Nachman Norwood & Parrott

WEALTH MANAGEMENT CONSULTANCY

Perspectives

Wealth management, tax, legal, real estate, and insurance planning insights for high net worth individuals and families

Seeing the Big Picture

Growing, preserving and transferring wealth is a complex undertaking. Last year, we spoke with prominent professionals who specialize in five key categories that impact wealth management. We gathered their most timely advice and insights then shared them with you in the first edition of *Perspectives*. In 2017, we interviewed these professionals again to understand how their industry has changed and to find out what issues they are focusing on in 2017. We are pleased to be able to share their perspectives with you in these critical areas:

We hope *Perspectives* continues to broaden your perspective of wealth management. We welcome the opportunity to talk with you and deepen this dialogue.

Contact the Nachman Norwood & Parrott team today to discuss how we may be able to help you and your clients plan for the future.

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Perspective

Many variables can influence your wealth management plan. Understanding how they interact and impact each other can help you plan more effectively. But you don't have to do it alone. A team of trusted advisors from a variety of specialties can help you manage, grow, preserve and transfer your wealth. **We believe holistic wealth management requires *perspective*.** By having diverse and informed perspectives, your team can enhance your ability to understand the interconnectivity and repercussions that decisions or events can have on your wealth. Finances are increasingly complex, particularly for high net worth individuals and families, and the need for a clear perspective has become more important than ever.

Taking a Holistic Approach

The advisors and associates of Nachman Norwood & Parrott Wealth Management Consultancy (NNP) understand that as a high net worth individual, you likely have multiple points of view influencing your wealth management plan. Since decisions are not made in a vacuum, we specialize in meeting the needs of these individuals and families we work with by utilizing a team-based approach.

Our cross-team approach provides the collective experience of consulting with both our team and experts in other fields to ensure that you gain the knowledge and perspective you need to make informed wealth management decisions. We take the time to understand the entirety of our clients' lives, including families, businesses, goals and responsibilities to parents, children and grandchildren. We also recognize the value of, and encourage, working with your tax advisor, your attorney and the other experts who help you manage your hard-earned wealth. ***We understand wealth brings choices, and a well-rounded approach creates the perspective to help you choose wisely.***

The Wealth Management Perspective

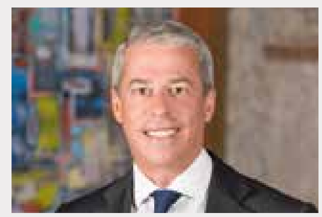
Unlike 2016, a year that began with unstable and unpredictable markets, 2017 started out strong. At the mid-point of this year, stock prices were higher, unemployment was lower and, overall, the economy has been better than in years past. However, looking forward to the rest of 2017, there are several unknown variables that could influence financial planning.

According to Ben Norwood of Nachman Norwood & Parrott Wealth Management Consultancy (NNP), "Remaining flexible is key. There are always a number of influencing factors in clients' personal lives they cannot change that will affect their financial plan. There might also be outside factors, like the economy or the government, that have a substantial impact on their financial plan."

"It is best not to be overzealous in a favorable market. It is easy for people to think good market conditions provide an ideal time to increase risk; when in reality, it is the time to get your finances in order and prioritize for the long term," says Bob Nachman of Nachman Norwood & Parrott Wealth Management Consultancy (NNP).

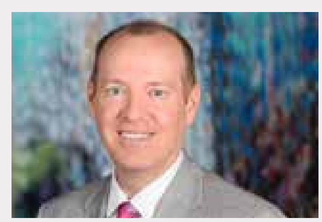
It remains critical to share any life changes with your wealth managers and other important advisors. Such changes—whether it is a sudden illness, divorce, death in the family, buying or selling a business, remarriage or other life change—can have a substantial impact on your plan. It is best to share those changes with your advisors.

WEALTH MANAGEMENT PROFESSIONALS



Bob Nachman
Nachman Norwood & Parrott

Bob Nachman, CRPC®, AIF®, is a managing director at Nachman Norman & Parrott Wealth Management Consultancy. A longtime resident of Greenville, Bob entered the wealth management industry in 1986 and was a founding partner of Nachman Norwood & Parrott Wealth Management Consultancy.



Ben Norwood
Nachman Norwood & Parrott

Ben Norwood, CPWA®, is a managing director at Nachman Norman & Parrott Wealth Management Consultancy. A Greenville native, Ben has been in the financial services industry since 1987 and was a founding partner of Nachman Norwood & Parrott Wealth Management Consultancy.

The Wealth Management Perspective (Continued)

Nachman and Norwood shared some other key points high net worth individuals should consider:

Updating Your Plan:

It is important to work with your advisor on a regular basis to re-evaluate what should be included in a plan. Your plan should include current needs, long-term spending goals, education goals, legacy goals, philanthropic goals and any dream goals. Good planning requires complete transparency with your advisor, and your plan should be updated as situations change.

Watching Your Budget and Controlling Expenses:

Too often, high net worth individuals do not live within their means, but instead depend on their portfolios and returns to support their lifestyle. It is critical to watch your budget, control expenses and create realistic spending plans that take into account difficult economic and investment conditions, not simply the most optimistic ones.

Building After-Tax Savings:

Having after-tax liquid savings beyond your qualified retirement accounts is important so that you have available funds to draw on. Solely relying on qualified plan dollars can result in large tax consequences and liquidity challenges. Historically, saving 10% of one's paycheck was considered a good rule of thumb. Today, experts recommend 15%, primarily due to longer life expectancy. However, make sure some of the 15% is after-tax dollars that you can access with less tax consequence.

KEY TAKEAWAY

Create a wealth management plan and adjust as needed. Share this plan with everyone involved, both personally and professionally.

The Tax Perspective

Tax reform will be a major topic of conversation in 2017, particularly among high net worth individuals.

In 2017, it is especially important that high net worth individuals find and utilize a good tax advisor. You likely have a tax advisor who prepares your tax return, but it's important to develop a relationship with this advisor beyond tax season so if there is a shift in external factors, you have a trusted source of knowledge readily available.

"We see so many missed opportunities and errors because there is a reluctance to communicate with a tax advisor about tax-planning strategies," says Kris Gretzschel, a tax and financial planning expert at Wells Fargo Advisors. That is particularly critical this year, as there is a lot on the horizon regarding possible tax reform. For example, Gretzschel generally would not advise business owners to hold off selling their business, especially if there is a buyer. But during this time of uncertainty, it might be best to carefully consider how the deal is structured so not all the proceeds are received in the current year if you believe there could be a lower tax rate in future years (which is still speculation at this time).

TAX PROFESSIONAL

Kris Gretzschel
Wells Fargo Advisors

Kris Gretzschel, CPA, CFP®, is the first vice president and manager of the Tax and Financial Planning Team at Wells Fargo Advisors. She has more than 20 years of tax experience and entered the brokerage industry in 2004. In her current role, she works with financial advisors and their clients by reviewing their situation and identifying tax-efficient investment and retirement strategies that will enhance their long-term goals.

The Tax Perspective (Continued)

Gretzschel also suggests keeping these additional tax-planning themes in mind:

Thinking Strategically With Charitable Gifts:

There are a plethora of tax strategies people aren't taking advantage of when it comes to charitable giving. For example, gifting in cash isn't necessarily the most tax-efficient option when compared to other methods such as gifting appreciated stock. Hypothetically, if you want to gift $100,000 to a church, instead of writing a check, consider gifting that amount of an appreciated stock from your portfolio. Assuming you've held it more than one year, you could get the same deduction. In the meantime, you can use cash to make changes to your portfolio without a taxable event, as there is no gain recognition. This technique allows individuals to make a difference while potentially reducing their tax liability. The team at NNP will be able to help you navigate situations like this and other often-overlooked strategies, such as gifting from your Required Minimum Distribution (RMD) and contributing to a donor advised fund.

Selling a Business:

Talk to your advisors well before you are ready to sell, rather than when you are ready. Once the sale of a business is finalized, your advisors can provide less help than if you make them aware of the situation before the sale. Additionally, after the sale of the business, your advisors could help navigate the tax implications of having investment assets compared to business assets that generate income.

Discussing Life Events Before They Happen:

Life events—divorce, death, birth—can also have a significant tax impact. The most benefit will come from a discussion that occurs well before the life event rather than after.

KEY TAKEAWAY

Work with a tax advisor on a regular basis to develop strategies that could have a positive impact on your wealth management plan.

The Legal Perspective

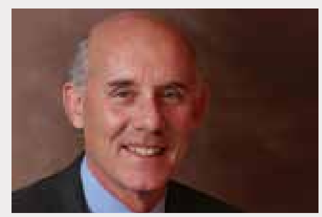
"Currently, there is a lot of speculation about estate tax repeal. If repeal occurs, people will need to review their estate planning," says David Merline, Jr. of Merline & Meacham, P.A., a Greenville, South Carolina-based law firm specializing in tax, estate planning, trusts and estates. Work with your tax advisor to review your situation closely to determine if an irrevocable trust, or something similarly unalterable, is best. Or, talk with your tax attorney about less permanent options.

Merline believes the following are the key legal trends and issues high net worth individuals should be thinking about:

Considering Asset Protection-Oriented Techniques:

Asset protection is commonly done through the use of trusts established as a part of an estate plan. Through trusts, you can control the amount, timing and usage of cash flow to your spouse, children and grandchildren long after you have passed away. In addition, trusts can be drafted with flexibility to adapt for future heirs who have unique circumstances such as special medical or mental health needs, substance abuse issues or divorce. More people want asset protection and are creating dynasty trusts. A dynasty trust is a type of long-term trust created to pass wealth from generation to generation without incurring transfer taxes. This trust could be set up by your grandparents for your parents that could even continue for you and your children.

TAX LAW PROFESSIONAL



David Merline, Jr.
Merline & Meacham, P.A.

*Dave Merline is an attorney and shareholder at Merline & Meacham, P.A. Dave has more than 30 years of experience in the industry, serving his clients in the areas of taxation law, corporate and business law, estate planning and probate law, as well as employee benefits.**

**IRS CIRCULAR 230 DISCLOSURE: To ensure compliance with requirements imposed by the IRS, we inform you that any federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties that may be imposed on you, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.*

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The Legal Perspective (Continued)

Utilizing a Stretch IRA:

“Naming a trust as the beneficiary of an Individual Retirement Account (IRA) may not be the best course,” advises Merline. Money sitting in an IRA is not subject to income tax until it is withdrawn. If money is payable from an IRA to a trust, generally, it has to come out, which causes income tax that most people would rather defer. There is a special type of trust that will preserve the deferral. If an individual still wants to leave an IRA to a trust, be sure the trust is drafted in a manner that preserves the income tax deferral.

Decanting A Trust:

2017 is likely not the best time to create an irrevocable trust. However, if you previously established an irrevocable trust and you wish to make changes to it, you might work with your legal advisor on decanting. Decanting is the ability to change an irrevocable trust. South Carolina, along with about 35 other states, is considered a **decanting-friendly** state. If you are working with an irrevocable trust in a state that does not permit decanting, typically a trust can be transferred to a **friendly** state.

Selling a Business:

When selling a business, make any legal advisors involved in your financial planning aware as soon as possible. Ideally, Merline and his team like to know three to five years before you hope to sell. This timeframe allows for a thorough review of the business, as well as identifying areas of your business that need improvement. For example, sometimes to take a business to the next level, the company might need to add a few key employees. Working with a legal team like Merline’s can help create a plan while affording the seller time to find and hire these key people. Additionally, it is important to consider what the seller’s life will look like post-sale. While the individual could be better off financially, there could be a lifestyle change as they take a less-involved role.

Creating Strategic Estate Tax:

This year, and for a number of years, Merline has been working with individuals to draft estate plans that are **Tax/No Tax.** This approach basically states that if there is estate tax when an individual dies, it is handled one way. But, if there is no estate tax when they die, it is handled in an alternate manner.

KEY TAKEAWAY

Help protect your wealth by involving your attorney in key conversations with your wealth management team.

The Real Estate Perspective

Investing in real estate, whether residential or commercial, is often top-of-mind for high net worth individuals. These investments require a long-term point of view. In 2017, we are experiencing an increased risk of rising interest rates, in addition to possible tax reforms that could dramatically affect the real estate market in upcoming months.

Real estate developer Clay Grubb of Grubb Properties notes the rules of supply and demand continue to shape the real estate market, with Millennials having a major impact on this. The Millennial generation—defined as those born between 1981 and 1997—is driving this trend. With many Millennials still several years from starting families and becoming homeowners, the supply of rental properties is not keeping up with demand. "Millennials constitute the largest generation yet—larger than the Baby Boomers—to enter the workforce," according to Grubb. This generation's choices are having an impact on both the residential real estate and commercial real estate markets.

REAL ESTATE PROFESSIONAL

Clay Grubb
Grubb Properties

Clay Grubb is the CEO of Grubb Properties. He leads the long-term strategic vision for the company and plays an active role in all investment decisions. Clay has overseen the launch of eight private equity fund programs to provide capital investment for acquisitions and development, including five funds that have acquired and developed more than $800 million in new real estate since 2010.

Clay Grubb of Grubb Properties is not affiliated with NNP or its affiliates. The material presented is not considered an endorsement and therefore NNP gives no assurances as to the quality of their services.

Grubb notes we have the largest number of 20-year-olds living at home with their parents since 1939. This trend is largely a result of a shortage of affordable housing in the U.S. This dynamic is also influenced by Millennials' financial restrictions (often due to debt from student loans) and a shift in lifestyle choices (Millennials are typically getting married later in life). As a result, the market may see a pent-up demand for households in the coming years. In the next 10 years, investing in residential real estate will be extremely attractive.

Millennials are also having an impact on the commercial side, specifically regarding office space. This generation is the most educated in U.S. history and will have a considerably higher ratio of office jobs compared to factory jobs. As such, premium office space will likely be in high demand. Millennials also view work and their workspace differently than generations past. They will be interested in what are perceived as cool office spaces, outfitted with the latest technology and with amenities like gyms and bars.

Here's what Grubb recommends high net worth buyers, sellers, and investors think about with regards to residential and commercial real estate in 2017:

Watching Middle-Market Housing:

Grubb reviews local and regional trends, as well as trends on a national scale. Across the country in 2016, Grubb observed continued strength in housing and demand for real estate. However, there is a rising resistance for high-end real estate. In previous years, we have seen a growth in revenue and demand for high-end real estate, like apartments and condominiums. But, in some areas, supply has grown and consumers are starting to hit a ceiling in terms of monthly spend. However, in the middle market, demand continues to outstrip supply.

Thinking About Your Future:

Real estate is often best viewed as a long-term investment and, therefore, can be an attractive investment for the next generation. According to Grubb, if you have great real estate in a great location in a great market, time is your friend. However, if you have liquidity needs in the next five years, Grubb would caution against diversifying your portfolio to include real estate investments.

KEY TAKEAWAY

Partner with professionals (including your wealth management team) when considering investing in real estate.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

The Insurance Perspective

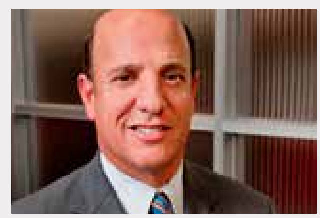
Insurance is all about managing and protecting against risk. For a successful businessperson, entrepreneur or family, personal insurance can be easy to "get to later" rather than making it a priority. Protecting against risk in your personal life is just as important as making sure your business is protected against risk, whether that is fire, theft, flood or business interruption. Working with an insurance agent or broker allows you to help protect the life (and lifestyle) you've built for you and your family.

It is critical for high net worth individuals to work with their insurance team to help ensure their coverage is keeping up with the changes in their life. As you grow your business and liquid and personal assets, new risks may present themselves and your insurance needs to be updated as well.

"On the whole, there is a lot more wealth than there was 30 years ago, and the need for life insurance has changed dramatically as people have gotten older and wealthier," says Howard Einstein, of Rosenfeld Einstein, a Marsh & McLennan Agency Company, LLC.

A continuing trend that insurance professionals pay attention to is average lifespan. Today, people are living longer. So, in some cases, the life insurance policies set up previously are underfunded.

Insurance Professional



Howard Einstein
Rosenfeld Einstein

Howard Einstein is the principal at Rosenfeld Einstein, a Marsh & McLennan Agency Company, LLC. He has more than 28 years of professional experience in the employee benefits and financial services industry, equipping him with the strategic vision required to work with management teams of growing businesses and with high net worth individuals. He specializes in assisting manufacturing, healthcare/medical, professional services and construction clients in the areas of employee benefit plans and individual and executive benefit programs.

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The Insurance Perspective (Continued)

Insurance policies can also be underfunded for other reasons, such as planning based on lower interest rates or loans taken out on the policy. It is important to work with an insurance professional to determine how much insurance you think you need, based on how much your net worth has grown over the years. Consider any changes in your health and if your ability to generate income will change dramatically once your spouse passes away.

Insurance plays a key role in protecting you while you are alive and protecting your assets for your family and the future. Those risks include loss of income, longevity risk, disability and death, among others. Speak with your financial advisor to determine your insurance needs and speak with them regularly to ensure your insurance plan is up-to-date.

Here are some key insurance trends Einstein notes for 2017:

Co-Owned Businesses and Insurance:

Einstein works with a lot of business owners, particularly involving the sale of their business. When a business co-owner chooses or is forced to leave the business, Einstein is typically working with a buy-sell agreement. An insured buy-sell agreement is a legally binding agreement between co-owners of a business that directs the transaction with the triggered buyout funded with life insurance on the participating owners' lives. This type of agreement ensures the buy-sell arrangement is well-funded and guarantees there will be money when the buy-sell event is prompted. For example, if you and a partner are in business together and that person dies, depending on the language of the buy-sell agreement, you may not be obligated to be in business with their surviving spouse or family. If you are a co-owner of a business, consider a buy-sell agreement if you don't already have one in place.

Healthcare and Medicare:

In 2017, we could see major changes in healthcare reform, especially for high net worth individuals. Proposed changes could go into effect as early as 2018, so individuals making more than $200,000 annually or households with a combined annual income of more than $250,000 should monitor healthcare legislation over the next year, particularly the Affordable Care Act. Many of the bills could affect tax savings by eliminating the health insurance deduction of high net worth individuals.

Healthcare and Businesses:

Potential changes to healthcare laws could also impact businesses. One possible change that could go into effect is the employer losing the deductibility of the health insurance, which for most employers is their second - or third - largest expense.

KEY TAKEAWAY

Consider investing in insurance to protect your wealth. Consult a professional to understand what your insurance needs are.

Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.

Nachman Norwood & Parrott should be your first stop in managing your wealth. The advisors at NNP understand there are many complex aspects to growing your assets, which is why they seek out expert advice on your behalf from a team of skilled tax advisors, wealth managers, attorneys and real estate and insurance professionals.

Rather than referring you to a host of specialists, NNP can tap these resources to help you chart your financial journey and provide you with the perspective you need to make informed and wise financial decisions. We recognize that life changes rapidly, so let us help you plan effectively every step of the way.

Our Wealth Management services include:

- Long-Term Planning
- Cash Flow Planning
- Investment Management
- Estate Planning Strategies
- Insurance Monitoring
- Education Planning
- Liability Management

Our Qualified Plan Consulting services include:

- Investment Policy Construction and Oversight
- Employee Education and Enrollment
- Investment Oversight
- Plan Benchmarking
- Record Keeper/TPA Selection and Oversight
- Consulting on Plan Design
- Due Diligence Management

Special thanks to the professionals featured in this paper and to our clients.

To learn more about the services offered by our firm, contact us today.

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