

Investor's Edge

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Planning for modern families

There is a need for fresh thinking when it comes to wealth planning and preserving family legacy.

As family structures have changed, so have the ways in which families build and grow wealth over lifetimes and generations. When you hear the phrase “modern family,” your first thought might be of the TV show bearing that name. The family portrait it presents—including second marriages, same-sex marriages, adopted children and half-siblings—is closer to today’s reality than the old notion of a “traditional family” composed of a mother, a father and 2.2 kids. According to U.S. Census Bureau data, half of Americans identify as being outside of a traditional, nuclear household.

Rethink the vertical transfer

A convergence of demographic trends—including increased longevity, higher divorce rates, delayed and childless marriages, same-sex marriages, staying single by choice and multinational unions—has thrown a wrench into the traditional pattern of wealth transfer, from grandparents and parents straight down to children and grandchildren.

Today’s modern families, and the professionals who advise them, also need to plan for complex dynamics yet to come. Future children and grandchildren, divorces and remarriages, step-children and step-grandchildren, or a beneficiary’s untimely death or unforeseen disabilities can all further complicate an already nuanced estate plan.

It’s also critical for single, childless individuals, who are growing both in number and influence, to think carefully about how they transfer the wealth they’ve accrued during their lifetimes. Single adult women now outnumber married women in the U.S., and they are inheriting and attaining wealth at unprecedented levels. For this group and all the many kinds of modern families, having assets properly titled with beneficiary designations, having a will and having a health care directive are important first steps.

Consider strategies beyond basic wills

But again, basic first steps are not always sufficient to address the needs of today’s families. Now, estate planning requires input from more individuals, who often have diverging needs and expectations. It may also require more than a simple will. The structure of so many of today’s families is so complex that they would likely benefit from a detailed estate plan to control and protect the disposition of their wealth.

In many cases, the degree of complexity is so high that adding a professional trustee to the mix may be a practical way to help bring confidence to the plan and reduce family discord. A trustee is a neutral individual who likely has years of experience managing a range of family financial matters—and he or she has the legal and tax



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knowledge required to guide important decisions. As a professional fiduciary, this person can also ensure assets are managed in line with the highest investment standards.

Planning strategies for the modern family

While many families are showing interest in estate planning and preparing the next generation for inherited wealth, research makes it clear that the majority of families are falling short. Only 26 percent of high-net-worth individuals in a recent survey say they have a full wealth transfer strategy in place, with a surprising 32 percent of respondents admitting they have done nothing yet to prepare.

So what can your family do to succeed in this new era of estate planning? For one, you can take measures to prepare the next generation to receive wealth. Beneficiary education has proven to be a crucial step in sustaining family wealth, and the earlier it happens, the better. This doesn't have to be a formal process—just talking about day-to-day

saving and budgeting can go a long way toward getting younger generations into a wealth succession mindset.

In addition, you may want to consider engaging the next generation at an earlier age by involving them in financial matters that tie directly to core values, including charitable giving decisions. This enables loving parents and grandparents like you to use gifting as an opportunity to share the family's vision, priorities and intentions. Instilling an early sense of family stewardship can be an excellent way to spark further conversations about wealth and related responsibilities.

Depending on your family circumstances and dynamics, you may need to grapple with some tough, potentially unpleasant decisions. Parents and grandparents (especially in blended family scenarios) must decide how wealth will be transferred among heirs—typically this is done on an equal basis, but sometimes family heads will base these decisions on the individual needs of the inheritors. As lifespans continue to lengthen, older family

members might also ask themselves if they can begin wealth transfers while they are alive or if they'll need to preserve those funds for health care and other living expenses. (Please see related article, "How to prepare for the unexpected," on page five for more information.)

Looking ahead

Beyond financial education, sustaining wealth for future generations requires careful planning and the ongoing "care and feeding" of a comprehensive wealth management and transfer plan. It requires that your family sit down and talk openly about the good and the bad, the opportunities and the risks. Again, with so many diverse parties and potentially competing interests inherent in today's modern family structure, it's often wise to engage and retain an estate specialist who can facilitate discussion and help establish a comprehensive plan designed to ensure that the family legacy endures for many generations to come.

In the end, while family structures have changed dramatically, your family's overarching financial goals have likely stayed largely the same: accumulating wealth, funding your lifestyle today and tomorrow, protecting wealth, leaving a lasting legacy and sharing wealth with others. Effective estate planning that takes into account all the latest definitions and iterations of family can help you achieve just that, even if your beneficiary designations look a bit different from generations past.

To learn more about wealth transfer issues, and to find out about what resources are available to you, including access to a professional trustee, please contact your financial advisor.



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Eight ways to help fund college education goals

Your young scholars may still have a little summer vacation left before the next academic year. But one day, they'll be heading off to college. As a parent, or grandparent, will you be financially prepared for that milestone?

Providing a college education for a loved one is a significant investment in the child's future earnings potential. In fact, over the course of their lifetimes, college graduates may earn about \$1 million more than students with only a high school diploma, according to a report from Georgetown University.¹

But the price of a college education can be equally significant. Consider this: By this time in 2031 (when this year's first graders are college freshmen), the average costs for a four-year degree are projected to be \$289,722 for in-state students at a public college and \$375,485 for private schools, based on five-percent annual inflation adjustments to 2018-19 academic year average costs provided by the College Board.²

Which approach is right for you?

You may be familiar with common strategies for funding college. However, considering the following highlights may help you determine which one(s) to explore in greater detail.

Life insurance policies — Through a loan or a withdrawal, policyholders may be able to access the cash value of a permanent life insurance policy.

529 plans — 529 plan earnings accumulate tax free, provided they are used for qualified higher education

expenses. Contribution limits are generous, and the plan owner, not the beneficiary, retains control of the assets. Plus, they offer the freedom to invest in any state's plan and the flexibility to switch beneficiaries.

Coverdell education savings accounts — These are similar to 529 plans, but have certain investment limitations, and the funds are property of the beneficiary. The primary benefit is that these accounts offer the greatest amount of investment choice.

U.S. savings bonds — Series EE and Series I savings bonds offer virtually risk-free growth with tax benefits, although they may have a lower rate of return than other investments.

Zero coupon bonds — A zero coupon bond that matures when tuition is due offers certainty regarding the timing and amount of interest paid and principle returned, although there is an annual tax liability on imputed interest until the bond reaches maturity.

Securities-based lines of credit — Instead of selling securities to pay tuition, a short-term loan using portfolio assets as collateral may help keep investments working toward long-term goals.

Custodial accounts — Gifts of appreciated securities to custodial

accounts may offer tax benefits, although the assets are property of the beneficiary and may be counted on financial aid applications.

Required minimum distributions — Grandparents who do not need annual RMDs to fund their retirement expenses could use them to help pay college expenses.

Plan for college funding today

While college savings is best done over time, it's never too late to start. And with many strategies to choose from, developing a plan that works well for your circumstances is certainly possible.

To discuss your unique college funding goals, please contact your financial advisor.



¹ "The Economic Value of College Majors" Georgetown University Center on Education and the Workforce, 2015.

² Average Estimated Undergraduate Budgets, 2018-2019 published by the College Board.

For more information regarding college savings plans, please visit www.collegesavings.org. Participation in a 529 Plan does not guarantee the investment return on contributions, if any, will be adequate to cover future tuition and other higher education expenses. State programs vary and therefore you should carefully review individual program documents before investing or sending money. Federal income tax on the earnings and a 10 percent penalty on distributions for non-qualified expenses may apply.

Securities-based loans involve special risks and are not suitable for everyone. You should review the provisions of any agreement and related disclosures, and consult with your own independent tax and legal advisors about any questions you have prior to using securities-based loans or lines of credit. Additional restrictions may apply.

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Make this the summer you invest in you

From family vacations to backyard makeovers to finally buying that new boat—there's no time like summertime for investing in experiences that will become lifelong memories. And we're here to help you turn dreams into realities.

While the days are longer, the summer months are fleeting. Make this the year you enjoy the financial freedom to dream big.

A securities-based loan may be a smart way to enjoy today, without jeopardizing tomorrow. By using your securities as loan collateral to borrow money, you can get same-day access to cash at competitive rates with flexible repayment terms. All while avoiding potential tax liabilities from selling your portfolio assets, the burden of credit card debt or the high interest of a bank loan.

Securities-based lending is also a great way for you to be able to help out on the big things in life, like family weddings, grandchildren heading off to college or the down payment on a new home.

Securities-based lending offers:

- **No fees** — You won't pay any fees to open, maintain or cancel a securities-based lending account.
- **Low rates** — Lending is typically offered at a lower interest rate than many banks offer.
- **Flexible repayment plan** — Each month, your only obligation is to pay the interest due; pay back the loan principal on your own terms.
- **Convenience** — Monitor your balance, make a payment or request a draw amount from anywhere with easy and secure online access.

While securities-based lending can be advantageous, it does carry some risk. Specifically, since a loan is secured by the value of securities pledged as collateral, your account must maintain a minimum lending value. If your account value falls below the minimum, you will need to immediately deposit additional cash or securities. However, you will not be taken by surprise by the need to replenish your account before it dips into "danger" territory. You will receive notice, so that you will have time to take action.

It's easy to apply for securities-based lending. Simply talk to your financial advisor to help you determine your ability to make interest payments and to recommend strategies for repaying the loan principal. Then, you just complete a short online application and enjoy a life well planned.

Contact your financial advisor to learn more.

Securities-based loans involve special risks and are not suitable for everyone. You should review the provisions of any agreement and related disclosures, and consult with your own independent tax and legal advisors about any questions you have prior to using securities-based loans or lines of credit. Additional restrictions may apply.

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How to prepare for the unexpected

Despite the many unknowns about potential care needs in the future, the proactive choices that you make today can protect your health and wealth.

Protect all that you've worked for

Health and wealth intersect in retirement. Americans are concerned about the rising cost of health care, with many people wondering how they will pay potential unexpected expenses—such as a sudden health care issue—that may undermine their financial plan. In fact, one of the largest spending shocks facing a retired household is the need for ongoing long-term care.

Long-term care insurance provides benefits to cover costs associated with nursing home care, assisted living facilities and home health care. It provides relief for those expenses, so as not to burden family members or jeopardize your retirement savings.

The financial impact of memory decline and dementia

Memory decline and dementia-related diseases are leading causes for needing long-term care. Because age is the primary risk factor with dementia, Baby Boomers—with the first wave now in their early 70s—are a driving force behind this trend.

The family caregiver

Note that a dementia diagnosis doesn't just affect those with the disease; it affects everyone who loves and cares for them.

The bulk of long-term care is handled by family: 75% of caregivers are female family members,¹ with 60% rating the emotional stress of caregiving as high or very high.² In addition, the majority of caregivers have full-time jobs, yet need to go in late, leave early or take time off to care for a family member.

Long-term care

As you grow older, the potential for experiencing a long-term care event becomes increasingly likely. With nursing home stays averaging two-and-a-half years and costs outpacing inflation, having a strategy in place to help cover long-term care, should it be needed, may be a prudent part of your overall plan. Planning for this possibility means addressing the following:

- 1. Incapacity** — Document your wishes in an advanced health care directive to offer guidance for your family.
- 2. Funding** — Understand your options and build a plan that addresses the costs of care.
- 3. Adaptability** — Build flexibility into your plan and be ready to adjust as independence and overall health change over time.

The real cost of care

Dementia may be among most expensive diseases in the United States because patients need constant care and supervision. It can also lead to financial missteps—and make people with dementia targets of fraud and abuse.

For help preparing for possible long-term care expenses, please contact your financial advisor.

¹ Institute on Aging, ioaging.com, accessed 2018.

² Alzheimer's Disease Caregivers Factsheet, Alzheimer's Association, 2018.





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