COMMITTEE REPORT:
FINANCIAL ADVISORS

By **D. Vance Barse**

The Financial Advisor as Quarterback

A former industry insider's perspective

The wealth management industry has its fair share of cliché phrases. Having spent a decade consulting financial advisors nationwide before becoming one, "financial quarterback" is the one most often used by advisors when describing their value proposition. Yet, most of the financial advisor clients with whom I consulted focused primarily on portfolio management instead of serving as a client's most trusted advisor for all dollar sign-related decisions. In an industry that suffers from the "sea of sameness," how does a financial advisor fulfill the highly coveted role of financial quarterback?

Let's first define what a financial quarterback *should* be. Much like in football, the financial-advisor-as-quarterback should be leading the entire planning team comprised of professionals such as the estate planner, tax advisor, property and casualty agent, life insurance agent, CFO and bookkeeper, such that all allied professionals collaborate to ensure that every planning opportunity is implemented and that no planning gaps exist. This is no small feat, even for the most tenured financial advisors, because it requires acute skill across multidisciplinary channels, a lot of heavy lifting and a significant investment in time. This can pose a challenge in the conventional wealth management model of hosting potential clients on the golf course while trying to gather assets.

In the words of famous quarterback Tom Brady, "You have to believe in your process. You have to believe in the things that you are doing to help the team win."[1] Bottom line: When the team wins, the client wins, and ultimately, it's our duty to bring maximum value to those we serve. Let's explore the process that a financial advisor can employ to solidify the role of most trusted advisor and financial quarterback, which includes four main categories: estate planning, tax planning, risk management and financial planning.

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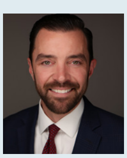

Estate Planning

—The foundation of prudent strategizing

All prudent planning should begin with a thorough understanding of the estate-planning documents. When a client is onboarding with a wealth management firm, it's essential that the firm obtain and review these documents and then discuss them with the client during a deep-dive discovery meeting regarding the client's intentions with their estate. It may be most effective to start "tabula rasa" so that the client's intentions are clear and from the heart. Importantly, drawing a family tree next to a map of the estate's assets can help visualize which assets should go to whom. This way, any inconsistencies between the client's desires and the existing estate-planning documents can be identified.

Not all clients have estate-planning documents when they onboard with a firm, though. Far too often, clients arrive without any estate-planning documents in place, are missing key documents or haven't updated the existing documents in years. Whether the plan needs updating or original documents need to be drafted, this is an opportunity for the advisor to cultivate a working relationship with the estate planner to outline key findings from the discovery meeting.

Having a thorough understanding of the estate-planning profile is of particular importance for more complex estates in which intentionally defective grantor trusts (IDGTs), irrevocable life insurance trusts (ILITs), charitable remainder trusts (CRTs), charitable lead trusts (CLTs), donor-advised funds (DAFs) and various flavors of revocable and irrevocable trusts are in place or *should be*. One of the most significant ways in which a financial quarterback can bring maximum value is through a deep understanding of these strategies and how to map out the various trust vehicles and planning documents that can be implemented to accomplish the client's goals. It's not that the financial advisor will draft the advanced planning documents but rather will serve as the "architect" of the overall estate-planning design and then work collaboratively with the estate planner to manifest the appropriate vehicles needed to satisfy the client's objectives.

A true financial quarterback often has a very close relationship with the client and may know about material updates that impact the estate well before the estate-planning attorney does.

Clients often want to control their estate from the spiritual side, and thus a working knowledge of how to materialize these intentions is essential. Regardless of the size and complexity of the estate, knowing the core estate-planning documents to have in place can help every estate establish a solid foundation. Generally, it's important to consider a will, living will, revocable trust, various powers of attorney, medical directives and beneficiary designations, although it's also important to know what state-specific laws apply and use a qualified estate planner to consult the client on specifics.

Financial advisors at most major intermediaries can work with their home office's advanced planning team, often comprised of attorneys, who can help map out estate-planning strategies or obtain advanced credentialing such as the "Certified Private Wealth Advisor" designation to become fluent in the requisite estate-planning language. Estate-planning attorneys routinely request that clients update their documents every two to five years, but clients often forget, and this is another opportunity for a financial advisor to show value by scheduling an in-person meeting with the estate planner and client to review any updates that should be made. A true financial quarterback often has a very close relationship with the client and may know about material updates that impact the estate well before the estate-planning attorney does.

Tax Planning

—An essential play-by-play approach to winning the financial game

One of the most frequent problems I observed in the thousands of hours I spent consulting financial advisors is the gap among the tax, investment and estate-planning worlds. You may be scratching your head but indulge me: Tax returns are a treasure trove of information that offer a window into multiple ways in which a financial quarterback can bring tax alpha to clients. At no slight to any tax advisor or CPA, many tax professionals are reactive tax filers versus proactive tax planners. Clients routinely profess high admiration for their tax advisor's expertise and the many years they've worked with their tax professional, only to later realize that they've been served by a reactive tax filer. A financial quarterback should spend ample time to obtain a metaphorical Ph.D. in the client's tax return profile, understand what tax-related items may be on the horizon and introduce strategies that can help keep as much money in the estate as possible, then work alongside the tax advisor to present strategies for consideration. It's not that the advisor should be giving tax-specific advice or file the return; rather, cultivating a deep working relationship with the CPA is paramount to facilitate proactive planning and cross collaboration to fill in these gaps. Let's explore some common scenarios.

In reviewing a tax return, a financial advisor may see that the client often donates cash to charity on an annual basis. Given the high current standard deduction under the Tax Cuts and Jobs Act (TCJA), if a client's otherwise itemizable deductions are under the single or married filing jointly thresholds, they may not be getting a deduction for these charitable donations. Further, if a client has highly appreciated investment holdings in a taxable/non-retirement brokerage account, the client can generally use these appreciated positions to satisfy their charitable intent. DAFs are worthy of consideration for clients in this cohort, as they can "bunch" future years' charitable donations into the current year to get their itemizable deductions above the current standard deduction threshold. DAFs are also a great tool for introducing multigenerational financial literacy and unity, as the next generation can be taught that charitable giving is a core family value, even giving the next-gen clients a voice by allowing them to dictate which charities they want to support.

> Whether the client's tax return profile is straightforward or remarkably complex, proposing strategies that bring tax alpha is a great way to solidify an advisor's role as financial quarterback.

A thorough review of the Schedule D can also reveal whether the clients have expensive, tax-*in*efficient holdings in a taxable/non-retirement brokerage account. Much of the wealth management industry defaults to using mutual funds in all accounts in the absence of considering the potential tax inefficiency of these holdings in taxable accounts. The first few years of owning tax-inefficient investments in a taxable account may not be significant, but clients routinely comment about how much their capital gains tax is costing them on these holdings once they've owned them for years in taxable accounts. Not all is lost, however. A financial quarterback can use software such as WealthScape to convert from the aggregate cost basis to the tax lot-specific cost basis reporting method, which will show the gain or loss of each tax lot for the investments they own.

There are multiple opportunities for a financial quarterback to bring tax alpha here. The advisor can conduct tax loss, tax neutral or tax gain harvesting depending on the client's tax return profile. For example, selling the tax lots that are at a loss can potentially create a loss carryforward or offset some or all the capital gains that may be distributed from the tax-inefficient mutual funds, thus reducing the capital gains in a given year. Concurrently, the financial quarterback can suggest the client donate the most highly appreciated tax lots of expensive, tax-inefficient investment holdings to a DAF to satisfy future years' charitable intent, thus reducing the client's capital gains tax drag by moving the tax-inefficient, highly appreciated holdings into the DAF. *Cautionary note:* It's absolutely crucial that the financial quarterback account for reinvestment record dates when selling holdings to avoid an inadvertent wash sale rule violation. One strategy to minimize this potential is to toggle the capital gains, dividends and interest to cash (versus reinvesting in more shares) before the next record date and to ensure that there are no pending reinvestments from a prior record date. Working with the client's tax advisor on these strategies is best practice and a great way to foster cross-collaboration.

More complex high-net-worth estates can leverage freezing and discounting techniques and other advanced planning vehicles to foster familial unity, reduce infighting among heirs, transfer multigenerational wealth tax efficiently and keep as much money in the estate as possible. For example, business owner clients who may exceed the estate tax threshold now or in the future may be eligible for an IDGT, ILIT, CRT, CLT or a combination of these strategies. One way to solidify a lifelong client relationship is to outline the tax alleviation available through these vehicles. With the TCJA scheduled to sunset as of Dec. 31, 2025, the time to start presenting these advanced solutions alongside the team of allied professionals is now.

Ultimately, the importance of understanding how to drive a client's tax return profile on a year-by-year basis can't be overstated. Whether the client's tax return profile is straightforward or remarkably complex, proposing strategies that bring tax alpha is a great way to solidify an advisor's role as financial quarterback.

Risk Management

—Sometimes, the best offense is a great defense

One of the most frequent comments shared during annual review meetings is the huge jump in insurance premiums over the last year. It's not uncommon for clients to mention a 20%+ increase in premiums on the same property and casualty policies they've had in place for years. For most clients, though, self-insuring can be a huge risk and very costly.

A true financial quarterback maintains the expertise and insight to identify gaps in coverage that may not be evident to clients or even their insurance agents. One common example is with home and auto policies. If a client is found liable for a home or auto insurance claim, it's important to know how much of their estate may be at risk if the damages are above the coverage amounts.

The AirBnB and VRBO craze is another common example. If a client has a renter who has an accident on the premises of the AirBnB or VRBO before check-in time or after check-out time, a court may find the client responsible, but the AirBnB or VRBO insurance policy may not cover this claim. It's essential that the financial quarterback model out the potential liability facing a client in this scenario and work alongside the property and casualty agent to ensure the appropriate policy is in place to protect the client's estate. A 6- or 7-figure claim can drain liquidity out of an estate, not to mention the legal bills. Many state-specific nuances apply, which is why it's paramount to consult with a highly qualified agent, as well as the client's estate-planning attorney.

Life insurance is another risk management area in which deep expertise can allow an advisor to serve as financial quarterback. Many clients have legacy whole life (WL) policies with cash values that they don't necessarily need, yet they continue to pay the annual premiums when they may have the ability to pay the premiums from the cash value. Generally, many clients simply need a term policy to replace potential income in the event of an unexpected transition to the spiritual side, but more complex estates can leverage WL insurance strategies, including spousal lifetime access trusts to accomplish specific goals.

Given that medical expenses are one of the largest financial drains in retirement, it's important for a financial quarterback to introduce long-term care (LTC) and disability policies. For years, clients often pushed back on LTC policies because the mantra was, "if you don't use it, you lose it." The LTC industry has evolved, however, and there are now life insurance-linked LTC policies that have a death benefit if the client doesn't need LTC. This way, the heirs benefit if the insured doesn't need LTC, and the client doesn't lose what they haven't used.

Clients with more complex estates can implement limited liability companies, various business entity structures and irrevocable trusts via the estate-planning attorney to help insulate and protect the value of certain assets, such as family-owned businesses and real estate. Leveraging a highly qualified attorney with specific proficiency in this area is a must.

> One of the biggest myths in the wealth management industry is that all financial advisors offer financial planning.

While the majority of clients lack enthusiasm when it comes to the cost of insurance, a financial quarterback with risk management expertise can outline the potential cost of not having these solutions in place. When presented correctly, clients can see the benefit of incorporating certain risk management strategies, and it's a great opportunity to bridge the gap between the risk management and financial planning worlds.

COMMITTEE REPORT: FINANCIAL ADVISORS

Financial Planning

—A great offense gets the team to the end zone

One of the biggest myths in the wealth management industry is that all financial advisors offer financial planning. It's a common misconception among the public. There's a significant difference between a colorful widget that projects the likelihood of success in retirement and a tangible financial plan that outlines all aspects of a client's estate.

Many clients believe that a financial plan is idiosyncratic to the investments; however, developing a thorough financial plan that coalesces the aforementioned categories produces a concrete roadmap with multiple backup options to account for the ever-changing tides of life. Financial plans are fluid, and they change, but having a document that covers the main planning categories of an estate gives clients the peace of mind they deserve. A great financial plan outlines key planning decisions, such as when to take Social Security, how to satisfy charitable giving, the timing of various tax-related strategies, morphing an expensive and tax-inefficient portfolio into a lower cost and more tax-efficient version and regularly scheduled meetings with all members of the allied planning team.

A True Financial Quarterback

So, how does a financial advisor ultimately serve as a true financial quarterback? Much like in football, practice makes perfect. As discussed above, the financial-advisor-as-quarterback model can bring maximum value to those we serve as the planning team navigates from the client's starting point toward the ultimate goal of living a life of fulfillment and purpose. While the wealth management industry has historically operated under a siloed model—in which each member of the planning team operates solely within their lane—employing a collaborative approach across multiple disciplines aims to ensure that no planning gaps exist. Our clients deserve it.

Endnote

1. Tom Brady, interview, "Dennis & Callahan" radio show, WEEI (Oct. 1, 2014).

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