending on the complexity of the structures involved. Having helped other families formulate estate plans, we know how to be persistent as well as patient, and how to make a tough issue easier.

Graham: It all begins with communication—emails, in-person meetings, phone calls, quarterly reports—we stay proactive on our clients' behalf. Most of that communication has to do with keeping our clients focused on all the small steps it takes to reach long-term success. It's nearly impossible to filter out all the discouraging news and we understand that. A large part of keeping clients motivated is putting that news in perspective, providing reassurance that they are not powerless in this process and providing them with the right tools to take action.

WT: How are you helping clients adjust to a changed investment environment?

Garniewski: We're talking a great deal about asset allocation and risk. In 2008, clients experienced a market where all asset classes were adversely impacted even though they were not correlated. Extreme negative variations to normal market expectations were introduced when discussing risk and asset allocation. Clients recalibrated their risk tolerance, and they're looking for more downside protection—but at the same time, they are open to opportunities.

Smith: We're providing guidance to clients looking outside the traditional asset classes. We like to take an holistic approach with our families and look for investment opportunities that are not correlated to traditional assets. Hedge funds were supposed to hedge against volatility and market downturns, but that wasn't necessarily the case recently. Our multi-generational families are interested in sustainability and consistency of returns over the longer term. In some cases, alternative investments, including private equity, are a way to help sustain wealth over generations.

Randall: When all the news is about how far down the markets have fallen, investors get very focused on performance, sometimes overly so. But many clients are concerned with preservation as well as growth and to balance those two things you may have to give a little on the upside. The adjustment is as much a mental one as a tactical one. So, as you go up the wealth segment we work with clients to help them understand where investment performance, whether absolute or relative, has limitations when you also consider estate and fiduciary planning. We approach it from a goal perspective and try and get our clients to see it that way as well.

WT: In addition to advising clients on their assets, do you also discuss their liabilities—their lifestyle choices and spending?

Garniewski: Families understand that they have just two options: (1) modify their lifestyle or (2) draw down assets to maintain their current lifestyle. We provide extensive cash flow analysis. We run scenarios to determine how

long a client's funds are likely to last given particular spending patterns and market conditions. This cash flow analysis then becomes part of our ongoing conversations.

WT: Do you see changes in attitudes toward succeeding generations?

Graham: Every family has its own set of values when it comes to distributing wealth to children. Some parents are concerned that if their children know too much about the family's wealth, they may not develop into independent adults. Some of these families tell their children as little as possible about their wealth. Other parents try to involve their children in wealth-related issues, including philanthropy, as early as possible. Wilmington Trust advisors have helped in both these situations by asking how the family is preparing the next generation for wealth-related responsibilities, helping family members clarify their views, and working with outside advisors. For families that are interested, we also offer programs that educate members of the younger generation in areas such as financial literacy, investing, family values, and the family mission statement.

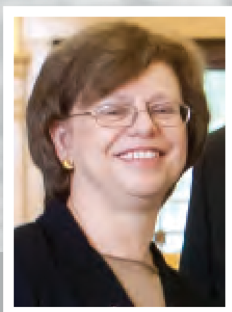
Garniewski: At one recent family board meeting, I was struck when one of the senior members said, "Our children will have to find jobs," and everyone else agreed. Given the scale of the family's wealth, this might not have been the majority view 20 years ago. With succeeding generations, families grow larger at an exponential pace, which means inheritances are spread over a greater number of individuals. At the same time, with longer life expectancies for parents, children are likely to receive inheritances at a later point in their lives. This concern is not altogether new: Past generations also wanted their children to understand financial issues and to establish careers. But in some families, the issue has acquired new urgency.

Smith: It goes the other way as well. Philanthropy is still a cornerstone of families, it's a part of who they are and has been for decades, but it's being expressed differently. With the younger generations, we're seeing much more of a focus on promoting social change and less on supporting institutions; there's a focus on mentoring rather than museums. It's a theme that runs through their investing ideas as well. We see a lot of interest in socially responsible investments and green technology. They know the returns aren't there but they are very hungry for knowledge about this asset class.

WT: How do clients benefit from your multigenerational approach?

Randall: With many of the families we work with, our relationships can extend through multiple generations. Clients know that we've helped their families and others through all phases of the economic cycle—not with prefabricated answers but with unique solutions tailored to their particular circumstances and goals. We're deeply versed in current conditions, but we don't lose sight of our clients' long-term objectives. Clients have found this a very valuable perspective.

Seizing the Opportunity to Make Gifts that Work for Families



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Estate tax relief enacted at the end of 2010 offers unprecedented opportunities for high-net-worth families to transfer wealth through the end of 2012. To take best advantage of this opportunity, however, families need to engage in a thoughtful decision-making process, so that they can transfer wealth in a way that best meets their objectives and protects their family. This article will discuss some of the decision points that families need to think about as they transition wealth to the next generation and also will look at some of the most helpful ways to transfer wealth in a tax-efficient way during this exceptional two-year window of opportunity.

Figure 1

	2011	2012	2013
Estate and generation-skipping transfer (GST) tax highest rate and exemption	35% $5,000,000	35% $5,120,000 as indexed for inflation since 2010	55% $1,000,000 (GST indexed for inflation)
Gift tax highest rate and exemption	35% $5,000,000	35% $5,120,000 as indexed for inflation since 2010	55% $1,000,000
Basis of inherited assets	Fair Market Value	Fair Market Value	Fair Market Value
Portability of Estate and Gift tax	Yes	Yes	No

As shown in Figure 1 above, the estate, gift, and generation-skipping transfer (GST) tax exemptions have all been increased to $5 million (as indexed for inflation) through the end of 2012, allowing married couples with very high net worth the opportunity to transfer up to $10 million without incurring any tax. And depending on how the gift is structured, the assets can grow free of future wealth transfer taxes, sometimes even perpetually. But there is a sense of urgency around this opportunity: on January 1, 2013, if Congress does not act, the exemptions will fall back to $1 million, and family wealth transfers—whether by gift or at death—above that amount will be taxed at a highest rate of 55 percent. In fact, even as this is being written, rumors are swirling that the exemptions could be decreased and rates increased even sooner, as part of Congressional deficit reduction proposals. While we think such change is unlikely, we of course cannot predict what Congress will ultimately decide or when. Clients who are concerned about the possibility of change during the rest of 2011 or 2012, and who are fairly far along in their planning, may want to consider accelerating their gifts.

Why Make Gifts Now?

Clearly, the increased exemptions are a critical reason to think about making substantial gifts by the end of 2012. And since most states do not have a gift tax, a lifetime gift not only can take advantage of the increased federal exemption, but can also reduce the size of your estate subject to state estate tax if you live in a state with a state estate tax. Sometimes as important as the gift itself, all future appreciation on a lifetime gift is also removed from your estate. But there are many other reasons for families to engage in lifetime giving, particularly through trusts. Trust planning allows families to think seriously about the legacy that they wish to leave future generations, while creating a pool of assets that can protect beneficiaries. Assets in trust, for example, will be protected from a beneficiary's creditors, including a future spouse in the event of divorce.

The Family Decision-Making Process

Deciding how to transfer assets to future generations is one of the hardest financial decisions that wealthy families make. It can take a long lead time for a multi-generational family to come up with the right planning framework that will support the family's vision for the future and carry out its legacy. With the increased exemption scheduled to expire in less than 15 months, the time to start thinking through these complex issues is now. The first question, of course, is how much can you afford to give away? While the increased exemption is a tremendous opportunity for some families, others will want to make gifts of a lesser amount, in light of the senior generation's needs and/or goals. The senior generation often needs time to accept the idea of transferring control over assets, or it may decide to retain some control.

Complex family issues around family businesses and family assets, such as vacation homes or artwork, may need to be addressed. Also, a family needs

to consider its values, deciding how much to leave to future generations. Is the family's goal to transfer as much wealth within the family as possible, or do they want to establish a family philanthropy as part of the family's legacy? And if, as we recommend, large gifts are to be made in trust, who should serve as the trustee and/or advisors to the trust? Finally, of course, what assets should you gift? The interplay between the estate tax and income tax savings can be complicated in gift planning, since gifted assets keep the donor's cost basis, typically the initial purchase price, while assets inherited at death receive a full fair market value basis, potentially saving heirs income taxes. And of course, the most effective gifts are of assets that are likely to appreciate in value.

What Gift Structures Work Well To Use the Increased Exemption?

Fortunately, there are a myriad of gift techniques that can help families find effective solutions, once they have determined their goals and identified the assets they would like to give. Following are just a few strategies and trust alternatives that may be used to make the most of the increased exemption.

Delaware Dynasty Trust*. Perhaps the most attractive use of the enhanced exemption, this trust is created primarily for the benefit of grandchildren and future generations.

Lifetime Credit Shelter Trust Benefitting Your Spouse. For families that can't afford to lose the benefit of $5 million or $10 million (for a couple) in assets during their lifetime, an attractive alternative may be a Lifetime Credit Shelter Trust, which is an irrevocable trust designed to benefit the grantor's spouse. A Lifetime Credit Shelter Trust can take advantage of the increased exemption and also remove the assets from any state estate taxation, while providing income for the grantor's spouse.

Delaware Asset Protection Trust*. Funding a Delaware Asset Protection Trust as a completed gift may be an effective alternative to funding a credit shelter trust for the benefit of a spouse, although it does entail more risk of inclusion in the estate than do other gifts.

Qualified Personal Residence Trust (QPRT). For families who need income from their investment assets, but own a valuable home that they would like to retain in the family, a QPRT can be a good way to use the increased exemption. The residence is transferred to a trust for a term of years, after which it may remain in trust for the beneficiaries or be transferred to them outright. A major benefit of a QPRT is that the value of the gift is reduced by the value of the retained right to occupy the residence. The donor must survive the QPRT term for the trust to be effective for estate tax purposes, so the term should be set appropriately.

Forgiving an Intra-Family Loan. One of the simplest ways to use the increased gift tax exemption amount is to forgive an outstanding loan made to a family member. This strategy can be especially attractive for families who need the income from their investment assets, but who don't need the loan interest, which is often minimal. Unless the loan is an installment loan, the borrower will not have taxable income from the loan forgiveness.

While these are just a few examples of the types of strategies that are available, it's important to note that lifetime gifts also pose some risks, which can often be mitigated through careful planning. You need to consider whether or not you can afford to lose the benefit of the income and principal of the gifted property, or if making a gift today could incur future tax consequences. There are a variety of ways to plan around these concerns, so it's critical to work closely with your tax advisors to structure gifts effectively.

The 2010 Tax Act has given wealthy families a two-year window of opportunity for significant wealth transfer without any gift tax. Sophisticated gift planning requires families to review their goals and needs carefully, so that they can plan for current and future generations. There are many effective ways to make gifts to meet a family's needs. Some forms of gifts that were not attractive with the lower gift tax exemption may now be tax-efficient, and for many families the two-year window may provide a chance to take a look at existing plans and clean up problems without incurring a tax cost.

* For more detailed information on Delaware trusts, please see Jeffrey Wolken's article, "Harnessing the Delaware Advantage," beginning on page 10.

The Importance of Strategic Planning for Business Owners

From a tax perspective, the current environment is an ideal time to begin the process of passing business-related assets to your heirs.

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Many business owners, facing the challenges of slow growth, economic uncertainty, and market volatility, have put their strategic business and estate planning on hold in favor of concentrating on day-to-day operations. However, the current environment for tax-efficient transfers is favorable—but will likely soon deteriorate. To help ensure that your family's future will be secure, the key is to plan well now and take advantage of the available opportunities.

As a business owner, you can utilize a number of wealth transfer strategies to help maximize your legacy's ultimate value and ensure a comfortable retirement. These strategies can be combined to create a comprehensive plan that takes into account all of your needs and objectives—whether you plan to keep the business in the family, sell it outright, or use its assets for other purposes.

Developing the right mix of strategies for your situation has also acquired urgency because of the uncertain fate of tax policy. Reducing potential estate and gift taxes is always a priority in holistic wealth transfer planning, to maximize the potential benefit of your legacy. Today's $5 million total individual exemption (potentially $10 million for spouses who plan properly) from any combination of estate, gift, and generation-skipping transfer taxes can certainly support that goal. But given the current federal deficit, the exemption may be reduced in the future. And assets in your estate in excess of that amount currently would be subject to a 35 percent tax, due in cash from your estate within nine months of your passing. That maximum estate and gift tax rate is also hotly debated and may increase to 55 percent in 2013, which makes optimizing your assets' structure vital to securing the future of your family and your firm.

Opportunities for Tax-Efficient Transfer

There are many planning tools that can help you remove assets from your taxable estate, particularly when interest rates are low. Four strategies are especially relevant to business owners:

- **Grantor Retained Annuity Trusts (GRATs).** A GRAT is a popular method of transferring property, such as stock in a closely-held business, to a trust in exchange for an annual payment (or annuity) for a term of years. The amount of the annuity is determined by the terms of the trust, the value of the property transferred, and current interest rates. The primary tax benefit of a GRAT is that any income or appreciation earned during the term, in excess of the stated interest rate, passes to the remainder beneficiaries free of gift or estate tax. GRATs are popular with closely-held business owners because there is very little economic downside and you can effectively retain control of the property transferred.
- **Charitable Lead Annuity Trusts (CLATs)**. These work like GRATs, except that the annuity goes to a charity instead of to you. With a CLAT, the trust provides an annual payment to one or more charitable beneficiaries for a period of time, with the remainder interest going to family members or a family trust. Because you, as the grantor, will receive a gift tax deduction for the value of the charities' interest, CLATs are a way to "leverage" gifts to family members. They can also be structured in different ways to take advantage of income tax deductions.
- **Sale of assets to a family trust.** Selling an ownership interest of your company to a family trust (grantor trust) allows you to sell an asset to your heirs and charge a very low interest rate without making an outright gift, thus avoiding gift tax. You do not incur capital gains tax on the appreciation of assets sold to the trust, and because the trust allows you to pay all income taxes on it, you can essentially increase your gift to your heirs by relieving them of the need to pay. In effect these tax payments are additional gifts to the beneficiaries of the trust, which are not subject to estate or gift tax.
- **Simple gifts and loans.** Gifts and loans to your children or other heirs are always an option, with gifting being the most straightforward. Low values in real estate and the stock market can make this an excellent time to gift assets to your children directly and/or to fund irrevocable trusts.

These strategies are especially advantageous for transferring assets—such as shares of your business when their value is depressed—that have the greatest potential for appreciation when the economy recovers.

Replacing Your Source of Income

Before you begin transferring assets to your heirs, you will want to understand how doing so will affect your own income stream. The first step is to consult with your financial advisor to determine your retirement income needs. Considerations include inflation and additional expenses that the business may currently be paying for that you will assume in retirement, such as health insurance. Once the adjusted figure is established, it can be translated into the amount of after-tax proceeds that will be needed from the sale of the business and other assets that you own.

For example: Let's say that you currently live on $250,000 per year, and it's anticipated that you will need 80 percent of that amount during retirement. Let's further assume that you would need to replace $15,000 to cover healthcare expenses currently paid for by the business and that your average tax rate is 25 percent. Finally, factor in an average rate of inflation of 3 percent.

Current after-tax spending	$250,000
	x 80%
	200,000
Additional expenses	15,000
After-tax retirement needs	$215,000
Pre-tax retirement need	$287,000

In this example, if you wanted to keep your principal intact, allowing you to leave a legacy for your family or charity, you would need to keep more than $7 million to generate enough income to maintain your lifestyle.

Selling Your Business

If there is no clear plan of succession for your business, you may want to consider selling it outright to generate wealth for yourself, your heirs, and your philanthropic goals. But the way you structure the sale of a business has significant implications. A stock sale is typically the most advantageous for the owner, as it results in capital gain treatment. However, buyers usually prefer an asset sale, which gives the buyer the ability to write off most, if not all, of the purchase price over time through depreciation and amortization. Negotiations often put the deal somewhere in the middle, and types of buy-sell agreements for the transaction may include cross-purchase, stock redemption, and hybrid.

Whatever agreement is used, it should be reviewed and tested on a regular basis. This helps to determine any issues that can be easily rectified and any funding gaps that could be bridged with insurance or other mechanisms.

Timing Is Essential

Unless Congress takes action, at the start of 2013 the estate exemption amount will drop from $5 million to $1 million per person, and the highest tax rate will increase to 55 percent from 35 percent. Today's opportunities for tax-efficient transfer may help you preserve the legacy of your life's work, so you should speak with your financial advisor about the options available to you.

Harnessing the Power of the Delaware Advantage

Delaware's progressive trust laws make Dynasty Trusts, Direction Trusts, and Asset Protection Trusts advantageous estate planning strategies.

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Personal trusts are powerful tools employed by families to achieve their estate planning and asset protection goals. By choosing Delaware as the home for their trusts, many families are enhancing the effect of these tools in ways that are not possible in their home state. Fortunately, the advantages of Delaware's laws may be enjoyed by anyone regardless of their state (or country) of residence. And, it is often possible to relocate an existing trust to Delaware to optimize its benefits.

When faced with concerns about how to protect, preserve, and transfer wealth most effectively, high-net-worth families have many tools to consider through Delaware's progressive trust laws, including the Dynasty Trust, Direction Trust, and Asset Protection Trust.

Concerns facing high-net-worth families

Can I leave a financial legacy that will benefit my family forever?

While gaining the tax and asset protection benefits of a trust, is there a way to maintain control over the assets held in trust?

Because our country is so litigious, can I protect my nest egg without sending my money offshore or giving it to my spouse or kids?

Dynasty Trusts

A Dynasty Trust is an irrevocable trust designed to stay in effect for multiple generations. Because the original trust principal and all future growth is not subject to estate, gift, or generation-skipping transfer (GST) taxes, the trust can become a "family endowment fund" for future generations. Under current law, an individual may establish a Dynasty Trust in 2011 or 2012 using up to $5 million in GST and gift tax exemptions (a married couple may be able to transfer up to $10 million). Distributions are made in the trustee's or an advisor's discretion and undistributed funds grow free of wealth transfer taxes for the next generation and beyond.

To enhance the benefit of a Dynasty Trust, it may be structured as a "grantor trust" for federal income tax purposes. This allows the person who created the trust (the "grantor") to pay the trust's federal income taxes during the grantor's lifetime. By paying the Dynasty Trust's tax bill, the grantor allows the trust to grow income tax-free as well.

If the grantor does not want to pay the trust's tax bill, the trust may be structured as a "non-grantor trust" where the trust pays its own taxes. For non-grantor trusts, there may be a state income tax savings by administering this trust in Delaware because Delaware does not impose a state income tax on trusts if there are no current beneficiaries who are Delaware residents. Consequently, it may be possible to avoid state income taxes in certain high-tax states such as New York and New Jersey with a properly structured Dynasty Trust administered in Delaware.

Another reason Delaware is the perfect home for a Dynasty Trust is that Delaware has repealed its Rule Against Perpetuities so a trust may have a perpetual duration. In addition to estate tax savings, a perpetual trust also allows the grantor to control how the property is invested and distributed for many generations following his or her death. Finally, Delaware trust law provides the highest level of protection against a beneficiary's creditors so the grantor's descendants will enjoy the benefits of the family endowment without fear that this legacy will be destroyed by lawsuits or a beneficiary's divorce.

Directed Trusts

When maintaining control over a trust's investments and distributions is important, Delaware law allows the trust instrument to appoint an advisor who may direct the trustee with regard to discretionary decisions, including the investment of the trust's assets or distributions to beneficiaries. This is not simple delegation of these duties with oversight by the trustee, which is permitted by most states, but a true separation of the duties.

Under Delaware's law, the trustee of a Directed Trust has no duty with regard to the investment or distribution powers given to the advisor. Consequently, a trust may hold a concentrated stock position, unique assets such as hedge funds and LLCs/LPs, or any other types of assets selected by the advisor. Moreover, the family's trusted professional investment advisor may continue to manage the family's portfolio while a Delaware administrative trustee is used to gain the estate planning and creditor protection advantages of Delaware law.

In addition to investment advisors, Delaware law allows other advisors

to direct the trustee with regard to the administration of the trust. A distribution advisor can either direct, consent to, or veto distributions from the trust. Therefore, distribution decisions can be made by someone with personal knowledge of the beneficiary's unique needs when a family member, family friend, or trusted family advisor serves as the distribution advisor. To add even more flexibility, a trust protector can be given the power to remove and replace trustees or otherwise assist with carrying out the grantor's goals in establishing the trust.

Domestic Asset Protection Trusts

Delaware is one of a few states that allow self-settled spendthrift trusts, or Domestic Asset Protection Trusts (DAPTs). The assets in a DAPT will be protected even if the grantor retains the right to receive the trust's current income or an annual distribution up to 5 percent of the trust's value. In addition, the grantor or his or her designated beneficiaries (typically, a spouse and children) may receive income and principal in the trustee's (or an independent distribution advisor's) sole discretion or pursuant to a standard (generally health, support, maintenance, and education).

The grantor may also retain control over many aspects of the trust's administration by holding a power to veto distributions from the trust and a power to appoint the property remaining in the trust at his or her death to anyone other than the grantor's creditors or estate. The grantor may serve as the investment advisor or appoint an investment advisor who will manage the trust's investments. Finally, the grantor may also hold the power to replace the trustee or any of the trust's advisors with unrelated and non-subordinate parties.

It is important to keep in mind that while a grantor may retain certain interests and powers, it is generally recommended to limit a grantor's contact with the trust to further enhance the protection it provides. Unless it is necessary or desirable for some reason, most practitioners recommend that the grantor retain only the right to receive distributions from the trust in the trustee's discretion and appoint only independent parties as advisors to the trust.

The most common use of a DAPT is to create a "rainy day fund" with excess assets in case the grantor or his or her family suffers a significant reversal of fortune, so that there are assets remaining to support the family. DAPTs may also be suitable for children who have received large inheritances, protecting them from frivolous spending or the threat of predatory individuals. In addition, many people are using DAPTs in conjunction with, or in lieu of, pre-marital agreements in order to protect assets that they bring to the marriage. There are no asset disclosure requirements for a DAPT to protect assets from a future spouse, so a DAPT may serve as a "silent" pre-nuptial agreement.

While other states may copy a few features of Delaware's trust laws, Delaware has all of the tools at your disposal to provide the greatest flexibility in the planning process. It is important to discuss the Delaware Advantage with your advisors to determine whether it could be beneficial to you and your family.

Integrating Family Virtues with Wealth Planning:

Family Governance Leader and Pioneer Tom Rogerson Joins Wilmington Trust!

Wilmington Trust is pleased to announce the arrival of **Thomas C. Rogerson** to our Family Wealth team. Tom joins us with more than 30 years of experience in the wealth management industry, with 16 years of specialized experience in family governance.

Based in our Boston office, Tom introduces clients throughout the U.S. to his "5 Steps to Healthy Family Governance," which assists families with communication, philanthropic vision, legacy planning, succession, and education. Tom incorporates these critical issues into a client's comprehensive wealth management plan, sharing that "it's not about just helping to prepare the money for the family, it's about preparing the family for the money." And no one would know better how important that is than Tom himself.

As great-grandson of Charles Rogerson, president of the Boston Safe Deposit and Trust Company and founder of the Boston Foundation, Tom has seen three generations of family wealth dissolve. Despite his great-grandfather's significant success–and a solid estate plan that left the bulk of his wealth to his family–the legacy did not endure. One would assume bad investments or lack of tax planning eroded the wealth, but in reality, it was lack of education about the importance of communication among family members. As Tom shares, "Our family never made a decision together or shared knowledge or wisdom. And while each generation failed in the same way, there's no element of blame involved. We simply did not understand that without a cohesive decision-making process and open channels of communication, we could not protect what Charles worked so hard to create."

When working with wealthy families, Tom looks at a combination of three factors that are critical to the family's success: investment management, estate and tax planning, and family governance. While the first two are "core" wealth management services, the family governance element requires more direct involvement from the family. If the family is not engaged in the process, it will not work. Tom specializes in helping families get started with that process, and in facilitating growth of the process for families that have already engaged in a family governance program.

"Protecting what you've got is so important," Tom stresses. "Only three percent of failure to sustain a legacy is due to failures in financial planning, taxes, and investments. The majority of the failures are due to lack of communication and trust among family members. At Wilmington Trust, we're here to help families create and maintain successful governance programs that, along with their wealth, will sustain generations to come."

If you have any questions or comments about WEALTHtoday, please send us an email at wealthtoday@wilmingtontrust.com. We look forward to hearing from you!

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