RUSS ALAN PRINCE

is one of the leading authorities in the private wealth industry. He regularly consults with the Super Rich, family offices and select professionals. Prince is executive director of *Private Wealth* magazine, is executive director of the Family Office Association Institute and writes the *Serious Money* column on Forbes.com. He has authored or co-authored more than 55 books, including *The High-Functioning Single-Family Office: A Primer for Family Members and Senior Management.*

RICHARD J. FLYNN

is managing partner of FFO, one of the premier family office and business management companies serving ultra-wealthy individuals and families. An international authority on the family office space, Flynn works with the Super Rich and their professional advisory teams to create strategies that build and protect fortunes and legacies. He is a regular contributor to *Private Wealth* magazine and is co-author of three books, including *The Family Office: Advising the Financial Elite.*

JOHN J. BOWEN JR.

is the founder and CEO of CEG Worldwide, the world's leading coaching firm for financial advisors. For more than 15 years, Bowen and his team have had the privilege of coaching elite financial advisors on new ways to deliver groundbreaking wealth management solutions to their clients. Previously, he worked directly with affluent clients as a financial advisor for 26 years, managing up to $2 billion in assets.

ELITE WEALTH PLANNING
LESSONS FROM THE SUPER RICH

The Super Rich—those uncommon individuals and families who have built a net worth of $500 million or more—inhabit a rarefied world that in many ways is fundamentally different from the world of those of us of lesser means. What, if anything, can the Super Rich teach us about their approaches to building and protecting wealth?

As *Elite Wealth Planning* shows, there is much we can learn from the Super Rich. While elite wealth planning was once suitable for only the extremely affluent, that is changing. It has become more and more mainstream, to the point that it is now appropriate for some individuals and families way down the financial ladder. In fact, for an ever-expanding number of affluent people, the increased availability of elite wealth planning has opened up new possibilities for mitigating taxes, for protecting wealth from malicious litigants and for tax-efficient charitable giving.

Elite Wealth Planning introduces you to basic wealth planning strategies and products, the key differences between mere wealth planning and elite wealth planning, the core principles of wealth planning, and the process elite wealth planners employ to help their affluent clients reach their goals.

You will also discover how the Super Rich use elite wealth planning to help manage some of the life situations many people—wealthy and not-so-wealthy—must confront, including marriage and related issues, family businesses, educating and empowering heirs, and health issues.

Perhaps most important, you will find out how to identify an elite wealth planner who will help you implement the approaches of the Super Rich when appropriate—so that you, like the Super Rich, can increase the likelihood of achieving your most important goals for yourself and your loved ones.

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LESSONS FROM THE SUPER RICH

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ELITE WEALTH PLANNING

is a comprehensive planning process that incorporates state-of-the-art technical expertise with legal strategies, financial products and the human element to work in a synergistic manner. Until recent years, elite wealth planning was the province of the Super Rich—those with a net worth of $500 million or more.

But that's changing. Many of the approaches of elite wealth planning are now applicable to some of lesser wealth. And the ways in which the Super Rich approach their wealth planning can be very instructive. *Elite Wealth Planning* sets out those key lessons, concentrating on what the Super Rich do to make sure the focus of elite wealth planning is squarely on them—something you can do for yourself too.

Drawing on the authors' decades of experience in working with the ultra-wealthy and their professional advisors, along with their extensive ethnographic and empirical research, *Elite Wealth Planning* sheds important light on the world of the Super Rich. Applying their lessons in your work with an elite wealth planner can help you maximize the probability of achieving all that is most important to you, which may include taking care of the people you love, helping the causes you care about most and even making a difference in the world.

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The Super Rich have much to teach us about their approaches to building and protecting wealth. *Elite Wealth Planning* sets out their lessons and how you might apply them in your own life to increase the likelihood of achieving your most important goals for yourself and your loved ones.

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[Advisor First and Last Name]
[Firm Name]
[FIrm Address]
[City, State ZIP]
[(000) 000-0000]
[email address]
[website address]

advisor photo

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Lessons from the Super Rich

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Elite Wealth Planning

Lessons from the Super Rich

By Russ Alan Prince, Richard J. Flynn and John J. Bowen Jr.

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To Sandi, whose dedication and competence make life work.

—Russ

Gayle, your focus on living presently, while enjoying our journey, inspires me every day.

—Rick

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To my wife, Jeanne—it's a privilege to share my business, life and love with you.

—John

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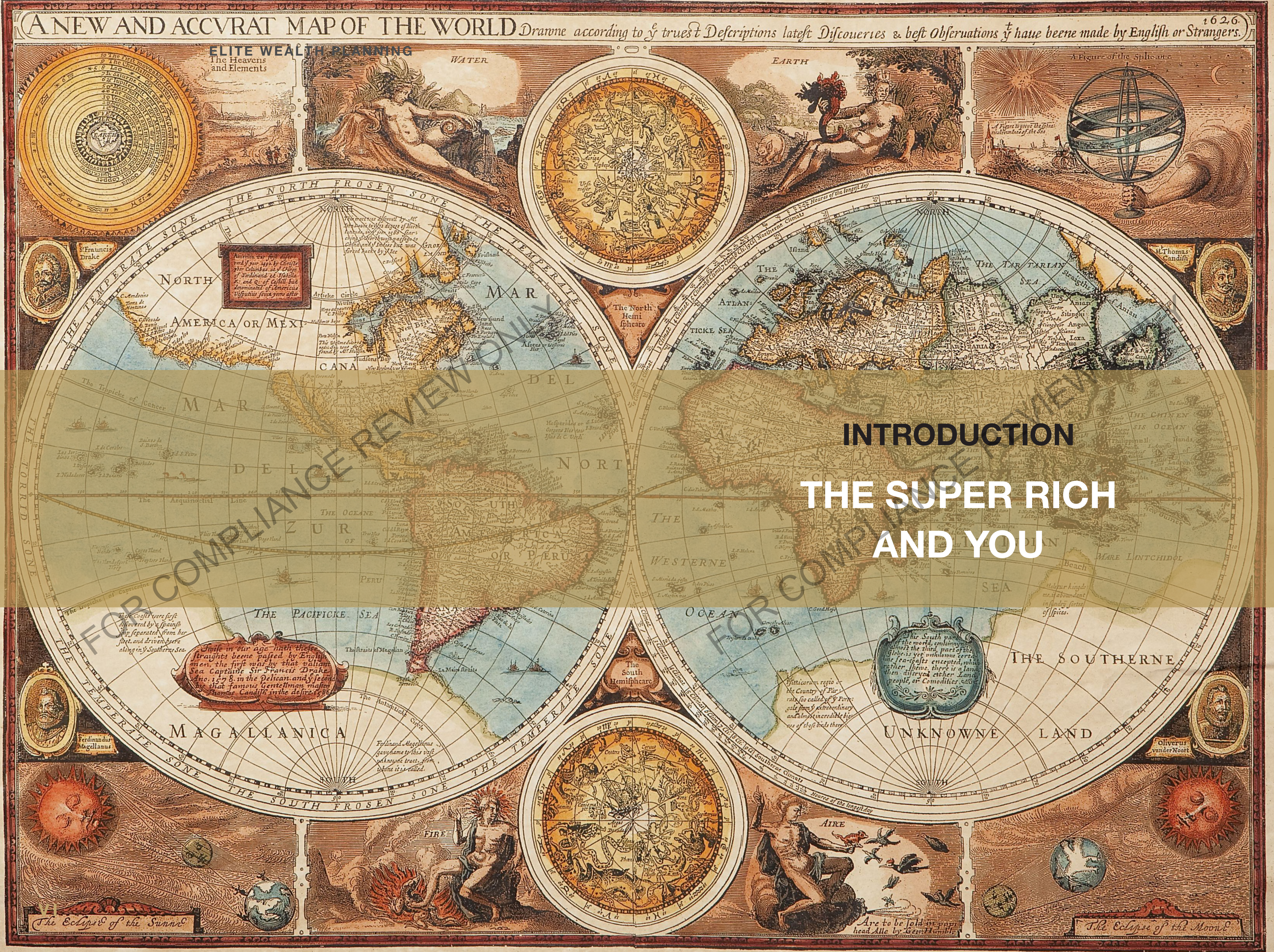

INTRODUCTION

THE SUPER RICH AND YOU

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Ah, the Super Rich—those uncommon individuals and families who have built a net worth of $500 million or more. They inhabit a rarefied world that in many ways is fundamentally different from the world of those of us of lesser means. What, if anything, can the Super Rich teach us about their approaches to building and protecting wealth?

As it turns out, quite a lot.

Elite wealth planning was once very much restricted to the extremely affluent. An individual or family needed a very substantial fortune in order to benefit from many of the legal strategies and financial products used in elite wealth planning. However, in some respects, that situation is changing. Recently, and with mounting speed, the private wealth industry is transforming.

Nowadays, people who are not part of the 0.1 percent or even the 1 percent can employ many of the same solutions. Elite wealth planning has become more and more mainstream, to the point that it has become appropriate for some individuals and families way down the financial ladder.

Is it right for you? Generally speaking, we see two groups as having the potential to benefit from elite wealth planning:

- **The exceptionally wealthy—and those aspiring to exceptional wealth.** We define the exceptionally wealthy as those with around $10 million in net worth or more. In our experience, with few exceptions, nearly any exceptionally wealthy family can use a wide variety of elite wealth planning approaches to a large degree. But individuals and families whose net worth is less than $10 million can also use many of the legal strategies and financial products that are regularly used by the Super Rich. It's just a matter of degree.

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- **Anyone facing a complex financial situation.** People of lesser wealth can also use some elite wealth planning strategies and products to address complexities in their financial lives. Common examples include couples engaged to be married (where a prenuptial agreement may be appropriate); parents of special needs children (where a trust might be called for to safeguard the child's financial security); people in second or third marriages (where an estate plan may be needed to ensure that children inherit equally); and owners of successful family businesses (where strategies may be needed to transfer the businesses to the next generations in a tax-efficient manner).

To be clear: Although elite wealth planning is being increasingly democratized and some people can benefit from it in the same way as the Super Rich, there are still financial criteria that must be met and levels of complexity that must be reached before you can benefit from many of the possible elite wealth planning solutions.

There's one financial product, for instance, that requires you to have a minimum of $5 million in investable assets before you can use it. Another example: One potent legal strategy can protect personal wealth from unfounded lawsuits and even government asset seizures, but it's only applicable to non-U.S. billionaires. Likewise, there are effective cross-border tax arbitrage strategies for substantial family businesses, but they require corporate interests in multiple jurisdictions.

Nevertheless, for an ever-expanding number of affluent individuals and families, the possibilities for mitigating taxes, for protecting wealth from malicious litigants and for tax-efficient charitable giving have become more pronounced because elite wealth planning is more readily available.

We firmly believe that when it comes to wealth planning, you are more likely to achieve the same level of success and results the Super Rich usually achieve if you follow the well-worn path they have blazed. Our aim with this book is to introduce you to their approaches—and to share how to find an elite wealth planner who will help you implement them when appropriate—so that you, like the Super Rich, can increase the likelihood of achieving your most important goals for yourself and your loved ones.

Why us?

Throughout our long careers (a combined total of some 110 years), we have worked with the rich and the Super Rich—people with a net worth of $500 million or more. For two of the authors, the Super Rich—especially those individuals and families worth more than a billion dollars—are our primary clients. One reason we have concentrated on the Super Rich is that they are often the only clients who could benefit from the sophisticated and sometimes arcane expertise we can provide.

By working with the Super Rich and their other trusted advisors, we've developed a powerful understanding of the interplay of internal drivers, interpersonal dynamics and technical proficiencies. We wrote this book to share how the Super Rich source and use the capabilities of elite wealth planners. While some of the exceptionally affluent act poorly in maximizing their wealth, the great majority—with the help of astounding professionals—are very adept.

In addition to our experience in working directly with the Super Rich, we've also conducted extensive research both with them and with their trusted advisors. When it comes to the Super Rich, this means ethnographic research, particularly through interviews, both structured and unstructured. Their professional advisors, including elite wealth

advisors, are infinitely more inclined to participate in survey research, so we draw on that as well. (See **Appendix: Researching the Super Rich and Their Advisors**.)

A few definitions

Throughout this book, you'll read certain phrases over and over. We will delve into each in great detail, but to be clear and precise from the get-go, here are some definitions to keep in mind:

- **Wealth planners.** Professionals who are generally well-informed about a wide range of legal strategies and financial products and skilled at implementing these strategies and products in the service of their clients. There is a range of expertise and competence among wealth planners; at the high end of technical proficiency, their expertise is state-of-the-art. We call these wealth planners "technically adept."

- **Elite wealth planners.** Professionals who, like technically adept wealth planners, have state-of-the-art technical expertise and are able to deliver a diverse range of legal strategies and financial products to their clients. In addition, elite wealth planners incorporate a deep focus on the human element—the priorities, aspirations, relationships and interests of their clients.

- **Elite wealth planning.** A comprehensive planning process that incorporates state-of-the-art technical expertise with legal strategies, financial products and the human element to work in a synergistic manner. Elite wealth planning must be flexible, discreet, transparent, cohesive, risk-sensitive, cost-effective, explicit and legitimate.

- **The human element.** The personal and emotional component of elite wealth planning. It includes everything and everyone that is

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important to the client, as well as everything and everyone that could be affected by the wealth planning.

- **The Super Rich.** Individuals or families with a net worth of $500 million or more. The ways in which the Super Rich approach their wealth planning can be very instructive to those of lesser wealth.

- **Billionaire Intelligence.** The collection of thought processes, mindsets and actions that characterize the Super Rich. It is central to the success of a great many, if not most, of the Super Rich.

Our approach in this book

For quite some time, we've heard a lot of interest in elite wealth planning. We know that many driven and successful people are very interested in understanding the process, the components and the thinking behind elite wealth planning. They want to know what the Super Rich are doing when it comes to wealth planning and, perhaps even more important, how they can go about receiving the same advantages of elite wealth planning the Super Rich do.

Our intent is *not* to advocate or hype a particular legal strategy or financial product. That would be a major disservice to you. Our goal, instead, is to explain the nature of elite wealth planning, integrating insights we have derived from the Super Rich. We won't address the myriad technical aspects of elite wealth planning. Instead, we'll concentrate on what the Super Rich do to make sure the focus of elite wealth planning is squarely on them—something you can do for yourself, too.

To accomplish that, we're dividing the book into three parts. In **Part I: Elite Wealth Planning**, you'll gain an understanding of the state of

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the Super Rich and elite wealth planning today, basic wealth planning strategies and products, the key differences between mere wealth planning and elite wealth planning, the core principles of wealth planning, and the process elite wealth planners employ to help their affluent clients reach their goals.

In **Part II: Putting Elite Wealth Planning to Work**, we'll move through some of the life situations many people—wealthy and not-so-wealthy—must confront in which elite wealth planning can help. We'll look at marriage and related issues, family businesses, educating and empowering heirs, and health issues, including the challenges of longevity.

In **Part III: Getting Expert Advice**, we'll explain how the Super Rich find their elite wealth planners and how you can use the same process to identify elite wealth planners who may be right for you. We'll also examine how the Super Rich use stress testing and second opinions to help make certain that the wealth planning they are considering or have implemented is the right solution for them.

Throughout the book, we'll share some of the stories we've picked up along the way in our extensive work and ethnographic research with the ultra-rich and Super Rich. These stories provide a glimpse into their world and how they use elite wealth planning to address their challenges. We believe you'll find these stories instructive, and maybe even entertaining.

We wish you the best of success in making elite wealth planning work for you and the people and causes you care about most.

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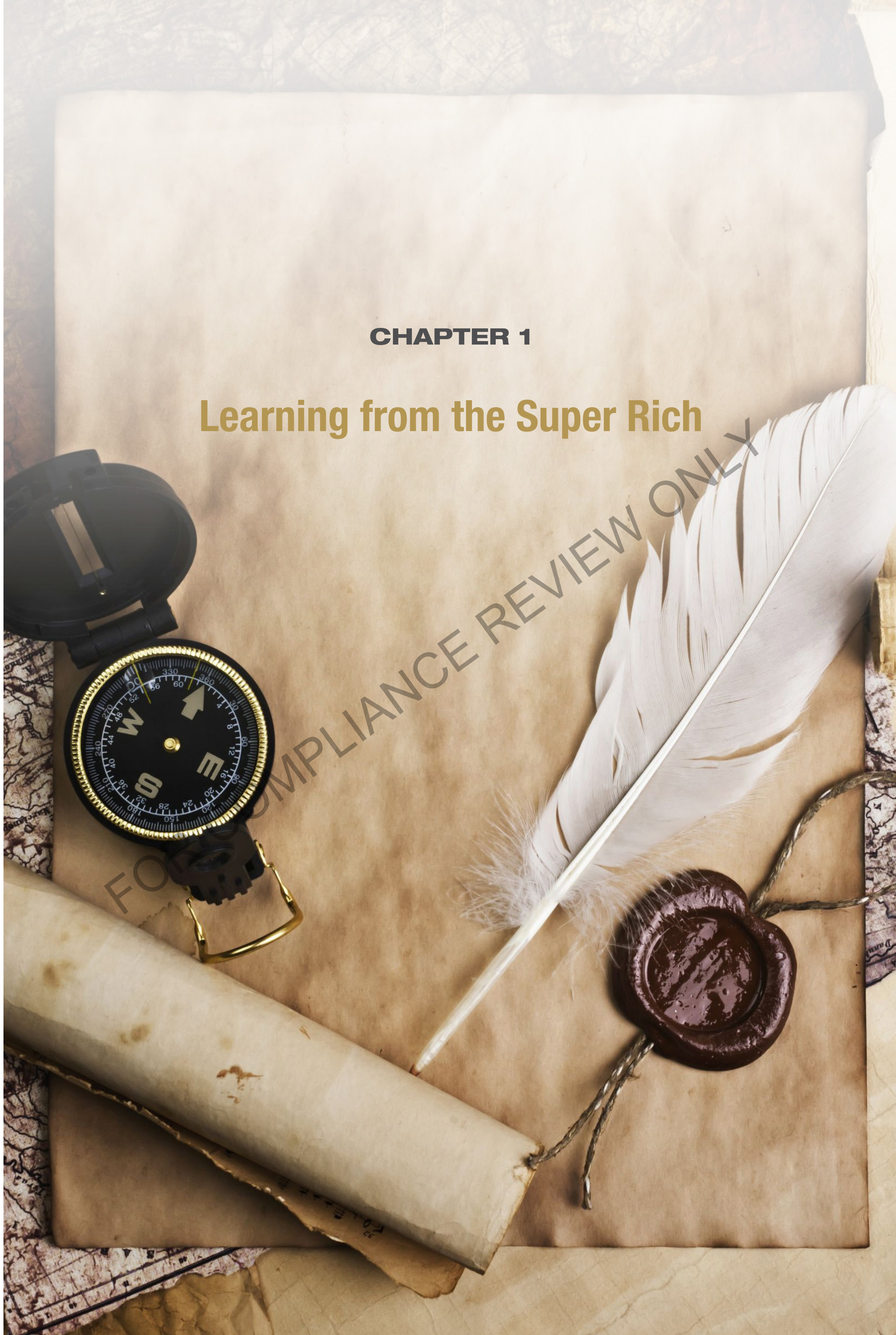
PART I

ELITE WEALTH PLANNING

CHAPTER 1

Learning from the Super Rich



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A story from the field

She sits quietly and looks straight into his eyes. The meeting lasts about an hour and is concluded by signing documents. She silently walks out with her all-female entourage of attorneys and bodyguards. She just earned over $120 million on this one small transaction—a 600 percent return in less than three years.

More than three decades ago, she lived in a rundown box of an apartment with four friends. While her friends had various dreams, some of them very altruistic, she single-mindedly wanted to become rich. But to her, rich is not $10 million or $100 million. She wanted to be world-class, Forbes 400 wealthy. She wanted to be a billionaire—preferably a billionaire a few times over. Nothing else mattered—nothing at all.

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She grew up in horrendous conditions. She never knew her father. Her mother died when she was about 5. Malnourishment and abuse characterized her childhood. Not surprisingly, her childhood is the foundation of her fixation with accumulating massive wealth. She believes that money means opportunities. Money is life. Money is the only thing that really matters. Besides, money is a girl's best friend.

Today, by following her dream with a burning passion, she is unquestionably a billionaire, in command of a small but amazingly profitable empire. With no one to provide clear guidance, she found success through astute study of the mindset and actions of self-made billionaires, coupled with trial and error—and learning well from her miscalculations.

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Lessons from the Super Rich

- From creating vast personal fortunes to adeptly sourcing and managing professionals, the Super Rich tend to be astoundingly capable. By learning what they are doing and how they are doing it, you may achieve many of the same results they achieve.

- Elite wealth planners are regularly employed by the Super Rich, and today you may also benefit from their competencies and proficiencies. While many of the Super Rich oversee their elite wealth planners through their family offices—organizations focused solely on managing their financial and personal affairs—you may get some of the same results by taking a very proactive approach.

- *Billionaire Intelligence* is a way of thinking and acting that characterizes the Super Rich and is used to maximize the value they receive from their elite wealth planners. You can adopt the same mindset and behaviors to help maximize the value you receive from your elite wealth planner—and possibly create a greater personal fortune.

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An advantage of the Super Rich elite wealth planners

The Super Rich have considerable advantages over those less affluent, such as money-is-no-object medical care, for instance. They also have significant advantages when it comes to enhancing and preserving their personal fortunes.

One advantage that regularly makes a monumental difference in their lives—financial and otherwise—is their use of elite wealth planners. These renowned experts deftly navigate legal systems and access cutting-edge financial products in the service of their Super Rich clients and, more recently, affluent individuals and families of lesser wealth.

Elite wealth planners are insightful, talented, committed professionals who are highly skilled at mitigating taxes as well as ensuring that assets are well-protected in cases of unfounded lawsuits and the like. Especially characteristic of elite wealth planners is the way they employ their knowledge and skills to facilitate the goals and objectives of their ultra-high-net-worth clients. In many respects, this is their greatest ability. Their extreme commitment to the success of their clients differentiates them from most other technically comparable wealth planners.

While a glut of professionals claim to be client-centered and to use advanced approaches and techniques, we believe that a very large percentage of them are just not that adept. It's astounding how many of them are Pretenders (see **Chapter 8: The Experts the Wealthy Want**). In contrast, elite wealth planners and their teams employ appropriate tools and methodologies, including the most sophisticated solutions, when they are suitable.

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To be clear: For elite wealth planners, it's not about the techniques or stratagems. Instead, what is most important is providing the absolute best solutions to their ultra-high-net-worth clients based on what their clients want to achieve. This is an incredibly important distinction because so many professionals fail to develop (or are incapable of developing) a deep understanding of their clients. The result is that their clients are saddled with inappropriate legal strategies and financial products. Again, this distinction also sets elite wealth planners apart from technically adept wealth planners.

For those of us who are not Super Rich or even especially rich, the benefits of elite wealth planning are increasingly available. Technological advances, for example, are making a growing number of tax-mitigation strategies and financial products accessible to those who are not nearly as wealthy as the Super Rich. In fact, a large and growing proportion of the legal strategies and financial products available to the Super Rich are now available to individuals and families with a net worth of about $10 million or more. And many wealth planning solutions are potentially viable no matter how much you're worth.

As we've said, this book isn't about describing the latest and greatest legal strategy or financial product. Our focus instead is on how the Super Rich are getting the results they want and the approach they are using when it comes to elite wealth planning. So the legal strategies or financial products we'll describe here are likely available for just about anyone.

In all cases, you need to work with an elite wealth planner. They have not only technical proficiency but also the ability to align legal strategies and financial products with your agenda, addressing all your most important concerns and goals. This ability is what makes them so effective.

Extreme wealth

Before launching into the nature of elite wealth planning, we'll take a big-picture look at the Super Rich.

We define the Super Rich as individuals or families with a net worth of $500 million or more. The Super Rich tend to exemplify a certain way of thinking and behaving coupled with an intense determination to excel. Add in some luck, and they've created outstanding personal fortunes.

When it comes to calculating the size of the high-end private wealth universe, a number of consulting firms and financial institutions have put out numbers. These firms employ well-reasoned—albeit differently well-reasoned—methodologies to produce their numbers. The conundrums are not with the methodologies but with the assumptions that underpin the methodologies and the resources these firms can deploy to ferret out the Super Rich. The result is usually scholarly estimates and well-researched lists. But they are certainly estimates, and the various lists can differ substantially.

Consider the number of billionaires. Depending on whose numbers you look at, there are somewhere between 1,700 and 2,300 billionaires in the world today. However, none of these estimates likely included Sergei Roldugin. Who is Sergei Roldugin? In 2014, he informed *The New York Times* that he *did not* have millions of dollars. Then the Panama Papers came along, and Sergei (or at least his name) was connected to $2 billion located in an interlaced network of offshore companies. What the Panama Papers and the Paradise Papers have done is name some names that are not counted by the firms tracking the Super Rich.

In all likelihood, there are more incredibly rich people than are calculated by the consulting firms and financial institutions. Keep in mind that the Super Rich, and even the rich, often hire professionals to muddy ownership of assets, making the process of counting them even more difficult. Nevertheless, the strong consensus is that the number of Super Rich families and the wealth they control are growing at an amazing pace.

Family offices and the use of elite wealth planners

The Super Rich are relying on their family offices more and more to deal with a wide variety of financial and family matters. Broadly speaking, a family office is an organizational structure that manages the financial and personal affairs of one wealthy family. A family typically needs a net worth of at least $100 million to make having a family office cost-effective.

Because a family office is driven purely by the needs and preferences of the family, there is no standard for how family offices are structured. For instance, some are lean enterprises with a skeleton crew that focuses exclusively on investing, while others are robust organizations with in-house staff, numerous provider relationships and a broad platform of services. This disparity means it's difficult to establish hard-and-fast criteria for how a family office should be defined—other than by its dedication to a sole family.

By and large, family offices tend to provide two principal categories of services: those that relate to managing wealth and those that relate to family support. Under the umbrella of wealth management, we regularly find investment management and wealth planning. Simultaneously, we often see support services that include administrative and lifestyle services as well as special projects. (See **Exhibit 1.1**.)

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Exhibit 1.1
Expertise of Family Offices

Wealth Management	Support Services
Investment management	**Administrative services**
• Discretionary investment accounts	• Tax compliance
• Private company investments	• Bill paying
• Alternatives	• Financial statements
Wealth planning	**Lifestyle services**
• Income tax planning	• Concierge medicine
• Estate planning	• Family/personal security
• Marital and related concerns planning	**Special projects**
• Business succession planning	
• Asset protection planning	• Adoptions
• Charitable tax planning	• Buying an island
• Cross-border planning	• Overseeing the construction of a house
• Life management planning	

In practice, each of these subcategories is composed of specific products and services based on the needs of the underlying family. Under wealth management, for example, there may be private equity funds or offshore trusts. Under support services, there may be bill paying and close-protection personnel, for instance.

It's important to realize that even the family offices of many multibillion-dollar families do not have an elite wealth planner in-house. Instead, they turn to elite wealth planners who are part of firms specializing in the field. Because much of elite wealth planning is episodic, it's often wiser to engage elite wealth planners on an as-needed basis. Also, staying at a state-of-the-art level can be an expensive proposition. By carefully selecting and engaging elite wealth planners outside their family offices, the Super Rich can help ensure that they are indeed getting the best.

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Because a family typically needs a net worth of at least $100 million for a family office to be cost-effective, being exceptionally affluent is almost always a requirement for having a family office. Still, the merely affluent can benefit in many ways by following the path set by the Super Rich. As we'll discuss, it's now possible for individuals and families who are far from Super Rich to attain many of the same advantages when it comes to wealth planning.

Billionaire Intelligence

Quite a number of factors are contributing to the boom in gigantic personal fortunes. Moreover, there's every indication that the upward trend in tremendous private wealth creation will not only continue but probably accelerate. Core to the success of the great majority of the Super Rich is what we call *Billionaire Intelligence*.

The mindset and orientation of a great many of the Super Rich is foundational to their extreme success. By extensively studying the Super Rich (see Appendix: Researching the Super Rich and Their Advisors), we've been able to ascertain the thought processes, orientations and actions critical to amassing huge personal fortunes—patterns that together constitute Billionaire Intelligence.

The following are three powerful ways a great many billionaires think and act that have contributed to their accomplishments.

Stay highly centered

The wealthiest individuals know there are very few things they do well, and they recognize the role their skills and expertise play in generating wealth. They are highly centered, which means sticking to their plan and not being distracted by other opportunities or events that call for new and different skill sets.

Generally speaking, the Super Rich are exceptionally capable of focusing and delegating to others in a way that leaves little room for derailment or doubt. Thus, they habitually concentrate their efforts on their areas of expertise and do everything in their power to delegate other tasks and activities. Trying to do everything is usually a sure way to get mediocre results—at best.

Employ street-smart networking

The Super Rich frequently think about networking as a means to an end—finding the person, information or tools that get them one step closer to their personal and professional objectives. This entails maintaining a small but deep network of relationships that leads not to friendship, but to power and influence. This form of networking maximizes their time and effort toward realizing profit and identifying those things that can further enhance their profit.

Extremely powerful networking is where a person has a few very powerful, highly targeted, deep relationships with people who in turn have an array of similar relationships of their own. This form of networking enables the Super Rich to make the best use of their time and energy as they connect for profit, first indirectly and then directly, with a wide variety of people who can make them wealthier.

Use bargaining brilliance

Today's society praises caring, compromise and collaboration to find the common ground where people (or institutions) with different aims and vantage points can realize enough of their goals to be satisfied. While this approach is comfortable, especially for those who dislike confrontation, it's not always optimal for ambitious and successful people.

The Super Rich are often very adept negotiators. When negotiating, the wealthiest among us are focused on reaching their goals and never waver or allow themselves to be derailed by the chance for group happiness or pleas for fairness and justice. Skilled negotiation is at the heart of successful economic endeavors. As Bill Gates said, "In business, you don't get what you deserve. You get what you negotiate."

It's very telling that the Super Rich tend to employ Billionaire Intelligence in their decisions about accessing elite wealth planners and structuring the working arrangement. (See **Exhibit 1.2**.)

Exhibit 1.2
The Billionaire Intelligence Impact on Elite Wealth Planning

Stay highly centered	Delegate to others. Unless they made their personal fortunes in the fields of investing or wealth planning, the Super Rich entrust these jobs to elite professionals.
Employ street-smart networking	Create a powerful network by leveraging relationships to access the expertise of others. The Super Rich regularly use this approach to source elite wealth planners.
Use bargaining brilliance	Negotiate solid agreements with all providers. The Super Rich make sure all the professionals they engage provide the promised value. Their use of stress testing and second opinions helps keep everyone on track.

While Billionaire Intelligence can be instrumental in creating and growing a substantial personal fortune, elite wealth planning is central to enhancing and maintaining serious wealth.

Learning from the Super Rich

In our research and work with the Super Rich, we have derived lessons that are applicable to a broad spectrum of wealth. Considerable wealth, for instance, can be a catalyst for the destruction of that wealth and of familial relationships, with potentially extreme implications. This type of situation is in no way restricted to the Super Rich. At the same time,

there are proven approaches that can mitigate calamitous scenarios. A great many of the Super Rich regularly implement these approaches, and you can as well.

While the Super Rich rely on their family offices or use the services of outstanding multi-family offices or well-coordinated teams of exceptional trusted advisors, you can often get many of the same top-notch results by selecting outstanding professionals to work with. This is certainly proving to be the case for more and more affluent families who are not Super Rich but are seriously benefiting from elite wealth planning.

Just like the Super Rich, the affluent and successful are often part of a complex arrangement of personal and professional relationships. Also, like everyone else, they have anxieties, aspirations and obligations. What makes elite wealth planning so powerful is that it methodically and creatively combines a solid understanding of people with appropriate legal strategies and financial concepts.

To find and get the most from working with elite wealth planners, we've found it's very helpful for affluent and successful individuals to have solid ideas about what the Super Rich often do in different situations—these are the lessons from the Super Rich.

Conclusions

The Super Rich have found a path to greater wealth and accomplishments. When possible, replicating their thinking and actions can help you replicate aspects of their success. You can apply Billionaire Intelligence in many situations including, for example, working with an elite wealth planner. All in all, by adopting some of the best practices of the Super Rich, you may achieve greater success and become significantly wealthier.

Before we turn to an overview of elite wealth planning, here's the answer to a question we're often asked about the Super Rich "Do they rule the world?"

Who rules the world?

From the Hellfire Club to the Illuminati, the Freemasons, and the Poor Fellow-Soldiers of Christ and of the Temple of Solomon, there's a persistent delusion that the Super Rich are working shoulder to shoulder to plot and direct the fate of the world. Based on our extensive experience examining and evaluating this point of view, we find that these conspiracy theories make for good bedtime stories and exciting thrillers, but have no substance.

While it's easy to see the Super Rich selectively looking for ways to cooperate and benefit from their wealth and position, it's very much a function of leveraging the strength of their ties or, more often, their close professional and business relationships. In amassing their great fortunes, they look to work with other people—some of them also exceptionally wealthy—to become ever more successful and amass greater wealth, not to form a cabal.

A very wise self-made billionaire pointed out to us her belief that almost every country in the world is governed by some of the worst possible people. She believes it's nearly impossible to effectively manage such unwieldy governmental bodies perpetually at war with themselves and each other. In her view, it's ludicrous to imagine a small group of individuals actually directing or managing such a morass.

ELITE WEALTH PLANNING

Another member of the Super Rich explained that while all the extremely wealthy people he knows—and he knows quite a few—are at some level egomaniacs, not one of them has delusions of godlike powers. According to him, the Super Rich are interested in increasing their financial and political stature, and their agendas do not leave a lot of opportunities for long-term cooperation—something that would be required for ongoing world domination.

When considering the scenario of a far-reaching cabal of Super Rich running the world, it's also crucial to recognize that there's not that much consensus among them on a wide range of political and philosophical issues—save for the idea that creating great personal fortune is a good thing, at least for them. Billionaires readily line up at all points on the political spectrum and put their money behind their beliefs.

The coordination among the Super Rich is better explained by Occam's razor (i.e., the simplest explanation is most likely the truth) than by an absurdly complicated and unwieldy conspiracy that they are deviously plotting at Davos. Logic notwithstanding, the belief in this conspiracy is not going away. In fact, a dearth of any solid evidence for the existence of this cabal is commonly used as proof of its existence.

Then again, if the Super Rich were to meet at a secret castle to determine the fate of humanity, and if we were at the proceeding, would we—and could we—share that information?

FOR COMPLIANCE REVIEW ONLY

CHAPTER 2

The Elements of Elite Wealth Planning

FOR COMPLIANCE REVIEW ONLY

A story from the field

A few times a year, we take a daylong cruise on his 250-foot yacht. We talk about his life and concerns. On one trip, he mentioned that he did not have an estate plan of any kind, not even a will. He then quickly changed topics.

On the next cruise, he asked if his family—wife, kids and even the au pair—would have a claim on his estate. After we answered the question, he asked about his other family—the child with his girlfriend. He then changed the subject.

A couple of cruises later, he revealed that he has seven families and believes that not one of them likes him all that much. We then had a long, in-depth talk about wealth planning and his estate. He decided that his plan would be to not put a wealth plan together, to spend as much as he wants and to let everyone fight it out after he's gone.

ELITE WEALTH PLANNING

Lessons from the Super Rich

- The Super Rich are able to attain enormous advantages because of their family offices, their mindset and their money. This includes their ability to work with elite wealth planners. It's critical to realize that today people who are much less wealthy can also work with elite wealth planners and achieve many of the same advantages.
- Elite wealth planning uses legal strategies and financial products that range from fundamental to artfully clever and complex. However, it's a mistake to concentrate on legal and products. What separates elite wealth planners from those who are merely highly technically competent is their intense focus on the human element—that means you! Also, it's important to recognize that elite wealth planning is grounded in eight core principles.
- The opportunity for individuals and families who are not Super Rich to benefit from working with elite wealth planners is more prevalent now than ever before. When affluent and successful people engage elite wealth planners, there is often an opportunity to minimize taxes, insulate wealth from unwarranted litigation and make a greater positive change in the world. Most important, an elite wealth planner can help you use legal and financial solutions to make it more likely that you achieve your dreams and wishes.

FOR COMPLIANCE REVIEW ONLY

Basic wealth planning strategies and products

Elite wealth planning is founded in exceptional technical expertise. It's important to note that while all competent wealth planners are technically proficient, not all competent wealth planners are "elite."

All capable wealth planners and their teams are knowledgeable about and adept with a wide array of legal strategies and financial products. The tools and techniques of wealth planning range from the basic to the cutting-edge (but never over the edge). The basics include the legal strategies and financial products that are readily recognized by and generally applicable to most families, including the rich and Super Rich. Examples include trusts, partnerships and life insurance. A brief review of these will set the stage for your understanding of elite wealth planning.

Trusts

In many ways, trusts are cornerstone solutions for many high-net-worth individuals and families. A trust is nothing more than a means of transferring property using a third party—the trust. Specifically, a trust lets you transfer title of your assets to trustees for the benefit of the people you want to take care of—your designated beneficiaries. The trustee will carry out your wishes on behalf of your beneficiaries.

Trusts are ingenious. You can use them in all sorts of ways to transfer your wealth and determine how it's to be deployed. They also can prove to be very useful in shielding your assets from plaintiffs and creditors. Depending on the kind of trust, there are different tax consequences. For example, one kind of trust enables you to sell appreciated assets without paying any taxes on the increase in the value of those assets from the time you acquired them.

ELITE WEALTH PLANNING

In crafting a trust, you're limited only by your own imagination, the ingenuity of your elite wealth planner and—of course—the law. As long as you don't establish a trust for an illegal purpose, you have an awful lot of leeway.

Broadly speaking, there are two types of trusts: living (established while you are alive) and testamentary (created by your will after you've passed). Additionally, there are two fundamental trust structures:

- *A revocable trust* allows you to retain full control over the assets in the trust. You can add or take out money as well as change the terms of the trust.

- *An irrevocable trust* is one to which you cannot make any changes. To obtain the tax savings that can come with these trusts, you must relinquish control of the trust while you are alive. By transferring control of assets to an irrevocable trust, you have placed them outside your estate—that is, you no longer own them. The trust does.

Partnerships

As with trusts, there are various types of partnerships. They can determine how the partners address ownership issues and can have varying tax benefits. For example, within the business world, disharmony among family members or unrelated business partners can mean a higher tax bill if the owners of a company are forced to divide assets among themselves. Through the use of sophisticated partnership structures, business owners can divide their companies, eliminating taxes.

Consider two partners who each owned 50 percent of a manufacturing business and 50 percent of a trucking company. Infighting and friction led to unresolvable discord between them that impaired their ability to run the companies.

They decided that the only answer was for each of them to take over one of the businesses so that they would no longer have to work together. The businesses were very successful, were roughly equivalent in value, and had respective values in excess of their tax basis. If each partner had sold his business interests to the other, there would have been a sizable taxable gain for both.

To avoid the taxes, we formed a specialized partnership for them that gave one partner 100 percent control of the manufacturing company and the other partner 100 percent control of the trucking company, thus achieving the desired separation. The partnership could be liquidated at a future time without triggering a gain or a need for either partner to pay any taxes.

Life insurance

Death and taxes are certainties, even for the Super Rich. Most billionaires face hefty taxes on their estates when they pass away. While there are ways to mitigate estate taxes through elite wealth planning, most are underutilized.

One area that has captured the interest of the exceptionally affluent is the use of life insurance policies to help pay estate taxes. While life insurance can cover estate tax liabilities, this doesn't mean that no estate taxes will need to be paid. Options such as extensions and loans to pay estate taxes can be very useful. However, these approaches can be problematic, especially when we're dealing with extensive family businesses and significant nonliquid assets.

For many of the Super Rich, life insurance is a significant component of their overall approach to paying estate taxes. It's very telling that many billionaires are unable to purchase enough life insurance to cover all the

estate taxes they owe. One billionaire client, for example, had an estate tax obligation exceeding $500 million after all the viable legal strategies were employed to reduce the size of her estate. Meanwhile, the total amount of her life insurance across more than 25 carriers, including reinsurers, turned out to be only $400 million, leaving a $100 million shortfall. Clever maneuvering over a number of years will eliminate the shortfall, but currently, there's no way around it.

Even though elite wealth planners have proved capable of helping billionaires tackle many legal and financial challenges, you still can't "take it with you." By using life insurance in estate planning, however, the Super Rich can more effectively orchestrate the transfer of assets—protecting the family fortune and their legacy for future generations. Sourcing life insurance for billionaires is today the domain of a few elite wealth planners.

In many situations, life insurance can work for you as well. However, it's important to only get what you really need. It's also essential to recognize that life insurance is only part of the solution in managing estate tax obligations. All viable legal strategies need to be considered before life insurance should be purchased.

Because it can be very complicated and opaque, life insurance is an area where mistakes can be made. In evaluating the life insurance of the wealthy, we often find that most of them do not have the appropriate life insurance amount or type, or that it has not been properly structured to meet their needs and goals. There are a number of reasons for this.

The most widespread mistake is buying more life insurance than necessary. It's all too common for some life insurance agents to push people to buy larger policies than they need. In one instance, a superstar athlete purchased a tremendous amount of life insurance and financed the entire transaction. He was very happy with the approach because it didn't cost him very much out of pocket. We were asked to evaluate the transaction. In doing so, it became clear that there were too many components that had to align just right for the athlete to get all the benefits that he was sold. We ended up proposing a much simpler approach that involved unwinding this transaction and purchasing a much less expensive life insurance policy that delivered the same result. He opted for this approach.

Another all-too-common mistake is not having the life insurance effectively integrated with the estate plans when the reason for the insurance is to pay estate taxes. A mistake we sometimes see when we're stress testing wealth plans is that the life insurance is owned by the wealthy individual instead of a trust. There are circumstances when a trust is not the answer, but we see cases where the life insurance proceeds are in the person's estate and thus subject to estate taxes.

Many times, people have life insurance policies that are simply wrong for their situation. A permanent policy is sometimes the best option, and in certain circumstances, a term policy is the better choice. It's critical for the type of life insurance to address the particular needs of your situation as precisely as possible.

Life insurance can be a very valuable financial solution in many situations. However, for a meaningful number of the Super Rich—and all purchasers of life insurance—there's a possibility of costly missteps and of not getting the desired results. The solution is engaging an elite wealth planner and, when in any doubt, relying on a second opinion before purchasing a policy.

Planning specialties

Before discussing what makes an elite wealth planner elite, we'll look at the various planning strategies that are considered part of elite wealth planning. Elite wealth planners consider and, where appropriate, integrate different planning specialties to deliver optimal solutions. The following are the most common specialties of elite wealth planning:

- **Income tax planning** focuses on mitigating taxes on money earned by working. For example, in certain situations it's possible to modify corporate structures, resulting in income being taxed at lower rates.

- **Estate planning** involves using legal strategies and financial products to determine the future disposition of current and projected assets. Critically, it's important to determine who will own the assets and how they will be owned.

- **Marital and related relations planning** entails planning for disruptions in the relationships between spouses or other lovers. The intent is to take actions that will protect the family's wealth.

- **Business succession planning** principally deals with tax-efficiently transitioning the business to others, whether or not they are family members.

- **Asset protection planning** entails employing legally accepted concepts and strategies to ensure that a person's wealth is not unjustly taken from him or her. This is not about "hiding money," as transparency makes the planning effective.

- **Charitable tax planning** addresses ways to be philanthropic in the most tax-efficient manner. The tax code fosters philanthropy, and charitable planning takes advantage of these benefits.

- **Cross-border and inbound planning** is for individuals who have issues because they are operating businesses in different countries or are moving to different countries. When the tax laws of the respective countries and the treaties between countries are understood, it is often possible to minimize taxes owed.

- **Life management planning** addresses an array of concerns from a wealth management perspective. An example of this is when the Super Rich are structuring their wealth to deal with longevity concerns and actions.

While we differentiate among the planning specialties here, in practice there's considerable overlap, with synergistic possibilities. For example, when you place assets into an irrevocable trust for the primary purpose of transferring them to heirs (estate planning), asset protection possibilities likely arise. And business succession planning is intimately entwined with estate planning and potentially other planning specialties. Elite wealth planners habitually look for ways to take advantage of the overlap and the synergistic possibilities.

There are other ways to define these planning specialties, and there types of planning specialties that are more nuanced. The important takeaway is that your elite wealth planner and his or her team are able to help you by addressing your needs, wants and preferences across all planning specialties.

When it comes to any of these planning specialties, it's important to recognize that the tail should not wag the dog. What you want to accomplish might ultimately not be tax-savvy, but the goal is what is most important in determining the optimal solution. Your goals—the human element—are the cornerstone of elite wealth planning.

It's also important to understand that having *no* wealth plan is itself a wealth plan. If you don't make a wealth plan, the government, not you, decides how your assets will be distributed at your death. The Super Rich want to control who gets their fortunes and how they access the wealth—although there are exceptions, as evidenced by the story at the beginning of this chapter.

But if you're reading this book, wealth planning is on your agenda. We'll help you understand how wealth planning can address your particular challenges and how to source not just any wealth planner, but an elite wealth planner.

Putting the *elite* in elite wealth planning

Wealth planning is not new, nor is it in any way restricted to the rich and Super Rich. However, elite wealth planning is much more characteristic of those professionals working for the Super Rich, as there are distinct and meaningful differences between elite wealth planners and technically adept wealth planners. (See **Exhibit 2.1**.)

Exhibit 2.1
Comparing Wealth Planners and Elite Wealth Planners

Aspect	Technically Adept Wealth Planner	Elite Wealth Planner
Technical expertise	State-of-the-art	State-of-the-art
Focus	Legal strategies and financial products	The human element

When it comes to being technically proficient, both types of wealth planners are state-of-the-art. As there are no truly proprietary legal strategies or financial products, all very capable wealth planners are potentially able to deliver the same menu of solutions to their clients that elite wealth planners deliver.

It's important to recognize that even though nothing is proprietary, there's a wide diversity of talent, know-how and perspective among wealth planners. In our experience, we find that most of them are not that proficient. We believe it's very likely that the truly technically adept wealth planners and elite wealth planners are relatively rare, making up less than perhaps a fifth of all wealth planners. We see elite wealth planners as being even more rare, representing no more than perhaps one in ten of all technically adept wealth planners.

Whereas technically adept wealth planners are generally more focused on legal strategies and financial products, elite wealth planners are focused intently on the human element, which we'll discuss in a moment. This doesn't mean that technically adept wealth planners are unconcerned with the interpersonal relationships and the psychology of the affluent, but—from an objective standpoint—these are much lesser concerns than they are for elite wealth planners.

You certainly want to engage a technically adept wealth planner, and preferably an elite wealth planner. Keep in mind, there are other professionals vying for your business that you want to avoid. We'll discuss how the Super Rich find elite wealth planners, and how you can do so as well, in **Chapter 9: Sourcing Your Elite Wealth Planner**. Because elite wealth planning puts tremendous emphasis on the human element, let's take a closer look at this.

The human element

While elite wealth planning can include some of the most sophisticated thinking and technical wizardry that is legal today, the human element is appreciably more important. In elite wealth planning, you are center stage; the technical brilliance of your elite wealth planner exists to serve you. Elite wealth planning must be grounded in you and what you most want—the human element. We define it this way:

> ***Elite wealth planning is a comprehensive planning process that incorporates state-of-the-art technical expertise in legal strategies and financial products with the human element. Elite wealth planning must be flexible, discreet, transparent, cohesive, risk-sensitive, cost-effective, explicit and legitimate.***

The process enables both parties to reveal more about themselves, the way they like to work, and their aspirations and limitations. Along the way, elite wealth planning creates a level of security and comfort that is the foundation of a mutually rewarding relationship.

For too many professionals, the human dynamic is subsidiary to legal and financial expertise, and sometimes to gimmickry. If the Virtuous Cycle, which we discuss in the next chapter, is to succeed, your elite wealth planner must be acutely attuned to both the rational side and the emotional side of your world—the logical and the illogical. This includes not only you but also other people, especially your loved ones, and even institutions such as charities your planning may affect.

To reiterate: The absolute central focus of elite wealth planning is you and the people and institutions you sincerely care about. Without any doubt, it's all about you! It's never about legal strategies or financial products.

It's about you and what's important to you. To be even clearer: Sensitivity and responsiveness to the human element are what make elite wealth planning elite.

The core principles of elite wealth planning

Aside from outstanding technical expertise and making decisions based squarely on the human element, elite wealth planners adhere to eight core principles that derive from their attention to the human element. Their planning is:

- Flexible
- Discreet
- Transparent
- Cohesive
- Risk-sensitive
- Cost-effective
- Explicit
- Legitimate

These eight principles work together and should be treated as prerequisites in any wealth planning situation. In fact, the competency exhibited by all elite wealth planners is fundamentally directly related to their fluency with and execution of these core principles.

Flexible

Elite wealth planning is able to change and adapt to your evolving circumstances and the shifting financial and legal environments. Successful elite wealth planners are flexible, accommodating, well-informed, and capable of quickly identifying and analyzing the range of anticipated scenarios.

Discreet

A high degree of discretion is a requirement for any professional working with the wealthy. As it relates to elite wealth planning, discretion regarding specific legal strategies or financial products can help avoid unwanted attention, unnecessary levels of questioning and retroactive changes to rules. Prudence should also be used in the nature and details of the interpersonal relationship between you and your elite wealth planner. For example, it's wise to always presume that all communications—written or verbal, formal or informal—could be examined, and to act accordingly.

Transparent

In many situations, neither you nor the elite wealth planner will benefit from sharing the intricacies of a sophisticated or customized legal or financial solution. Nonetheless, it's important for each solution to be as transparent as possible and available for scrutiny by appropriate authorities. Moreover, operational transparency is a necessity. (See **Chapter 9: Sourcing Your Elite Wealth Planner**.)

Cohesive

While the legal strategies and financial products of elite wealth planning can be employed on a stand-alone basis, a shared philosophy and a certain degree of integration should inform all wealth planning. This will help ensure that your goals and objectives remain the focus of all efforts and allow legal strategies and financial products to work in more than one capacity, if possible. Experienced elite wealth planners can capture additional value for you by looking across the different planning specialties to identify productive interactions.

Risk-sensitive

As we noted previously, the spectrum of elite wealth planning solutions spans the plain vanilla and the truly exotic. Without stepping over any legal boundaries, there's still ample room to be creative. It's therefore critical that you and your other trusted advisors understand the level of assertiveness associated with a particular solution and consider it in the context of your capacity for risk.

Cost-effective

There are times when being on the cutting edge carries too high a price tag for the result. Other times, more mainstream solutions are sufficient. Your elite wealth planner will work with you to balance the benefits of a recommended course of action with both its financial and psychological costs.

Explicit

Some Super Rich families want simple and readily understood solutions to their financial and legal issues. Others rely more heavily on their teams of trusted advisors to find the best solutions for them, which can be more complicated. At the same time, there are some who enjoy the details and intricacies of a legal strategy or financial product. We advocate that all clients—no matter their level of interest or savvy—understand the essence, if not the details, of the elite wealth planning solutions they'll

implement. We bear the responsibility of communicating with them and their other trusted advisors in a way that suits their personal style and allows them to make informed decisions.

Legitimate

Wealth planning should never incorporate tools or techniques that are—or may be perceived to be—illegal or unethical. Considering how much can be accomplished by operating squarely within the law, it's simply greed, ego or sheer stupidity that leads the wealthy and some of their advisors to cross the line. Greater scrutiny can be expected from both domestic and international authorities on questionable transactions, and it's not worth inviting further attention with these types of activities.

Conclusions

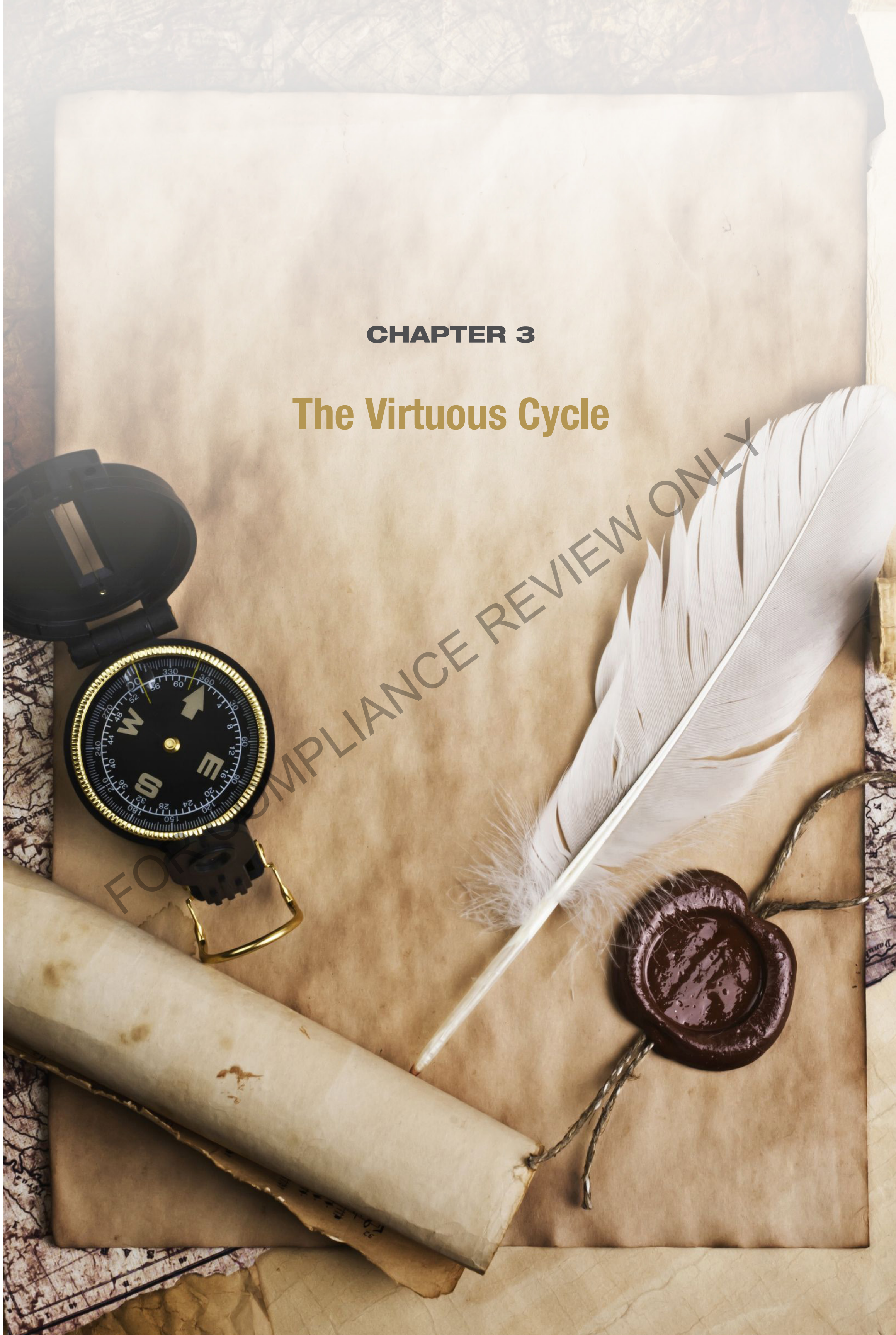
When we decided to write a book on elite wealth planning, we originally thought we would explain a range of legal strategies and financial products, with an emphasis on the more esoteric solutions. We thought we would share the more intricate and creative solutions being used by the Super Rich.

We quickly abandoned this perspective and chose to center the book on what makes elite planning effective—the human element. It's the underpinning of wealth planning for the Super Rich. Moreover, this way we're not getting into the weeds. Instead, we're providing you a way to bring elite wealth planning into your life.

Elite wealth planning, like most forms of high-end professional expertise, is very process oriented. That's why, in one form or another, the Virtuous Cycle encapsulates the process of elite wealth planning. We turn to it next.

CHAPTER 3

The Virtuous Cycle



A story from the field

During the meeting, the parents are visibly upset as they explain the problems they are having with their warring children. They have four children. The youngest is 32, and the oldest is 41. The estimated net worth of the family, including a recent valuation of the business, is conservatively between $700 million and $800 million.

For health reasons, the father has to bow out of running the company. The oldest child wants to take over the company. However, his parents do not believe he's capable of successfully managing the business. He tends to be dominating, barking out orders to subordinates at the family business and to his siblings whenever they are in the same room.

The second child spends half her time holed up in her room at the family's primary residence. The rest of her time, she spends in rehab. The third child, a son,

is estranged from the family and periodically files lawsuits against family members for emotional trauma. Meanwhile, the youngest daughter has a terrific track record of philanthropic successes. Importantly, the children seriously don't like each other.

Elite wealth planning is not, in any way, family therapy. It's not about "fixing" the family. It's not about achieving harmony or bringing order to chaos. However, we were able to help the parents structure their financial affairs to help them achieve the goals they want for themselves and their children.

By using trusts and partnerships, the parents will have the money they might need to get the highest-quality medical care for the father. Included here are very likely experimental treatments if that is deemed the best way to go. What's most important, and a critical concern of the parents, is that this money is locked in for this purpose and cannot be siphoned off by family members or anyone else.

The eldest son will get a division of the family business that will become his company to run as he pleases. The rest of the business will be sold to a competitor or a private equity firm. Very importantly, the taxes on the transfer to the son as well as the sale will be almost nonexistent, thereby leaving considerably more money for the family.

The daughter with the drug problem will, if necessary, have the resources for top-notch health care her entire life. She will also have money to live extremely well on without the ability to squander it. Meanwhile, the youngest daughter will also be financially secure and will have a newly established private foundation to back up her charitable efforts.

The estranged son and most anyone else seeking to pursue unfounded lawsuits can sue to their heart's content, but will not be able to pierce the protections put in place to insulate the family's wealth.

ELITE WEALTH PLANNING

Lessons from the Super Rich

- For the Super Rich, getting the results they want comes about by process. When it comes to elite wealth planning, the process is some version of the Virtuous Cycle. Consequently, you should probably be wary of any wealth planner—or any professional—who cannot explain the processes they use and everyone's role in facilitating your success.
- Because elite wealth planning is all about you, the starting point of any process is you. The Virtuous Cycle starts with profiling and relies on one of the most powerful assessment methodologies, the Total Client Model. Again, you should be highly circumspect if a professional you're working with pitches you anything without having a deep understanding of your world.
- Much of what happens in the Virtuous Cycle happens offstage. Critical to getting the results you want is the ability of your elite wealth planner to effectively explain your options, addressing the advantages and disadvantages of each. He or she must be able to communicate with you so that you can make an intelligent and informed decision. Intelligence is rarely an issue, but unless you truly understand what's being proposed, you should never move forward with any recommendation.

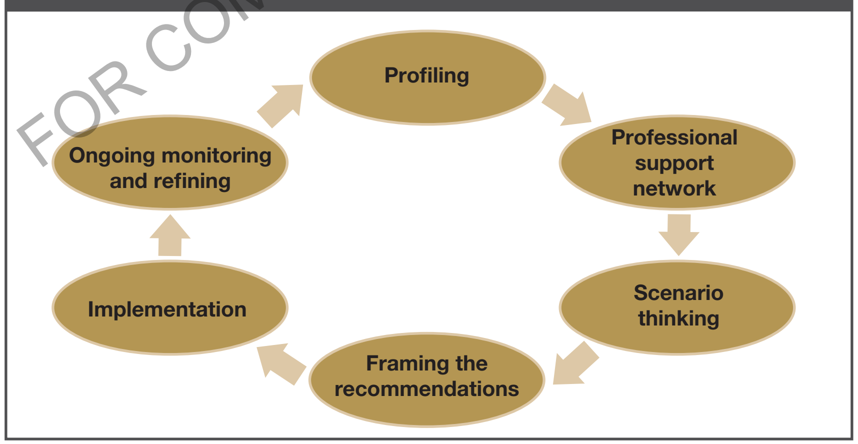
A flexible planning process

When working with the Super Rich, elite wealth planners use a comprehensive yet flexible planning process that incorporates the latest industry knowledge. The Virtuous Cycle is such a process.

The Virtuous Cycle is a process through which your elite wealth planner can best employ his or her wisdom to identify prospective solutions that result in the resolution of your issues and the significant betterment of your world. Operationally, the Virtuous Cycle is composed of six phases. (See **Exhibit 3.1**.)

However, while we can identify distinct phases, everything must be customized to you and what is important to you. Therefore, the Virtuous Cycle should be seen not as a strictly observed, immutable process, but rather as a broad conceptual model that elite wealth planners can interpret and adapt to their clients' needs.

Exhibit 3.1
The Virtuous Cycle



Profiling

To repeat: Elite wealth planning is all about you and what matters to you. The power of elite wealth planning is negated if your elite wealth planner doesn't have a deep understanding of you and of the people involved in or affected by your planning decisions. Taking a close look at the fact-finders used by the great majority of professional advisors, we see they tend to be skewed by their narrow focus on detailing assets and liabilities. Most of these tools fail to adequately address the human element.

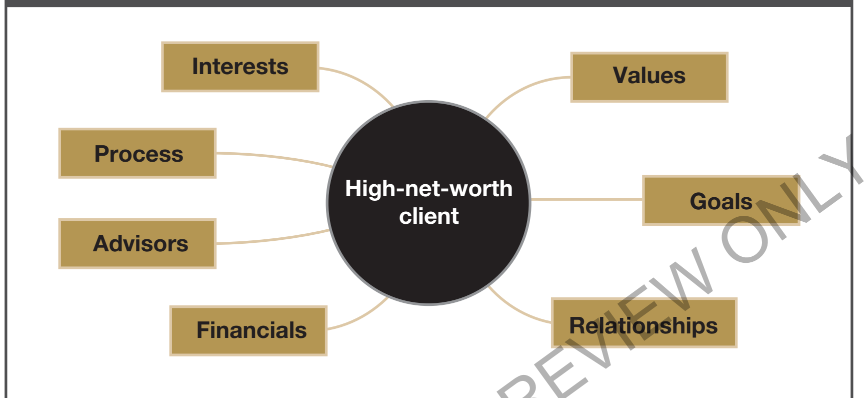
Based on extensive research on the rich and Super Rich, coupled with the best practices of leading trusted advisors, we've constructed a process that is instrumental in developing a deep understanding of the wealthy, known as the Total Client Model. This process is very different from what most professionals use. Your profile is composed of an array of your needs, wants, facts, figures, attitudes, perceptions, preferences, goals, concerns, agenda and thought processes.

The Total Client Model is particularly effective because, when employed by an elite wealth planner, it uncovers latent needs. Latent needs are those that people don't know they have. They can be anything from a self-determined need to be a financial backstop for a sibling to a need to be in complete control of the family's wealth until death. We've found that there is a panoply of latent needs in almost all families.

Latent needs usually prove to be quite substantial, so failing to identify them regularly results in subpar wealth planning and, therefore, poor results. All too often, the complications of not addressing latent needs happen down the road, requiring costly revisions to wealth plans that are sometimes impossible to change.

As **Exhibit 3.2** shows, the Total Client Model organizes information into a seven-sector framework.

Exhibit 3.2
The Total Client Model



The following are sample questions from each category:

Values

- What are your guiding principles?
- Can you give me an example of an opportunity you turned down because of ethical reasons?

Goals

- What do you want for your loved ones?
- What professional goals are most important to you?

Relationships

- What family relationships are really meaningful to you?
- What professional relationships would need to be addressed if something were to happen to you?

Financials

- How are your assets structured?
- What are your liabilities?

Advisors

- Who is managing your money?
- What is your banking relationship?

Process

- How do you prefer to communicate—in person, by text, via phone?
- Who else should be in the meetings we have?

Interests

- What are your favorite activities?
- Are any philanthropic causes very important to you?

By using the Total Client Model, your elite wealth planner will be able to get a very solid and expansive understanding of you and your world. From here, the planner can tap the resources of his or her professional support network.

The professional support network

There are no polymaths when it comes to delivering the highest-quality advice to the Super Rich. No one is a master at all the various types of specialized planning. The same holds true even when you move down the wealth spectrum. While your elite wealth planner might be able to address a great many of your concerns and desires, he or she will have a strong professional support network to turn to when necessary.

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The experts in your elite wealth planner's professional network fill in the gaps in his or her knowledge and skill set. Because elite wealth planners know they don't know everything when it comes to wealth planning, they develop high-caliber professional support networks made up of proven specialists. A well-functioning professional network is indispensable for elite wealth planners. It works to help ensure they're always able to deliver state-of-the-art solutions to individuals and families.

High-caliber professional support networks have four central characteristics:

- **Specialized expertise.** The members of the network are some of the very best authorities in a particular narrow area, such as tax mitigation for entrepreneurs who are dual U.S.-Canadian citizens.

- **Integrity.** The highest ethical standards are indispensable in all aspects of elite wealth planning.

- **Professionalism.** In every way, from responsiveness to inquiries to perpetual learning, the network participants embrace professionalism.

- **Personal chemistry.** There's a strong level of comfort with and appreciation by everyone within the network. All the expert knowledge and skills are meaningless unless there's rapport among the specialists and with your elite wealth planner.

Our technical proficiency and adeptness as wealth planners are in large part due to our very extensive professional support network. We've had the good fortune to be able to build a support network composed of some of the most talented, knowledgeable and experienced specialists such as these:

- A prodigious musical theorist turned world-class professional poker player and Platinum Life Master bridge player turned hedging strategist

- A onetime juvenile delinquent (the files are sealed) who's currently considered one of the foremost experts on asset protection planning for multi-jurisdictional Super Rich families

- A Go grandmaster who has probably one of the best track records of winning trusts and estates lawsuits

Our professional support network has been built over decades in response to the demands and desires of the rich and Super Rich. Because of our diverse, exceptionally affluent clientele, we deal with a very large range of specialists.

When you work with an elite wealth planner, you're working with that person and his or her team of experts. At times you'll see these specialists because their involvement is needed, and at other times their roles are limited to the next phase of the process: scenario thinking.

Scenario thinking

With your profile in hand and the ability to tap the expertise of a professional network, the next step in the process is scenario thinking. Simply put, this is a method of generating alternative futures. This is when all the "What if?" questions are asked and answered.

To give you a feel for this, the following are some "What if?" questions we've addressed:

- “What if I die early, while the children are young? Who will decide when they should have uninhibited access to the money?”
- “What if my family members—they don’t get along too well—decide to start World War III after I’m gone?”
- “What if I want to support the accomplishments of women entrepreneurs—not charities, but particular people?”
- “What if I want to pay the lowest possible taxes on my investments without having to give up how the money is managed?”
- “What if the kids from my first marriage cause problems for my current wife and kids?”
- “What if the money I want to go to my side of the family is hijacked by the guardians of my children?”
- “What if I want to benefit certain charitable causes forever, and don’t want future generations to make changes?”
- “What if the children decide they never have to do anything once they inherit?”
- “What if my trustee starts to do things that aren’t in the best interests of my family?”
- “What if I want to leave money to my lover, but I don’t want my spouse or children to know?”
- “What if someone wants to take advantage of us when we’re a lot older and not as ‘with it’?”

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- “What if the charities I support take a different political turn, one I find repulsive?”
- “What if I want to sell off divisions in my company—how do I avoid paying capital gains taxes?”
- “What if I want to reinvest in my company for my children, take out the money we need to live and lower my personal tax rate?”
- “What if someone intentionally falls in my building, hurts himself and sues?”
- “What if my child is swept off his feet by a fortune hunter?”
- “What if I start to become senile and don’t know it?”
- “What if my spouse decides to remarry when I’m gone and that person is only looking at dollar signs?”
- “What if my kids are unprepared to manage the money when they get it?”
- “What if I want to expand my business to other countries but legally avoid paying all the taxes?”

And the list goes on and on and on. Elite wealth management can address all these “What if?” questions. There are a number of different ways to deal with each of these matters, but the best approaches are always predicated on the particulars of the situation and the human element—in effect, what you want to see happen.

During the scenario thinking phase, if a creative solution is the answer, one is constructed for the client. What makes a solution unique in these situations usually involves a shrewd way of using different legal strategies or financial products to get a particular result. Remember, the goal is to help you achieve your goals and objectives while avoiding complications that have no productive use. When we're engaged in scenario thinking, our aim is to produce the simplest and most elegant solutions possible.

From the meaningful possible outcomes devised in this phase, the most viable course or courses of action are selected and discussed with you and your other trusted advisors. This set of possibilities might not be the final answer, because it's critical to constantly confirm what you want to achieve and match it up to the options being considered. Still, with recommendations ready, it's time to discuss them.

Framing the recommendations

At this point in the process, you and your elite wealth planner, along with trusted advisors and any others you want present, consider the various scenarios and recommendations. Depending on the complexity of your situation, this can be very straightforward or quite complicated. It's essential that you understand—in broad stokes or in excruciating detail, depending on your preference—how the recommended solutions may enable you to achieve your agenda, as well as the conditions they impose.

Very important: It's your elite wealth planner's responsibility to communicate the possibilities in a way that makes sense to you. Unfortunately, many professionals are unable to communicate effectively with their clients. Some of the most technically adept ones cannot discuss their recommendations without relying on mind-numbing jargon or talking over the heads of their clients.

Consider a situation where a high-caliber investment manager brought in a technically brilliant trusts and estates lawyer to talk to one of his Super Rich clients. From the standpoint of the professionals, the business intent was for the investment manager to manage a larger percentage of the Super Rich client's financial assets and for the lawyer to do the wealth planning. The astronomically wealthy client was unmarried and without kids but expected to one day get married and have a family. At the time, he wanted to do estate planning but had done nothing, not even create a will.

The prospective Super Rich client was quite upset after the meeting and declined to engage either the investment manager or the trusts and estates lawyer for their proposed strategies. Additionally, the Super Rich client was very antagonistic to both providers, even taking away the money he had already entrusted to the investment manager.

It seems that he came away from the meeting believing the advisors were recommending that in the future he could take out a large life insurance policy on his spouse and that the spouse could *end up floating facedown in the huge swimming pool on his estate*. It's amazing what someone can conclude from the suggestion of having a "floating spouse provision" in an estate plan. (Note: A floating spouse provision means that the person you are married to at the time of your death is your spouse, and you do not necessarily have to revise the legal documents if you remarry. You are naming a role, not an individual.) This misunderstanding was totally the fault of the advisors as it was their responsibility to explain their recommendations in ways that their client could understand and relate to.

Framing the recommendations is a well-developed skill among elite wealth planners. It demonstrates their attentiveness to the human element.

Implementation

Once you have selected how you want to precede, your elite wealth planner and his or her team make things happen. Implementation—taking action—is regularly very straightforward.

The reason implementation is—or should be—so straightforward is that by this point all the hurdles have been identified, as well as the approaches to surmounting them. This does not mean implementation is easy; it's often a great deal of work. However, it is familiar ground for elite wealth planners and is something they and their teams do extremely well. The key qualities in implementation are not intuition and analysis, but persistence and precision.

Take, for example, the need to obtain life insurance as part of your wealth plan. All the decisions concerning what type, how much and how it should be structured have already been made. The next steps are facilitating the underwriting process and delivering the policies. While this can sometimes become difficult, it's basically a mechanical rather than an emotional or intellectual process. The same can be said of producing the proper legal documents and so forth.

Ongoing monitoring and refining

A billionaire client once told us, "Life is a perpetual movie, not a photograph." Just because you have implemented your wealth plan does not mean you are done. Pretty soon, there will be changes in your world. Our client pointed out that, due to recent fighting among his children, he had to reset the ownership interests of the family business and other family assets such as various homes and properties. Going forward, he expected this pattern would continue, ceasing only on his deathbed.

In addition to change on a personal level, the tax code or regulations will likely change or be tweaked, resulting in new opportunities or new headaches. Either way, when governments make adjustments, the Super Rich take action. Another billionaire client pointed out that changes in laws and regulations should always be seen as positive. According to him, what the politicians and bureaucrats thought they were going to achieve never takes into account all the unintended consequences—and there are always a huge number of unintended consequences.

Just as the Super Rich do, it's wise to ensure that your wealth planning stays current and that it achieves the results you want. Therefore, your elite wealth planner should continually monitor the situation and work with you and your other trusted advisors to make modifications as required.

Ongoing monitoring usually comes in four forms:

- **Responding to innovations.** When new legal strategies or financial products are developed and validated, your elite wealth planner should bring to your attention solutions that are potentially beneficial.

- **You drive reconnecting.** When something meaningful changes in your life, such as family relationships, you should contact your elite wealth planner. Anything that impacts your agenda is a trigger for reconnecting.

- **Your elite wealth planner drives reconnecting.** A change in the tax law, for instance, will prompt your elite wealth planner to speak with you about the implications for your current planning. We're not talking about a generic discussion, but about a conversation that connects the changes to your world.

- **Periodic reviews.** It is quite useful for you to intermittently meet with your elite wealth planner as well as your other trusted advisors to ensure everything continues to move in the right direction.

For the Super Rich, elite wealth planning is a continuous process of refining. The same should hold true for you and your wealth plan. If your wealth plan becomes dated, you and those who are important to you lose out.

Conclusions

Elite wealth planning is process oriented, as evidenced by the Virtuous Cycle. Elite wealth planning regularly deals with the range of the client's personal and business concerns and wants. Nowhere is this more evident than when it comes to your world. The point we're working hard to drive home is that adroit attention to the human element is what truly makes elite wealth planning effective.

The human element is infused into the Virtuous Cycle from the very beginning. The multitude of legal strategies and financial products are ineffectual if they don't help you achieve your aims. Moreover, as part of being attentive to the human element, your elite wealth planner is able to explain—at whatever level of detail you're comfortable with—what he or she is recommending and how the solutions will potentially give you your desired results.

In **Part II**, we will look at some situations in which elite wealth planning can play a significant role. Much of the time, elite wealth planning provides solutions to family and personal situations. We'll briefly talk about some basic approaches and wealth planning solutions in these situations. We start with sex, and maybe love.

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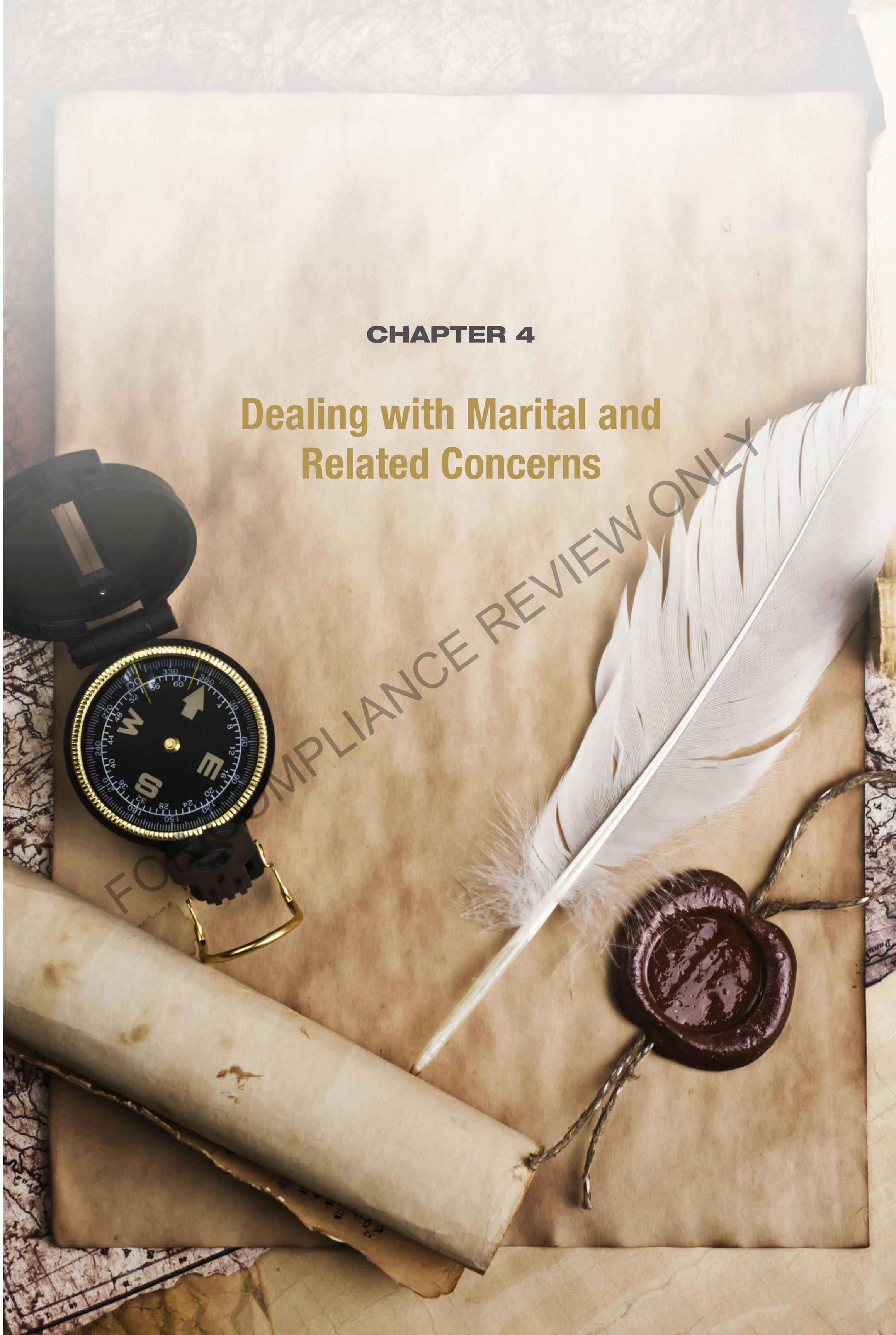
PART II

PUTTING ELITE WEALTH PLANNING TO WORK

CHAPTER 4

Dealing with Marital and Related Concerns



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A story from the field

He finally found the love of his life—the third time was the charm. He informed us that she was a little bit younger—he was 62 years old, and she was a "very mature" 29. Although the age difference was apparent, he didn't see it as a problem whatsoever. He specifically pointed out that it didn't matter because they really connected on a spiritual level. He said he'd never found someone who understood him so well or accepted him as he was so easily. Furthermore, she liked almost everything he liked, and she never, ever gave him a hard time.

While his children from his previous marriages wanted him to be happy, they had some reservations about the relationship. He understood they were somewhat anxious about his upcoming marriage but felt that if they just got to know his fiancée, they would see what

a wonderful person she was and "fall in love" with her, just like he had.

Singing kumbaya together notwithstanding, all seven children were strongly advocating for their father to make legal arrangements to help ensure she didn't rip him off (and there was also the matter of their inheritances). One factor contributing to the tension within the family was that the fiancée was younger than all the children, save one.

For some time, the children weren't making much headway trying to get their father to take any action. He emphasized that his future wife wasn't interested in his money (he's a couple of hundred million shy of being a billionaire). Besides, he explained, if they ever were to divorce, he could always make his wealth disappear on paper and reappear after she was out of the picture. (Note: This is illegal and fairly easy to uncover.)

As the wedding date drew closer, we were called in to discuss possible ways he could guard his family fortune and make sure everyone he cared about was taken into account. However, the focus of our conversations was his dreams and fears. The legal strategies and financial products that are useful in these types of situations are afterthoughts.

In the end, we were able to help him come up with a very precise wealth plan for how, under different scenarios, the transfer of his fortune—including the control of his businesses—would work. With this level of understanding reached, putting the wealth plan in place was relatively simple. His wealth plan is replete with checks and balances and determines, depending on how things progress, who gets what when. The children were happier (not happy, but happier), the fiancée said she was very comfortable with the arrangements, and he was on cloud nine.

Lessons from the Super Rich

- Marriage can be wonderful. However, an unhappy or failed marriage can be disastrous both emotionally and financially. Elite wealth planners are adept at addressing the financial aspects of problematic marriages, resulting in the family wealth being effectively preserved.

- The Super Rich turn to elite wealth planners and their teams to deal with various scenarios, from jilted lovers to blended families in conflict to motivating their children to take precautions against possible gold diggers. For the most part, the legal strategies and financial products they employ are fundamental. Prenuptial agreements and trusts, for example, can be used by anyone. So if these situations come up in your life, you should consider using them as well.

- To get the powerful results many of the Super Rich achieve requires a great deal of attention to the human element, which truly distinguishes elite wealth planners. Marital discord and the like are usually very difficult and emotional, so you need to work with professionals who take the time to understand your world, are empathetic and can help you make wise decisions.

Marriage is until death do us part—until it's not

Presuming people who marry are passionately in love, it's sometimes hard for them to believe that the magic between them could possibly fade over time. Still, we all know that many marriages don't last, for all sorts of reasons. Subsequent marriages are even more likely to dissolve. When it comes to family wealth, the question is "What can be done to protect the wealth when a marriage falls apart?" This conundrum tends be a serious concern when one partner has significantly more money than the other partner.

An extremely wealthy—and four times married—individual explained that at some level all his lovers and all his wives are gold diggers. He went on to explain that while this might not always be precisely the case, by making this his working hypothesis he avoids a lot of drama and major financial headaches. In most cases, elite wealth planning recognizes this possibility and can help make sure the wealthy are suitably prepared.

There are a number of scenarios that tend to result in marital and related problems. And there are very effective ways to address these potential problems. Examples of these scenarios include:

- When people have affairs
- When a parent marries someone much younger
- When a spouse seeks to hide assets in a divorce
- When a child may be marrying a gold digger

We've had to deal with these and many similar types of situations. The technical solutions are fairly fundamental, and we detail one of them at

the end of this chapter. The bigger consideration—as demonstrated in the introductory example—is addressing the human element. As always, elite wealth management is not about technical wizardry; it's about people and helping them achieve aspects of their agendas.

Affairs

The terms *mistress* and *boy toy* tend to have negative connotations, as they refer to out-of-marriage emotional and/or sexual relationships. Wealthy individuals with mistresses or boy toys potentially expose themselves to very messy and costly situations. Usually, all family relationships are affected, and the matter of which assets become the property of the mistress or boy toy can be especially problematic if certain legal strategies are not implemented.

Out-of-marriage relationships range in importance from passing fads to longer-term flings to enduring relationships. The longer the relationship, the more likely the paramour will have, or believe he or she has, rights to certain assets or a certain percentage of the moneyed lover's wealth. It's very worthwhile to make sure there's clarity about the financial aspects of the relationship, supported by legal documentation and possible legal structures.

The aim is to cover all considerations, from promises made and gifts given to prospective inheritances, and to make sure the wishes of the wealthy individual are achieved to the extent possible. Thinking ahead and using viable wealth planning solutions will likely head off many legal challenges.

For one very wealthy married man, the situation turned—using his word—"nuclear." His relationship with his lover got old. She just wasn't very exciting or interesting anymore. According to him, it was good that he found a new lady to spend time with. This proved very upsetting to the first mistress, who devised a fiendishly evil plan to seek revenge. Blackmail and social shaming were pieces of her plan. Often, the easiest way to extract concessions is to threaten to expose secrets—and she knew a lot of his secrets.

Defusing this situation took a very delicate touch because it was important that the parties not damage each other or themselves. It was necessary to use investigators and litigators. In the end, the original mistress was provided money in trust with strict oversight and claw-back provisions. A formal agreement, much like a prenuptial agreement, was signed with the new mistress. Also, a lot of the client's wealth was subsequently cordoned off in case of future lawsuits by his mistresses or anyone else.

Affairs are not in any way restricted to the wealthy. However, when it comes to the Super Rich, there are a lot more assets to fight over. These confrontations, aside from possibly being psychologically devastating, can adversely impact the wealth of all involved. Elite wealth planning can be very useful in mitigating—if not eliminating—a substantial percentage of these conflicts. The same goes for people who are not Super Rich.

When Dad or Mom remarries someone much younger

When a wealthy parent remarries someone much younger—especially if the new spouse is younger than the parent's youngest child—the children tend to have substantial concerns, as illustrated in the story at the beginning of this chapter. Generally, the children want their father or mother to be happy. At the same time, they can get anxious about their inheritances as well as the inheritances of their own children. It's normal for the wealthy individual's children to question the motives of

the prospective new spouse. The question that regularly comes up is "Is he or she a gold digger?"

In working extensively with Super Rich families where parents marry younger spouses, we've found it's always better to deal with the issues—particularly the financial issues—while the parent is living and can determine the way the wealth should be distributed. Failing to take constructive action, which happens surprisingly often, usually results in severe family conflicts and sometimes vicious lawsuits.

A three-step process to deal with family financial concerns when remarrying

Exhibit 4.1 sets out an effective process for dealing with these situations, starting with the wealthy parent deciding how the assets are to be divided. It's useful to consider not just the amount of wealth each person would receive, but from which assets and how those assets should be owned.

Exhibit 4.1
A Three-Step Process to Deal with Financial Concerns When Remarrying

The next step is to structure the wealth to achieve the intended results. Prenuptial and postnuptial agreements can be very useful. Also, putting assets into trusts is, for many of these families, a powerful way to implement their agendas. Not only are well-structured trusts very effective in dividing up the assets, but many of them have the additional benefit of protecting the family's wealth from unfounded lawsuits.

The final step—where possible—is for the parent to communicate the decisions he or she has made and the steps that were taken. How much detail to provide the children is always a question and depends on the nature of the relationship. It's usually useful to provide the children with some guidance even if there are disagreements. Otherwise, the children's uncertainty and consequent actions can be quite detrimental.

Ex marks the spot: the search for hidden assets in a billionaire divorce

In most every instance of a divorce involving the Super Rich, one side is better prepared than the other. When that person is also the moneyed spouse, that individual may take steps to shield assets and mitigate estimations of family wealth. Some of these measures fall within generally accepted standards for legitimate wealth plans. In some cases, however, the Super Rich spouse will employ tactics intended to obscure or circumvent the facts.

In anticipation of his divorce, a billionaire began to hoard and hide assets. New companies were created around the world, and assets were transferred to them. Offshore trusts were established. And hard assets, such as artwork and his numismatic collection valued in the tens of millions of dollars, simply vanished.

We were engaged by the other spouse to help deal with this situation. Because of the complexity of the family's finances and the sophistication of the asset protection strategies being used, it felt as if we were going on a treasure hunt without a map. Thanks to the services of some excellent forensic accountants, however, we unearthed all the buried treasure. We found the discrepancies or anomalies, such as unusual transfers of title and or extraordinary transactions between controlled entities.

Moneyed spouses should realize that this is one area where the benefits don't outweigh the risks. Methodologies for spotting red flags are proven. Hidden assets will almost always be discovered. Efforts to hide assets just complicate a difficult process; they erode trust and make negotiations more complicated.

Every impediment to a settlement decreases the likelihood of an outcome that is favorable to all parties. In high-profile divorce cases, reputational risk extends well beyond the courtroom. Even the hint of impropriety can be damaging to longer-term career and business prospects.

When the person marrying your child may be a gold digger

Not all sons-in-law or daughters-in-law are out-and-out gold diggers. They can be marrying your child because they're deeply in love. Still, if money is involved—especially significant amounts of money—there's always the possibility that the individual is targeting your child and his or her wealth.

A good starting place is attaining a strong understanding of the potential son- or daughter-in-law. For the Super Rich, it is not uncommon to conduct background checks on prospective in-laws. The intent is to spot any red flags that will likely result in serious problems down the line. Such investigations can—in and of themselves—prove problematic when the children of the wealthy family take offense. Still, a background check can be a very good idea, as it can uncover quite a number of questionable motives and actions

One time we ran a background check on the fiancé of a wealthy client's daughter. It was very illuminating—we couldn't find anything. The person

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didn't exist. This led to a deep dive on the fiancé's background. It turns out he was part of a criminal organization, and one of the business lines of the organization was a form of blackmail. Its primary approach was to get the parents to pay the blackmailer to go away.

A very important approach to protect against possible gold diggers—and bad marriages—is having prenuptial and postnuptial agreements. These agreements can provide clarity for the couple and the wealthy parents.

Depending on the situation, it might make more sense to use various legal structures such as trusts to help ensure assets remain in the line of the wealthy family. Assets placed in trusts are usually considered separate property. The wealthy family can place assets, such as the house in which the couple will be living, into an irrevocable trust so that the spouse, if he or she becomes an ex-spouse, has no claim against the property.

There are actions many of the Super Rich regularly take to mitigate the possibility of their children marrying a gold digger or a jerk. You can take the same steps to make sure a gold digger doesn't walk away with unreasonable wealth.

Prenuptial agreements

We very intentionally chose to explain prenuptial agreements—prenups—because they are applicable to most everyone, irrespective of their net worth. Additionally, we want to highlight again that elite wealth planning is more about the human element than about the legal strategies and financial products.

In **Chapter 2: The Elements of Elite Wealth Planning**, we provided a concise overview of trusts. They have diverse uses and can be very effective

when it comes to marriage, affairs and the like. Trusts in conjunction with prenuptial agreements also can be very effective in helping ensure that the family's wealth remains with the family.

One exceedingly affluent family, for example, had knockdown, drag-out screaming matches because their son wouldn't think of asking his fiancée to sign a prenup. We solved this conundrum by helping the parents set up a number of trusts that limited the amount of money the daughter-in-law could access if she divorced their son.

As part of elite wealth planning, prenups are regularly used to address financial considerations in case of divorce. Sometimes trusts are the better solution. Sometimes prenups are more appropriate. When it comes to the Super Rich, both are prevalent. The reasons for creating prenups are very clear:

- Protecting the family wealth, including ensuring that the assets stay in the direct line of the family that presently owns them
- Defining separate property and protecting it in case of divorce
- Protecting one spouse from the debts incurred by the other spouse before the marriage
- Protecting the interests of children from prior marriages or other relationships
- Avoiding a contested divorce that might incur large legal fees and adverse publicity

Without a prenup, you're letting state laws determine the rules about your property and marriage. Some states are community property states where assets are held jointly and divided equally in a divorce. Moreover, judges often have discretion when it comes to deciding what's equitable, taking into account factors such as the length of the marriage and the contributions made by each partner to the wealth of the family.

A prenup gives you control. It lets you make the decisions in case of divorce instead of using the default method of state law or letting a judge decide. For many couples, a prenup makes it easier to address the division of property, but often that does not make it easier to dissolve the marriage. The emotional components of divorce can make breaking up the relationship very painful.

Discussing prenups can be difficult for a couple. The difficulty is heightened in the case of a first marriage or when parents require a child to talk about it with his or her intended. We spend a great deal of time advising the very wealthy on the value of prenups and trusts and helping them explain the logic to their intended spouses. The following perceptions are some of the obstacles we sometimes need to surmount:

- A prenup is seen as an admission the marriage will fail
- A prenup sends negative signals to the other person
- A prenup provides an easy way out
- A prenup will increase the chance of getting divorced
- A prenup shows a lack of trust and commitment

None of these rationalizations are necessarily true, and the people who bring them up almost universally say these statements don't describe

them and the person they plan to marry. So for us it's important to first get the wealthy individual comfortable with a prenup and explain how to get his or her intended spouse comfortable with the prenup as well.

Generally speaking, discussions of prenups are best if they're part of a couple's larger financial conversation. Getting into specifics too quickly focuses the conversation on the agreement itself. It's more valuable to make sure each partner is approaching the matter of money in a way that's acceptable to both of them. It's also important to make sure everyone is clear that these are their own decisions as opposed to a judge's decision.

Well-enacted prenups usually take time to think through and implement. Taking this time increases the likelihood of the agreement being enforceable. It also provides the couple the opportunity to seriously think through the issues and what the different terms of the agreement mean to them, as well as how the terms of the agreement might affect their marriage.

Keep in mind that prenups can be highly customized. They're not cookie-cutter legal documents. The terms of the agreement must be worked out, and different couples very likely will end up with different conditions in their agreements. It's also important to realize that prenuptial agreements can be amended. That is, they can be modified because circumstances have changed. Of course, this requires the consent of both spouses.

Seven critical prenup mistakes to avoid

The prenup will likely not be enforced by the courts in these cases:

- **It's not a formal legal document.** Prenups must be formal legal documents. An agreement on a napkin, for instance, is not valid. (Steven Spielberg discovered this when he had to pay $100 million to Amy Irving.) Moreover, the prenup must be properly filed and free of careless errors. Only well-drafted agreements can override states that have community property laws or equitable distribution requirements.

- **It's a "shotgun" agreement.** If there's any indication of coercion involving a party's agreement to the prenup, it can turn out to be unenforceable. This includes not providing an appropriate amount of time for each party to read the agreement.

- **One person failed to read the agreement.** When there is proof that one or both of the spouses did not read the prenup, it might not be enforceable. We once had to explain to the moneyed spouse that the emails in which the couple disclosed that they had not read their prenup would cost him a quarter of his fortune, and more likely half.

- **One party is hiding or just not sharing knowledge of all assets and liabilities.** Full transparency between the prospective partners is mandatory. Without question, all property and all debts must be disclosed. Remember, thanks to high-quality forensic accountants, it's amazingly hard to hide assets.

- **It includes invalid provisions.** These are terms that are illegal or against public policy. For example, the courts will not enforce prenups if they stray into areas such as waiving child support or requiring the children to be raised in a specific religion.

- **Each partner does not have separate legal counsel.** Both parties should—and in some states, are required to—have their own legal counsel so that their separate interests are promoted.

- **The agreement is unconscionable.** If the prenup is so completely unfair that it puts one partner in a horrible financial situation and sets up things so the other partner is solidly financially positioned, the courts will very likely not enforce it. Unconscionable agreements are "extreme." For example, it's not considered unconscionable if a future spouse agrees to give up the right to inherit property when the other spouse dies. However, the prenup would be considered unconscionable if it specified visitation or custodial rights when it comes to the children.

Prenuptial agreements and the parents of the intended spouses

When the children of wealth marry, most times they're reticent about raising the issue of prenups unless the concept was part of their financial upbringing. Instead, it's the affluent parents who tend to broach the subject and may end up forcing the issue.

In these situations, the parents usually want to ensure that their family's wealth stays within the family (biological and adopted) and will not disappear with an ex-spouse. It's often important to address this matter and mitigate animosities.

When parents are the ones promoting a prenuptial agreement, they have to realize that their son or daughter will need to make full disclosure of assets. This might be the first time the child is provided with a comprehensive understanding of the family's wealth.

The following are some strategies to make the process more effective:

- When a child is raised in an affluent household, it is often useful for the parents to discuss prenuptial agreements with their children relatively early—when the children are in their late teens or early

20s. This is part of the ongoing discussion about family finances. Also, such conversations are much more effective before the child introduces their future spouse. When these types of conversations happen early, they do not become about any particular prospective spouse.

- In cases where there's a family business or the wealth is multigenerational, thinking about it in terms of a legacy can be useful. The issue then becomes more about stewardship than just ownership. Moreover, it's framed as making sure the child's children will have the assets.

We purposely go into some detail about prenups here because they're widely used by the Super Rich and they're available to anyone. The legal document itself is not what's really important. It's you and your family that truly matter, and sometimes prenups or trusts can make things work out the way you want them to.

To reiterate the main point: Elite wealth planning isn't about prenups or trusts or any legal strategy or financial product. While we can deliver the most sophisticated wealth planning solutions available today, the power of elite wealth planning is derived from a deep understanding of the human element.

Conclusions

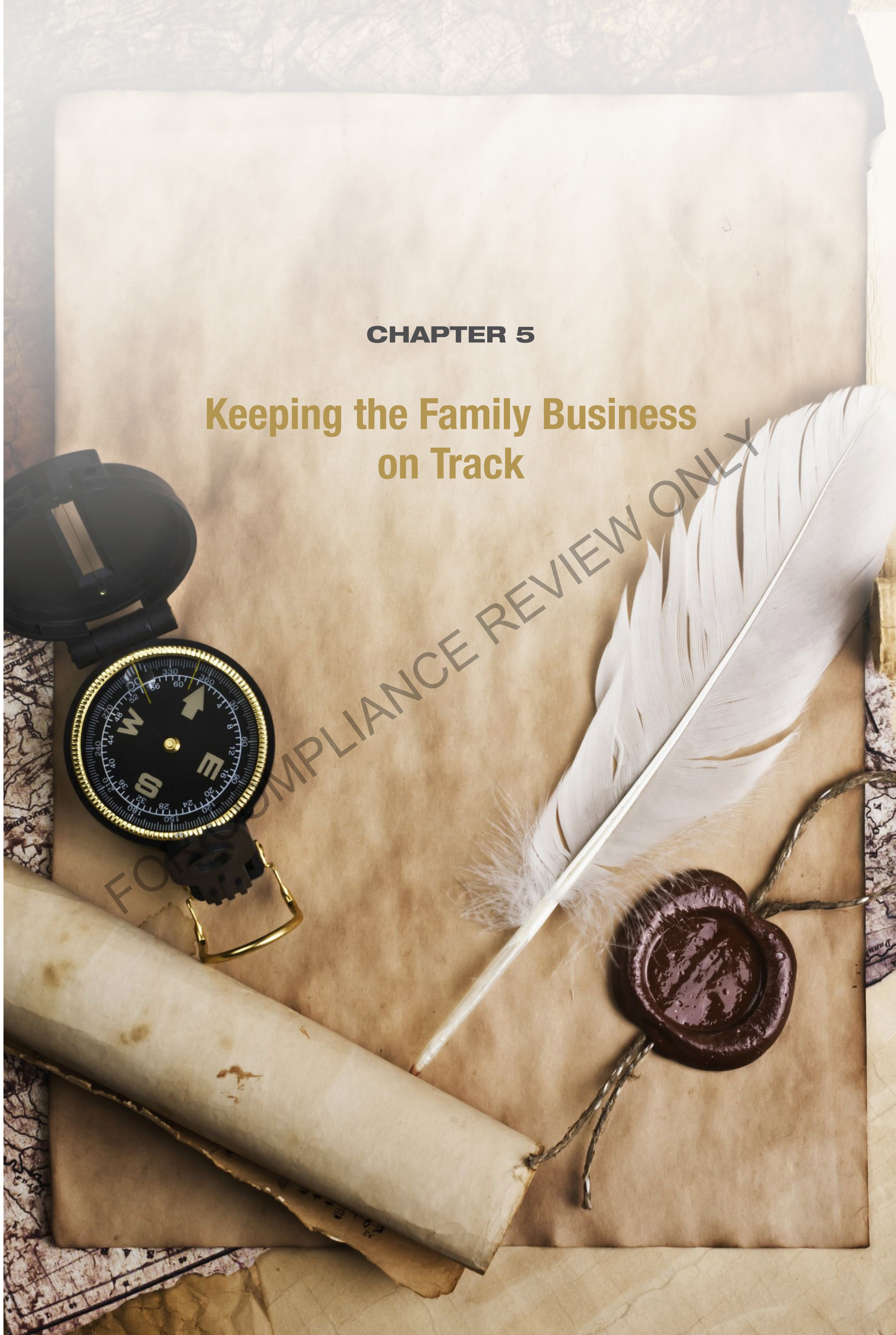
Spouses and lovers can prove problematic, and some of the issues—more often the financial ones—can be addressed by elite wealth planning. Mistresses and boy toys, for example, may feel their lovers owe them for their companionship and, very importantly, their discretion. When there are significant differences of opinion, elite wealth planning can be part

of the answer. Another major issue is remarriages and family harmony. Again, elite wealth planning is not about resolving emotional and psychological issues, but about helping the rich and Super Rich distribute their wealth as they choose.

In the next chapter, we consider how to keep the family business in the family and on track.

CHAPTER 5

Keeping the Family Business on Track



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A story from the field

The founder of a family business, which spanned 24 countries on three continents, ruled his empire with an iron hand. He relied strongly on his own business judgment. He was very proud and happy that his children—two sons and a daughter—all went into the family business and that they'd been very successful in making the company even greater. It was very meaningful to him that all his children cared deeply for each other and worked so well as a team.

A few years ago, the founder died in his 80s. The very next day, a three-way war for control of the family business commenced.

Technically, the wealth planning for the family business was done very well. There was a litany of special purpose entities, a catalog of trusts and partnerships, an array of legal agreements, and some life insurance.

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Each child received a third of the voting shares in the family business, and all the taxes on the estate were taken care of without having any impact on the business. The children also received substantial inheritances of financial assets, and the family's personal real estate holdings were divided up equitably (according to the children). The problem they had was deciding the future of the family business and who would ultimately be in charge.

We were called in by one of the sons as a "hired gun" (the term he used) as part of his posse of hired guns. The other two siblings had their own legal and financial hired guns. We knew from the start this would be messy. First, our client explained to us that he was very surprised at how little he had understood his brother and sister until they faced the prospect of running the family business without their father calling all the shots.

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After almost two years of real-life Game of Thrones behavior (including all the duplicity and sex), the decision was made to sell the entire business. Within a year, the family business was sold for what the siblings considered a fair price. We then worked with our client to set up his family office, where he's in complete control.

What killed this family business had nothing to do with finances. The transfer of the company from father to children was beautifully planned and executed. It was very impressive, all the more so because the family business's operations crossed multiple jurisdictions and thus was affected by a slew of tax issues. What killed the family business was the family—or, more precisely, the struggles and the knockdown, drag-out fights between the siblings, all caused by deep-seated animosities that were never addressed while their father was alive. What killed the family business was inattention to the human element.

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Lessons from the Super Rich

- Family businesses are one of the primary drivers of personal wealth creation the world over. The success of a business can be derailed in many ways. For example, bad seeds—usually children with a sense of entitlement—can cause conflicts within the business and the family that seriously damage both. After the passing of the founder, family discontent can result in dysfunction, bringing down the business and setting family members against each other.
- There are many ways, depending on circumstances, to transition family businesses tax-effectively between the generations. Once an elite wealth planner understands just what the family seeks to accomplish (the human element), he or she opens the toolbox and puts in place the appropriate structures and legal arrangements. The technical aspects are comparatively easy and certainly straightforward.
- Many of the Super Rich with multiple heirs who want to keep their family businesses on track implement some form of governance that deals with not only the businesses but also the family and the family's wealth. Establishing the family history, mission and vision, leading into governance and formal agreements, is often the approach used by the Super Rich.

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The family business

When it comes to the family business, the Super Rich, like other entrepreneurial families, can be a bit myopic and Pollyannaish, believing that their children and grandchildren will all love each other and work well together for the well-being of the family and the family business.

As in the story opening the chapter, we've seen many wealthy families come apart after the passing of the founder. While the founder was alive, his or her presence and involvement usually kept all the children and other relatives on their best behavior and with their eyes on the same goals. After the founder's passing, all the pent-up animosities, insecurities and disagreements will likely come out. If steps are not taken to prepare for such situations, conflicts among the family members can hobble the family business, and the family will seriously suffer—not only financially, but emotionally through the antagonism and the open and covert "warfare" among family members.

Segregating family wealth

Most families would be well-served if they developed mechanisms for handling family conflicts, specifically when it comes to the family business. These can take a number of different forms. Implementing formal governance structures is one possibility, as we'll discuss shortly.

Another consideration is the ability to buy family members out of their share of the family business, or the capacity to let family members determine their own investment solutions. While our focus here is on the family business, it's not only business interests that are prone to producing family conflicts.

When the financial assets are intermingled and invested by the family

office, for example, there is a possibility for substantial clashes between inheritors. In these scenarios, an important question that the Super Rich need to answer is "How important is it for the investable assets to remain together?" Allowing for the division of assets under specific circumstances can potentially avoid many problems—including litigation—among family members.

Second-generation family offices, for instance, in which the heirs have inherited the organizations, often find that some inheritors take their money and go off on their own. Being able to divide up the money can often be a good strategy. While there are some very strong reasons for aggregating a family's wealth—such as the ability to get preferential pricing—if the family members don't get along, investing together is likely to cause a lot more harm than good.

The financial issues are generally pretty easy

Once we had finished executing the wealth plan for one Super Rich family, the relationships among their companies, trusts and partnerships, with an overlay of discounting and other legal maneuvering, formed an inordinately complex wire diagram, one probably more complicated than the schematics to a nuclear power plant. Very importantly, the transfer of the family businesses over time and at the death of the founders will legally result in almost no taxes paid.

What few people realize is that the mechanics of this wealth plan—the technical components such as setting up the numerous entities, including how they interconnect—are really very straightforward. Honestly, all things considered, they are pretty easy. What's often hard—and frequently *very* hard—is determining what the Super Rich family wants to achieve and making it so. Again, we're back to the core role of the human element.

We don't want to demean in any way the value of technical expertise. You don't want to work with a wealth planner who is great at building rapport but is less-than-expert when it comes to legal and financial solutions. For instance, you certainly want to work with a wealth planner who understands where and how to apply the many different types of trusts that exist. It's just that we believe you deserve more than a top-notch mechanic. You should work with a top-notch mechanic who is also extremely attentive to the human element: an elite wealth planner.

The great majority of the Super Rich tend to be quite adept at working with elite wealth planners to transition the ownership of their businesses in smooth and tax-efficient ways. Because they're working with talented, dedicated experts, the complications are most often centered on a failure to adequately deal with the nonfinancial factors involved in passing on the family business, especially when there are a number of heirs involved.

Concentrating predominantly, if not exclusively, on positioning and transferring financial assets can aggravate family dysfunction, which can lead to brutal interfamily conflicts, often accompanied by lawsuits and bad judgment that result in the destruction of the family wealth. Even before the family business is handed to heirs, there are times when family members whom we might call "bad seeds" cause considerable problems.

Dealing with bad seeds in the family business

Many families—Super Rich or otherwise—have bad seeds. What are bad seeds? They're family members—usually children, but sometimes siblings, cousins and so on—who exploit their family's wealth, connections and business interests for personal gain, to the detriment of family members and other people. Their activities usually put pressure on other family members and hurt the family business.

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If the founders are determined and relatively autocratic, bad seeds are often driven from the family business fairly quickly. However, many wealthy families want family harmony, which can mean bad seeds grow unchecked. Although subterfuge is regularly involved, in time, everyone finds out what's going on and, at a minimum, acrimony ensues. Most times, relationships seriously suffer, and financial decisions can be skewed negatively as the family tries to hash out the conflicts.

Even though everyone would like the family to work together in a supportive and constructive way, that just doesn't happen when there are bad seeds. These family members are very self-absorbed and commonly feel entitled to do what they like, no matter who might get hurt along the way. Bad seeds habitually expect preferential treatment even though their knowledge and abilities are substandard.

These situations are especially complicated because most families have a hard time reining in disruptive and oppressive family members. Many parents, for example, generally have a difficult time effectively punishing the negative behavior of their children. When those children are involved in the family's business, the problems are usually magnified. We've heard statements like these:

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- "He's just going through a phase."
- "She didn't mean what she said."
- "All he needs is a little more growing up."

The reality is that it isn't a phase if it's been going on for more than a decade. She very much does mean it, and it's causing the family to splinter and the business to lose customers. And at 45 years old, if one still needs to "grow up," there's a good chance it's not going to happen.

The preferred course of action is to get bad seeds focused on the welfare of the family and the success of the family business and not their own conflicting interests. However, if it's impossible to get the wayward child to change his or her destructive behavior, the Super Rich often turn to elite wealth planning.

One technique is to create a trust and establish criteria the child must meet in order to benefit from the trust. Other legal arrangements have also been effective, not in getting bad seeds to change who they are, but in preventing them from damaging the family business. All in all, there are a fair number of ways elite wealth planning can be used to provide incentives and consequences to control or mitigate the deleterious actions of bad seeds.

While many of the Super Rich use elite wealth planning to manage the financial and tax aspects of their businesses, including transitioning their companies, the nonfinancial factors that can strongly affect the success of the business and harmony within the family can sometimes be overlooked. With multiple heirs, there are a number of ways to manage these factors. Ensuring high-quality family governance is one proven effective approach. It often starts with delineating family history and values.

Family history and values

Sharing the story of the family and the way the wealth was created proves to be educational for many extremely affluent families. It provides the background and context that frame discussions of family values. It answers questions such as:

- How did the family become successful?

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- Who created the family fortune, and who added to or subtracted from it?
- What were the values of the original wealth creators?
- How did these values contribute to creating the family fortune?
- How close are our values today to those of the wealth creators?
- Beyond creating wealth, how did their values and actions affect the family, then and today?
- What sacrifices did they make, and how did those sacrifices affect the family?

Discussions of family history are usually useful in helping bind families together. If all the generations have an intimate knowledge of their family history, they can move ahead with greater certainty, knowing where they came from, who they are today and what they stand for.

More and more, older generations who want to have their values and wishes for the family continue are writing ethical wills (see an example of an ethical will at the end of this chapter). An ethical will is not a legal document, but a way for individuals to communicate their hopes, dreams and wishes and to share important life lessons with their heirs. Hopefully, the ethical will reinforces and reminds the family of the perspectives of the founders.

Vision and mission

For families to work together, they must achieve an alignment of values, goals and expectations. It becomes a matter of deciding whether they are truly a family or simply a number of people connected by blood with not much else in common.

It's important to note there is nothing wrong with family members not being on the same page, or not being anything more than a biological family. It's better for family members to recognize this fact, appropriately divide the money and go their own ways than to attempt to force the matter. Doing so will only cause problems—potentially severe problems. When family members aren't on the same page, logic says to come up with an equitable way to split up the wealth, such as buying out the family member who wants to go his or her own way.

To get a better grasp on the issue of whether family members are a "family," these questions, among others, must be asked:

- Do the family members share similar values?
- Can the family members effectively work together to everyone's benefit?
- Do the family members have the same vision for the family business?
- How good are the family members at negotiating and compromising?
- Do the family members agree on their relative strengths and weaknesses as they relate to growing the family business?
- What self-determined obligations do certain family members feel to each other and the previous generation?
- Are there issues and concerns with respect to particular family members that need to be worked through?

To facilitate coherence within the family that will result in better decision-making, many extremely wealthy families construct vision and mission statements:

- **Vision statement.** This sets forth the family's optimal goals and reasons for existence. It looks forward with a "We promise."
- **Mission statement.** This describes the plans and actions to realize the vision. It is a translation of the vision into tactical steps.

Governance

Vision and mission statements provide the big picture when it comes to the family business. Next is the need to get more granular by developing the structures and protocols of family governance.

Family members have roles when it comes to the wealth they share, including the family business. They can be owners, managers, beneficiaries and so forth. The family members will have different rights and responsibilities that can be formally as well as informally determined.

The purpose of family governance is to create an organizational structure that includes the family history, the vision and mission statements, and the roles and responsibilities of family members, as well as to detail the processes and systems to manage the family business and other shared family resources most effectively.

A key benefit of well-structured family governance is superior decision-making. When family governance is done well, there are relatively few missed opportunities, family hostility is mitigated and greater emotional calm can be achieved. Moreover, the family business tends to run more effectively, delivering better outcomes for family members.

Governance isn't important to all Super Rich families. Some families whose businesses are in transition don't see a need for governance. This can work out fine, provided a crisis doesn't overtake them. Then they would have to scramble to deal with the situation and often—to better manage future crises—would embrace governance.

The objectives of governance include:

- Defining the positions of family members in the decision-making process when it comes to the family business and other assets

- Recognizing and adjusting for the crossover between family obligations and family business interests

- Identifying and facilitating the fine-tuning required to deal with family issues, with the aim of not adversely impacting the family business

There are various ways to make governance real by implementing certain structures and documents. One type of document that is often used is called the family creed, charter or constitution. A well-crafted family constitution will:

- Memorialize the family's values

- Establish checks and balances among different interests

- Specify conflict resolution practices

- Promote accountability

- Ensure flexibility so the family can adapt to change

Bylaws tied to the constitution detail how the family will deal with many different situations. As specified in the bylaws, a family council or some other named body oversees the shared wealth of the family. This group ensures that the family adheres to the vision and the mission. Other possible responsibilities include:

- Approving changes to the family's vision and mission statements to adjust to a changing world

- Communicating with family members who are not directly involved in the family business

- Setting policies on matters outside the business, from addressing the family's philanthropic agenda to its investment policy statement

- Ensuring continuity of the family business, including educating the next generation

- Modifying the constitution and bylaws if circumstances appreciably change

Family governance can be instrumental, if not crucial, to making a family business highly successful when autocracy isn't an answer.

Conclusions

There are a plethora of legal strategies and financial products that can be used to tax-efficiently and efficaciously transfer a family business (or any business, for that matter) between parties such as family members or management or strangers. When there are sales or transfers of business interests, elite wealth planning can help make sure that as much money as possible from the transition goes into the pockets of the sellers.

When it comes to family businesses, one of the biggest challenges to intergenerational success is most likely to be ensuring that the new owners are on the same page. Comparatively, the financial matters are easy and need not be the cause of failure. Family governance can prove very useful in keeping the family business on track and facilitating family harmony.

In the next chapter, we consider a few ways to help heirs excel.

An ethical will

For the most part, wills only deal with legal concerns. Having a will is usually essential. We also strongly advocate writing an ethical will.

An ethical will is a final love letter to loved ones. It's an expression of your devotion, your commitment and what you want for them in the future. Often an ethical will includes whatever wisdom you wish to pass on. Although an ethical will can be a part of a regular will, we suggest it be a separate personal document.

An ethical will isn't depressing or morbid. On the contrary, it's upbeat and positive. It can even be humorous. It's about the joys of life.

You'll probably find writing an ethical will difficult. It requires that you really think about your life and what you believe is important. Writing an ethical will does help you set your priorities when you formulate your wealth plan.

Your ethical will can be one of the most precious gifts you leave to your loved ones.

What follows is an excerpt from an ethical will. It's from an entrepreneur to his wife.

I've come to learn that leaving is part of living. It makes what we do day in and day out mean something, because one day each of us will have to leave.

Getting old is not as bad as some say when you consider the alternative. Nevertheless, there comes a point where everything slowly stops working. After all these years, when the pain and problems of living become so great, it's better to leave.

It's now my time. I've been around a long time. Please understand I have few regrets. It's been a good life. I've had a wonderful time. In looking back over all the many years, I can say I had a great time. You can't get much better than that.

I wrote this to thank you for sharing your life with me. I want to point out how truly wonderful you've been. I realize that more recently, I've been something of a pain. Still, while sometimes muttering under your breath, you not only put up with it all, but took it all in stride.

More important, I want to make sure you know that you are a truly wonderful person. Everyone who has had the good fortune to know you readily recognizes this fact.

I ask you for two things. One, that you remember me. Two, that you remember how very special you are.

Thank you for everything. You are truly sensational!

CHAPTER 6

Empowering Heirs

Stories from the field

Many extremely affluent inheritors are intensely committed to improving themselves and, often, the world. They are seriously dedicated to creating and enhancing business ventures, and they want to leverage their financial blessings and expand their own fortunes, usually with an eye to social betterment. They're often quite impressive, and thus—at least most of the time—they're not a lot of fun.

It's quite hard to be a lot of fun when you have high aspirations and a strong work ethic. You just can't be partying when you're wrapped up in making a company successful. After putting in long and grueling days, these goal-driven, ultra-wealthy inheritors are, understandably, simply tired.

While these inheritors are diligent and industrious, others are less so. One Super Rich inheritor is intent

on saving the whales. He's going to get personally involved with whale-saving causes as soon as he gets back from his African safari and his backpacking vacation across Europe. He admits he might need to delay the whale saving if one of his friends comes up with a great place to hang for a few months, like Monaco or the Swiss Alps or a "rad place" in Bangkok.

The affluent stepsister of another Super Rich inheritor wants to follow in her brother's footsteps. He's helping his family business tap new opportunities. With her brother as her example, she's putting her trust fund money behind the creation of a company that will enable people to determine how "wasted" they are. She's testing this innovative technology by getting wasted herself at regular intervals and seeing how the technology performs. So far, the technology is a dud, but she's committed to staying with the project until the technology is perfected—or she needs a new liver.

Another Super Rich inheritor is renowned for throwing legendary parties. There are always entertaining games to play such as strip twister, dealer's choice alcohol poker and prescription bingo. These parties usually last a good few days.

In many exceptionally affluent families, there are inheritors who are exceling and are part of the family businesses or striving to make a difference in the world. There are also inheritors who are more hedonistic. They prefer pleasure seeking to entrepreneurial capitalism and philanthropy. Simply put: Some inheritors just want to have fun.

Lessons from the Super Rich

- Some heirs are not cut out to do much more than enjoy the fruits of the labor of their predecessors. However, many others want to do something meaningful and substantial with their lives. The Super Rich regularly take steps to empower these heirs, providing education and opportunities to see what they can do given their resources. These motivated heirs learn by doing, with the oversight of the family and professionals.

- For inheritors of substantial wealth, the most important education addresses how to source and work with high-end professionals. There are numerous programs that delve into the mechanics of legal strategies and financial products. Although some inheritors find such programs useful, most will rely on professionals, especially when it comes to wealth planning.

- When heirs are entrepreneurial, a family bank can prove very useful. It provides the inheritors financial and operational resources to start or invest in businesses. What makes a family bank work well is oversight and possible involvement of the family and advisors, and—critically—fostering accountability. Similarly, being involved in the family's private foundation can be a very effective way for heirs who are charitably motivated to become more competent donors.

Facilitating greater success

For Super Rich inheritors who want to do more than just have fun, the older generation habitually takes actions to help prepare them to deal with money and situations involving money. Elite wealth planning is often part of the process. Again, you can use the same approaches used by the Super Rich.

Significant amounts of money, while often empowering, can lead to a panoply of psychological detriments. These include relationship conflicts within and outside the family that may lead to court actions or worse, and often substantially damage the family's wealth. When resentments among inheritors boil over into open "warfare," nothing good results.

There are several areas where the Super Rich make efforts to prepare the next generation, including these:

- Educating heirs about managing financial wealth
- Supporting entrepreneurship
- Facilitating philanthropy

Aspects of elite wealth planning can play a role in all these circumstances.

Educating inheritors about wealth planning and managing financial assets

Without question, many of the rich and Super Rich are concerned about their heirs' ability to manage intelligently the money and business assets they will inherit. Many different organizations and professionals, from business schools to life coaches and consultants to trusted advisors,

provide educational services to inheritors of family businesses who, for example, intend to take over the management of companies. On the other hand, many fewer educational services are available to inheritors who are going to be owners but will not have a management role. Many of these heirs would benefit from programs and coaching on how to be effective passive owners.

Another and much more widespread area where educational resources are generally lacking concerns how to handle and manage substantial amounts of financial assets. There are organizations that focus on teaching the next generation the mechanics of investment management, which can be very useful for some heirs.

These programs address a wide array of issues, from the very basic (such as the difference between a stock and a bond) to more advanced investment management concepts (such as asset allocation, rebalancing and investment selection). When it comes to wealth planning, the focus is usually on tools and techniques such as generation-skipping trusts, exempt assets and special purpose entities.

Based on considerable research with rich and Super Rich inheritors, we find that the great majority of them are not very interested in learning even the fundamentals of wealth planning and money management. They're going to turn to professionals to invest their money, help them deal with the range of tax matters and protect their fortunes from legal assaults.

Wealthy heirs—second, third and fourth generations—as well as people who will be receiving a lot of money tend to be particularly interested in two things, in this order:

1. **How to find and work with talented investment professionals and elite wealth planners.** So many ineffectual advisors are around that knowing how to find, screen and work with experts is very high on heirs' list of concerns. This becomes even more important when it comes to elite wealth planning, which can be quite esoteric and difficult to evaluate. The answer is to ensure that heirs can identify and source experts (see **Chapter 9: Sourcing Your Elite Wealth Planner**).

2. **Having a general understanding of what can be accomplished.** It's absolutely not about understanding legal strategies and financial products. Instead, it's about having a big-picture grasp of what can potentially be accomplished, not how to accomplish it. Because of the nature of elite wealth planning as exemplified by the Virtuous Cycle, this is a distant second interest. Once heirs understand the Virtuous Cycle, they know that elite wealth planners will bring them viable recommendations and explain their advice in a way that will enable them to make smart decisions.

The role of elite wealth planners is to communicate the way the Virtuous Cycle operates and how heirs can most effectively work with professionals. This same education is very useful at every level of wealth.

Creating a family bank to promote family entrepreneurship

A cornerstone objective of many of the Super Rich is to enable future generations to build their own wealth and create their own legacies. The Super Rich are embracing ways to develop the business acumen of inheritors as well as support them in forming new ventures. An approach that has proven quite effective in this regard is the family bank.

The concept of the modern family bank is most often attributed to Mayer Anschel Rothschild, who was born in 1744 and was the founder of the Rothschild dynasty. He was very clever when it came to protecting his heirs from the problems created by inheriting significant personal fortunes. The Rothschild fortune was to be used for education of heirs and for investments, including new ventures. The mission for inheritors was to make their own way in business, backed by the family's resources, and to grow the family fortune.

Today, family banks are structured and used in many ways. One way, for instance, is to hold selected assets of the family, such as the vacation home, and make those assets available to all family members. In these situations, there are ways to use the family bank to potentially mitigate taxes. Another use of the family bank is to provide short-term loans to family members who have experienced a personal setback. These loans are intended to help them get back on their feet.

Fostering entrepreneurship

Increasingly common among the Super Rich is the use of family banks to promote and support entrepreneurship among heirs. The funds provided by the family bank are intra-family equity investments, loans or both.

It's important to realize that family banks are not restricted to the extremely wealthy. Today, more than ever, those with considerably less wealth can establish and use family banks as lending and investment vehicles tied to the commercial activities of heirs.

Whereas the exceptionally wealthy move assets around to fund their family banks, those who are less wealthy are not always in such a financial position. Instead, they often need to build a pool of money that can be used by family members. One way this is done is by benefiting from the tax-free buildup in life insurance.

Many family banks are designed not only to provide financing for new ventures but also to foster the creativity and capabilities of the next and future generations. Many times, the goal is to build human capital in conjunction with financial capital.

Some family banks therefore incorporate formal and informal entrepreneurial education and mentoring support. However, it's quite evident that whether they work through a family bank or have a formal process in place without a family bank structure, there's a very strong focus on creating new wealth. The process still allows them to pursue their own business interests and build careers outside the world of the family.

With a family bank, there's also a strong focus on accountability with the intent of adding to the family's wealth. Consequently, family banks are not just pools of money family members can draw on as they see fit. Obtaining funds from family banks is very much akin to acquiring funding from a venture capital firm or commercial bank. There are set criteria that need to be met. One characteristic of well-managed family banks, or of any formalized process of providing intra-family loans or money for investments, is extremely good documentation.

Family banks are not cookie-cutter entities. They need to be customized to the often-idiosyncratic nature of the wealthy family and the circumstances surrounding the family.

When the extremely wealthy choose to set up a family bank, it tends to be an incremental process. That is, family banks generally move from

being very simple to fairly complex. This makes it wise to make sure from the beginning that their structure is flexible, allowing them to adjust to changing circumstances. For example, consider a single-family office started by a very wealthy multigenerational family, with more than 100 family members having equity in the family office. What started off as a formal process for providing intra-family loans evolved into a family-only venture capital firm able to deliver a diverse range of sophisticated financing strategies.

Using experts

Family banks regularly make powerful use of experts. These experts are usually members of an advisory board. Attributes of the different experts that are often prized include:

- **Insights into and experience with wealthy inheritors.** Familiarity with family dynamics, and an understanding of the perspectives, needs and wants of heirs, is usually essential to ensuring accountability and a meaningful return on investments.
- **Knowledge of and a background with entrepreneurship, including direct investing.** The ability to provide tactical guidance in making investments in private enterprises and helping them grow proves critical in supporting inheritors.
- **Understanding and experience with tax mitigation strategies in these environments.** Here, the exceptionally wealthy make considerable use of elite wealth planners to minimize income and estate tax liabilities.

Family banks established by wealthy families often are sustainable family businesses in their own right. Family banks are powerful vehicles to promote family entrepreneurship and develop the business acumen and skill sets of family members. While they provide funding and many times education and other forms of support to family members and related entities with the intent of building human capital, their goal is commonly profit.

Facilitating philanthropy

There are many ways to give to charity. The most common is referred to as "checkbook philanthropy." This is where you write checks (cash also works very well) to the not-for-profits you care about. The use of charitable trusts can also be highly effective. However, the Super Rich tend to gravitate toward private foundations.

Private foundations

A private foundation is a not-for-profit organization (in other words, a charity) that's primarily funded by a person, family or corporation. The largest assets in a private foundation are usually investments that produce income. The income is used to support the operation of the private foundation and, most important, to make grants to other charitable organizations.

While there are certainly costs associated with creating and managing a private foundation, there are distinct benefits to doing so. There are many reasons people create private foundations. Three of the most pronounced—and often-interconnected—reasons include:

- **Caring.** At its core, philanthropy is about caring. A private foundation is a very powerful way to convert caring into financial and related support for worthy causes. You need to care deeply about some charitable causes to justify establishing and running a private foundation.

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- **Legacy.** Many people create private foundations to honor loved ones. They're effective in binding a family together around something they consider meaningful. Private foundations are often part of the education of inheritors in helping them become wise philanthropists. You should probably want to create a legacy—of one kind or another—if you choose to create and maintain a private foundation.

- **Permanence.** You can establish your private foundation in perpetuity. Consequently, you can ensure that the charitable institutions and causes that are important to you will continue to be funded indefinitely. The ability to make your private foundation last forever, if you so choose, is a very appealing characteristic to many rich and Super Rich families.

Donor-advised funds

While a private foundation can have tremendous benefits for the founders and family, there are other options. In particular, there's the donor-advised fund, which is very appealing to families for whom a private foundation is not cost-effective.

While there are a fair number of differences between donor-advised funds and private foundations, we'll keep it simple by distinguishing them on three key measures: control, expenses and family involvement, including creating a legacy. (See **Exhibit 6.1**.)

Exhibit 6.1
Donor-Advised Funds Compared with Private Foundations

Consideration	Donor-Advised Fund	Private Foundation
Control	Make recommendations	Make decisions
Expenses	Minimal	Various
Family involvement and creating a legacy	Lower	Higher

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Control. A private foundation gives you significant control, which is not the case with a donor-advised fund. With a donor-advised fund, you only make recommendations to a firm responsible for managing and distributing the money. While it's often unlikely that your suggestions will go unheeded, there are certainly times when this will be the case.

A private foundation enables you to make a wider array of grants than you can through a donor-advised fund. For example, you cannot make pledge agreements with a donor-advised fund. This means that you cannot say that over a period of time you will support a charitable cause, because you're not in control of the fund. With a private foundation, you can choose to make such agreements. Also, private foundations can make grants to specific individuals, something a donor-advised fund can't do.

There are also differences between the two in how the assets are managed. With a donor-advised fund, the investment firm you entrust with your money manages the assets. In a private foundation, you or the investment advisors you select manage the assets.

Expenses. Private foundations are generally costlier than a donor-advised fund. Generally speaking, private foundations are required to annually give away a minimum of 5 percent of their assets. There are no annual giving requirements for donor-advised funds. Also, donor-advised funds receive greater tax deductions. The administrative costs of a donor-advised fund are also lower and the reporting requirements are less extensive.

Family involvement and creating a legacy. In the case of a private foundation, there are unlimited succession possibilities. This enables the family to exercise control across the generations. Many donor-advised funds have limitations on successions. When that limit is reached, the money goes into a general pool at the sponsoring organization.

When you have a strong interest in having your charitable giving live on after you, including permitting your descendants to take the reins, private foundations tend to be the more effective choice. You're able to decide who sits on the governing board and how funds are spent. In contrast, donor-advised funds are governed by a board selected by the sponsoring organization.

Whether it's choosing between a private foundation and a donor-advised fund, or making decisions connected to creating charitable trusts, getting your future inheritors involved in philanthropy enables you to share your values in constructive and actionable ways that can make a significant difference in their lives.

Conclusions

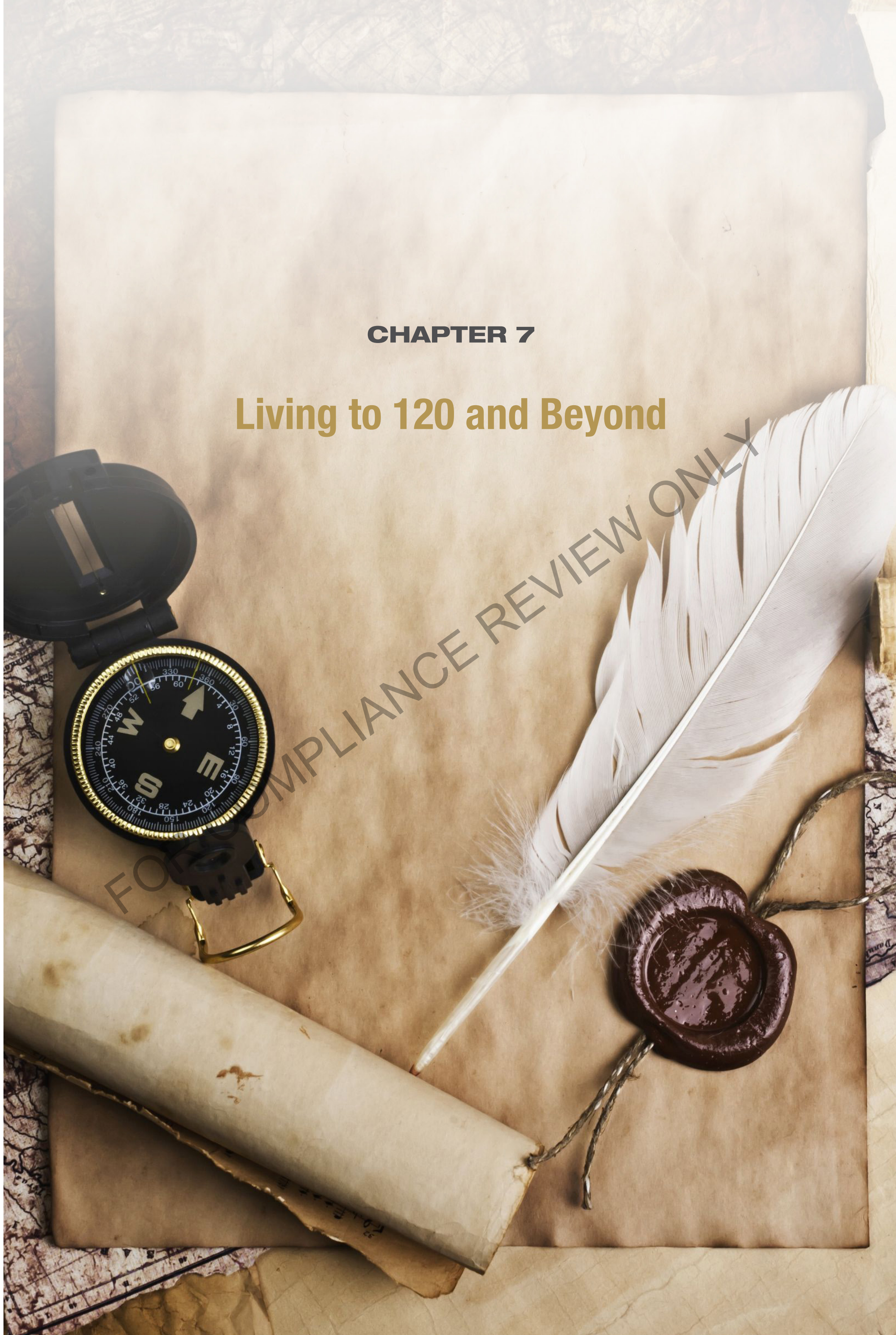
Guiding the next generation can be personally rewarding and help ensure that heirs reach their potential. The Super Rich tend to take a proactive role in empowering their heirs. There is a big educational component to this. Also, depending on the directions the heirs are taking, there are ways—such as a family bank or a private foundation—to enable them to learn by doing.

Elite wealth planning is useful in these circumstances because there are structures that are part of the process. However, being Super Rich is not a requirement. If a private foundation is out of reach, a donor-advised fund might work just fine. As with everything we talk about in this book, the human element is central to elite wealth planning, irrespective of the wealth of the family.

The next chapter addresses a dream of many of the Super Rich and other people as well: immortality, or at least living a very long and healthy life.

CHAPTER 7

Living to 120 and Beyond



A story from the field

The song "Who Wants to Live Forever?" by the rock group Queen is appropriately playing in the background as we learn about parabiosis. In 1924, a physician named Alexander Bogdanov transfused himself with the blood of younger people, claiming it helped him become younger. (He died when he took the blood of a student who had malaria and tuberculosis.) We learned all about parabiosis from a Super Rich 70-plus-year-old who swears by the technique. And he's very quick to point out that what he's doing is nothing at all like the habits of the Blood Countess, Elizabeth Bathory.

Aside from parabiosis, our host is heavily investing in new medical technologies through his family office. He has a team of nine—six MD/PhDs and three Wall Street analysts—scouring health care investments. He considers only companies they

find. Pitching investments to his team is not an option. He's been putting about $20 million to $30 million a year into these ventures for years. He says that if he doesn't find some answers that will work for him, at least he's moving the needle and someone else will end up living forever.

Lessons from the Super Rich

- For almost everyone, as they age and their bodies just don't work as well as they once did, as some of their lifelong friends pass on, and as their children become independent adults with families of their own and their grandchildren become treasures, living a longer and healthier life takes on greater meaning. With advances in medicine, the possibility of living a long and healthy life is increasing. A growing number of the Super Rich are looking for ways, including by investing in new health care technologies, to prolong their lives.

- Elite wealth planning comes into the picture because the costs of the new medical technologies are typically not covered by health insurance—at least initially. Also, for people who aren't Super Rich, it can be crucial to think ahead and make sure your wealth plan adequately deals with the matter.

- Living longer and cognitive decline sometimes go hand in hand—something it might be wise for your wealth plan to take into account. You want to make sure that your money goes where you want and is not appropriated by nefarious family members, health care providers, advisors or anyone else.

ELITE WEALTH PLANNING

A medical revolution

To answer Queen's question: A great many of the Super Rich want immortality, and probably a whole lot of other people do, too. Not only do many of the Super Rich want immortality, but a good number of them are also doing something about it. The likes of Sergey Brin, co-founder of Google; Larry Ellison, co-founder of Oracle; and investor Peter Thiel are putting money into ventures that are focused on extending the human life span.

We're in the beginning of a medical revolution during which it will be possible to seriously extend the lives of people, including by curing them of diseases that are fatal today. These individuals will not only be able to live longer, but they'll also have well-lived lives. That is, they will be able to enjoy older age being mobile and mentally astute.

A multitude of approaches being taken are aiming for immortality—or at the very least a much longer and healthier life. For instance, there's the idea of merging artificial intelligence with humans to avert death. By transferring your consciousness into an artificial brain, you will continue to live even though your body won't. Cryogenics is seriously considered by many. With this method, your body—or, at a minimum, your head—is frozen until the field of medicine advances enough to bring you back.

Hacking our DNA is another approach being taken. Our ability to use stem cells to cure disease is increasing. Also, the ability to use stem cell treatments to restore the cartilage surfaces of a 55-year-old knee to the functional equivalent of a teenager's is available to those individuals who can afford it. Very possibly stem cell technology, as well as modifications to our DNA, can result in significantly longer fruitful lives.

While the desire to live a longer, well-lived life appeals to most people, presently the opportunity is limited to those with significant financial resources. The cost of these new treatments can be considerable—think hundreds of thousands of dollars—with few treatments covered by traditional health insurance.

It's clear that medicine is fast evolving, but only those who know where to go and can afford the treatments will benefit, at least in the near term.

The Super Rich tend to have the liquid resources to address any health problems. Moreover, through their use of concierge medicine—something we'll discuss shortly—and related services, they tend to have contact with health care experts who can guide them and facilitate access.

To control costs and be prepared to handle possible illnesses, taking advantage of the latest in predictive biomarkers and personal genome mapping is very powerful. These tools help us understand the probability of future illness. Early targeted intervention can prevent biomarkers' future expression as either chronic disease or premature death.

If you want to live a rewarding life to age 120 or beyond, money matters, as does supervised access to cutting-edge treatments. Today and for the foreseeable future, traditional health insurance will not pay for all the various treatments that are available. People must cover the costs themselves. Without elite wealth planning, even multimillionaires may not have access to the health care required to extend their lives.

Health care contingency plans

Many of the Super Rich are also implementing health care contingency plans. Serious, often life-threatening medical issues can impact anyone.

Most people have no choice but to rely on their health insurance or, lacking health insurance, the government's health care safety net.

The Super Rich are increasingly unwilling to take the reactive stance of being entirely dependent on high-end health insurance as the sole means of paying for their current health care and the state-of-the-art treatments they hope to access in the future. One very successful family that made its fortune in the real estate business is illiquid. The family's wealth plan includes ways for members to leverage their real estate holdings very tax efficiently in case they need to deal with the serious medical problems lurking in their family DNA.

For most of the affluent, creating a health care contingency plan will entail evaluating the probabilities—based on personal genetics and lifestyle—of encountering specific serious conditions that are unique to them and making certain they have both the access and financial resources to address those future risks. Except for the exceptionally affluent, it will also require creating an accompanying wealth plan and investment plan to afford the care without overwhelming their finances.

Concierge medicine

With health care institutions throughout the world increasingly stressed, the Super Rich and others with enough financial resources are increasingly not inclined to rely on these public systems—at least not in the ways most people rely on them. Instead, these individuals and families are more and more able (and likely) to pay for a higher—and often exceptional—standard of health care. The term for this is *concierge medicine.*

Concierge medicine is an umbrella term used to describe a number of different retainer arrangements between a primary care physician and a

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patient. All the various forms of concierge medicine represent a return to privatizing primary health care. It's a way to get a higher quality of care that places you and your loved ones at center stage and keeps you there.

When it comes to concierge medicine, there is a distinction between assurance and insurance:

- **Assurance** is the security of knowing a talented, knowledgeable physician or other health care professional will answer your calls and provide direction so you can obtain the medical care you need.

- **Insurance**, in contrast, is where you are part of a risk pool and your objective is to cover a percentage of the financial expenses of health care. This means that—for most people—concierge medicine is additional and complementary to health insurance.

With concierge medicine, you are paying for medical expertise, although there are usually additional costs for your care. Laboratory tests such as blood work and diagnostic tests such as MRIs and CAT scans entail additional costs. For many patients who have availed themselves of concierge medical practices, these costs are covered either out of pocket or by health insurance. In many cases, the concierge practice will facilitate the administrative processing of these costs through your insurance.

For patients, the critical benefit of concierge medicine is that it provides a much higher level of personalized attention and medical care than they would otherwise be able to attain. Consequently, it creates a strong sense of security, empowerment and control, and engenders long-term trust in one medical professional or practice.

Financial concerns associated with a longer lifetime

There's another set of related issues that require elite wealth planning. What happens in your financial life when you live to 120 or beyond?

For the wealthy, the positive prospect of living into their 90s or longer has significant implications for their personal finances. In particular, it can dramatically affect who's in control of the assets, including how and when the wealth moves between generations.

It's fairly common for the individuals who created the family fortune to want to control it as long as they can. There are a number of very good reasons for them to think this way, including the fact that they're usually astute businesspeople. However, depending on how the wealth is structured and the capabilities of the heirs, it sometimes makes more sense to take steps to inform and prepare heirs as to the timing and ways the wealth will be transferred, especially when the inheritors are in their 40s and 50s or older.

The possibility of dementia

The possibility of dementia increases with age. As memory fades, sometimes there is greater paranoia. One time we were asked to help restructure an estate because the surviving parent was quickly succumbing to Alzheimer's disease. A trust was set up that ensured she would get the best treatment and care for the rest of her life. This was the family's highest priority, and for a number of reasons, they needed to move quickly. Also, the business interests were restructured to tax-efficiently transfer them to her children and her second cousin. The possibility of a successful lawsuit from a child who was the product of an affair was also eliminated.

Another consideration is that when mental acuity drops, it's not that unusual for physicians, nurses and advisors to insinuate themselves into the wealth plans of the affluent elderly. At the same time, family can exploit the wealth, as in the case of Tony Marshall, the 88-year-old who went to jail for defrauding his mother, the socialite and philanthropist Brooke Astor, after she was diagnosed with dementia. It's essential to ensure that such situations just don't happen, which often means the wealthy individual must produce a wealth plan.

This concern is coming to our attention more frequently. With the rich and Super Rich living longer even without explicit longevity therapies, rethinking how and when their wealth should be distributed is a more common discussion. It's very important to have as much flexibility within your wealth plan as possible. This way, when they make the pill that adds 20 years to your life, increases your IQ by 50 points and makes you look 40 years younger, you can make appropriate changes in your wealth plan.

Conclusions

With the world of medicine on fast-forward, the possibility of living a longer and healthier life is becoming more and more realistic. Having the money to pay for concierge medicine and experimental treatments may very well be a factor in your longevity and the longevity of your loved ones. Elite wealth planning can often help in this regard.

Whether you're Super Rich, rich or even aspiring to be rich, elite wealth planning can be instrumental in helping you enhance and protect your wealth. Your charitable giving can also potentially be increased. To benefit from elite wealth planning, you have to work with an expert—an elite wealth planner.

ELITE WEALTH PLANNING

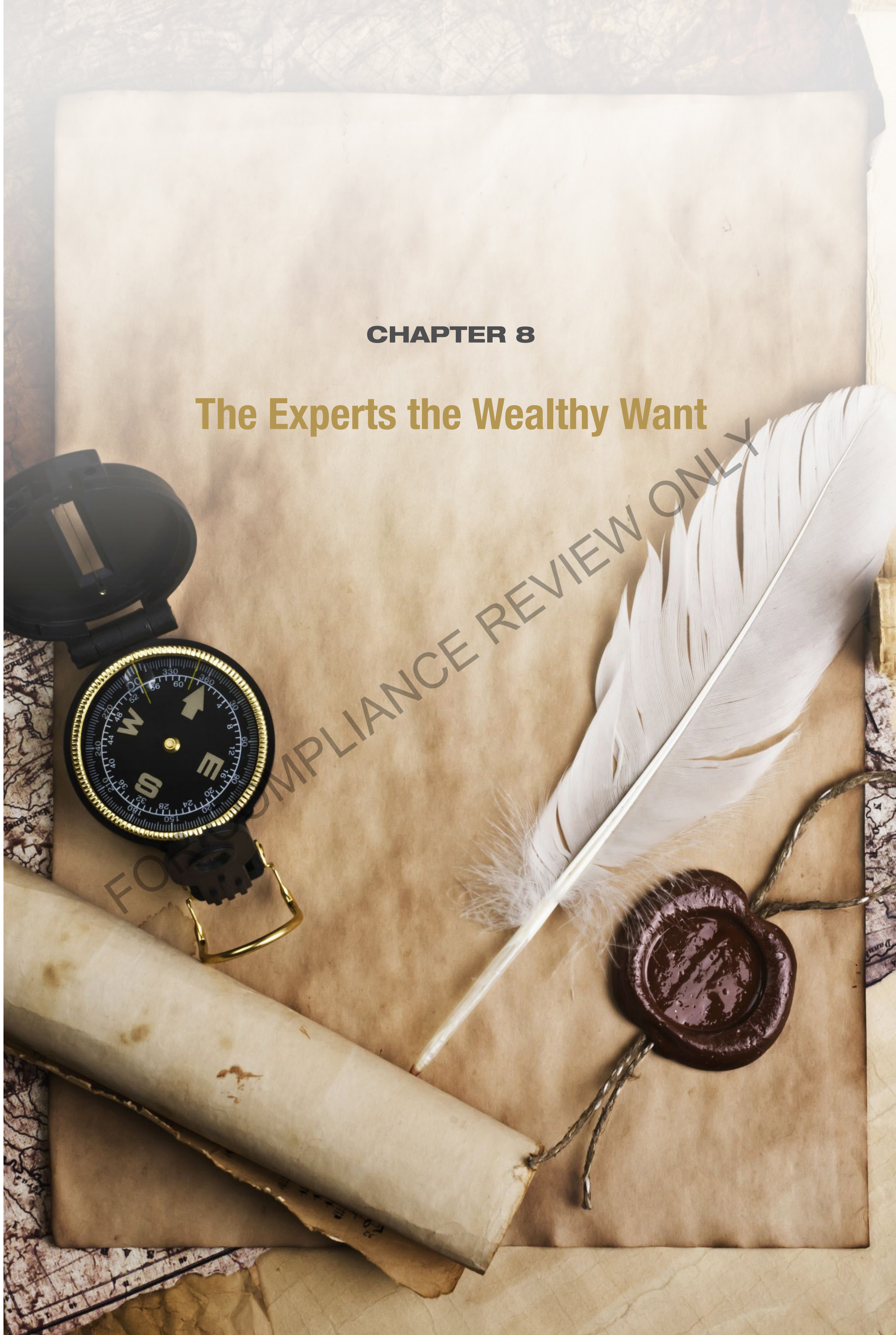
In the next section, we explain the types of professionals you should avoid at all costs. We also discuss how the Super Rich find their elite wealth planners and the critical role of stress tests and second opinions in making sure their intended actions and their wealth plans deliver as advertised.

PART III

GETTING EXPERT ADVICE

CHAPTER 8

The Experts the Wealthy Want



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Stories from the field

One of the most fascinating and intriguing perks of working with the Super Rich is the opportunity to meet remarkable, sometimes mind-blowing people. Not only are a great many of the Super Rich astoundingly talented and utterly fascinating, but so are a fair percentage of the outstanding professionals they employ.

There's "Amazing Grace" (not her real name), who is a math prodigy, an accomplished violinist, a third-degree black belt in Dim Mak and piercingly, frighteningly smart—with an IQ somewhere around 200. She runs her $4 billion hedge fund from a converted 747 complete with its own "trading floor." Grace attributes much of her financial success to her mastery of the art of memory. She has constructed a memory palace that, according to her, includes every meaningful geopolitical and financial interaction that

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impacts the currencies and the cryptocurrencies she trades.

"Lady Guinevere" is another example of an astounding expert. She's a spectacularly successful international private banker. Her strength is her amazing attentiveness to the human element. She suffers from synesthesia, a neurological disorder in which the senses are involuntarily joined. A synesthete might, for instance, taste chocolate when he or she sees the Sydney skyline, or think of the aria "Nessun Dorma" from Turandot as being pale pink. This ability allows her to be amazingly empathetic with her extraordinarily wealthy clients, and many of them respond by sharing their deep-seated fears and most hidden desires or personal secrets.

Then there's one of the most sublimely brilliant wealth planners we've ever met. "Niccolò" (our pet name for him, short for Niccolò Machiavelli) is extensively

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knowledgeable about the tax codes in more than a half-dozen countries and fairly well-versed in about a dozen more, thanks to growing up as an "army brat" and having something close to a photographic memory. Niccolò's success is more a function of being crafty and conniving than of his prodigious intelligence. For him, the tax and related problems his Super Rich clients present are a combination of solving a multidimensional Rubik's Cube and winning a 3-D chess match against the revenue authorities.

The complication is that Niccolò's solutions, while all strictly within the letter of the law as of the time he implements them, are usually quite intricate and aggressive. They might turn on the interpretation of a sentence or passage in a tax code. What's assured is that Niccolò is paid very, very, very well for his services. And there have been times when his recommendations did not work out well for his Super Rich clients. Still, Niccolò is always able to ingeniously

walk away without recriminations or repercussions, no matter the consequences for the client.

Amazing Grace is an astounding investment specialist. Lady Guinevere is loved by her clients. Niccolò, meanwhile, is an Exploiter. Moreover, to date, he happens to be the best Exploiter we've ever met. He's also the type of wealth planner we recommend you avoid, even though nothing he advocates is illegal right now. When you work with an Exploiter, one of you will always walk away wealthier, and it probably won't be you.

Lessons from the Super Rich

- It should come as no surprise that if the Super Rich didn't have very high barriers for keeping people away, a deluge of professionals would mob them. Moreover, in all likelihood, the great majority of these professionals would not be "elite." Actually, most of these professionals would likely be subpar or even out to take advantage of the very wealthy.
- These same types of ineffectual or wealth-destroying professionals are also likely to be soliciting you for business. In many ways it's easier for them to target individuals and families that are not Super Rich. It's therefore useful to be keenly aware of the different types of professionals, including the type you want to work with—the elite. Those to avoid are Pretenders, Predators and Exploiters.
- Pretenders mean well but often are not up to the job. Predators are criminals out to profit at your expense. Exploiters are in some ways more insidious than Predators; they're certainly in it for themselves, but unlike Predators, they don't propose anything illegal.

ELITE WEALTH PLANNING

The preferred professional of the Super Rich

The Super Rich work hard to engage professionals who are extremely competent and committed to their well-being. When it comes to intent and expertise among elite wealth planners and other high-end service providers, there are four types of professionals, as **Exhibit 8.1** shows.

Exhibit 8.1
Types of Professionals

		Expertise Level	
		Low	High
Intended to Benefit	You	Pretender	Elite wealth planner
	Themselves	Predator	Predator Exploiter

Elite wealth planners are experts who are recognized by their peers, other professionals and their clients as leading authorities. They are very talented and highly adept. They are sincerely motivated to deliver the best solutions available to help you enhance and protect your hard-earned wealth, and to improve your life and the lives of your loved ones. Elite wealth planners understand your world and are 100 percent focused on helping you achieve your agenda. They are very much in the minority.

In **Chapter 2: The Elements of Elite Wealth Planning**, we differentiated elite wealth planners from their less effective (although technically comparable) peers, wealth planners. For our discussion here, we're going to disregard wealth planners and compare elite wealth planners with the other types of professionals you might come in contact with.

Pretenders may want to do a very good job for their clients, but they lack the knowledge and capabilities to do so. They're often not able to provide the best legal strategies or financial products that will enable their clients

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to better achieve their financial and lifestyle goals. Pretenders' technical expertise is limited, often resulting in substandard or inaccurate recommendations. Pretenders do not know what they do not know. Regrettably, the vast majority of professionals are Pretenders.

Predators are criminals who are intent on separating you from your wealth. They're the con artists and hustlers resolved to steal your money though cunning, guile and duplicity. Predators work outside the law and seek to manipulate the successful and wealthy through scheming and deception, capitalizing on the greed, naiveté or goodwill of their intended victims.

Predators may or may not be technically sophisticated. However, they're superbly capable of building rapport and trust. Their ability to succeed is very much a function of people believing in them even though they shouldn't.

Exploiters are often quite technically adept when it comes to wealth planning, but they regularly push the envelope, thereby creating a solid possibility of severely negative results for you. (Not them—you!) They are usually very knowledgeable and skilled, unlike Predators. They do not deliver legal strategies or financial products that are presently illegal. However, they're not looking out for your best interests.

Exploiters focus on promoting wealth planning solutions that can prove to be inappropriate or are structured in ways that may produce very bad outcomes down the line. They don't care about the problems these solutions might end up causing you, which separates them from an elite wealth planner implementing a more aggressive tax strategy, for instance. The elite wealth planner is very concerned about your welfare and the possible implications of the strategy and makes absolutely sure you

and your other trusted advisors are completely aware of all the possible consequences.

Why do Exploiters take this tack? The wealth planning solutions they deliver are big paydays for them. Like Predators, Exploiters are in it for themselves. Again, this doesn't mean that some of their wealth planning solutions won't work as advertised; often they will. It's just that their solutions are usually aggressive and, unless you're clear about the possible adverse outcomes and find the risks worth the potential returns, you're being taken advantage of.

All things considered, you want to work with an elite wealth planner. You want to work with consummate professionals who are recognized experts and sincerely committed to delivering the optimal legal or financial solutions that best meet your needs, wants and preferences.

Pretenders fail you because of their technical limitations and their inability to put together an effective team of specialists. But they typically have good intentions and are not looking to take advantage of you. In contrast, Predators and Exploiters plainly intend to manipulate you. Because of this, they can easily disintegrate a family's wealth. Let's take a closer look at Predators and Exploiters.

Predators

Predation comes in a number of forms. The Ponzi scheme is one of the simplest, most pervasive and best-known types of financial fraud. It is named after Charles Ponzi, who ran such a scheme in 1920.

In a Ponzi scheme, the Predator promises investors a very attractive return on their low-risk investment. In reality, there are no investments.

The investors are paid from their own assets or from the funds provided by future investors. Often when a Ponzi scheme is running well, investors will leave their funds in, expecting them to compound, and will solicit new investors for the scheme. There's a litany of well-known Ponzi scheme Predators, exemplified by:

- Lou Pearlman, the famous band manager with successes such as the Backstreet Boys, O-Town and Take 5. While he was guiding these entertainers, he was running a Ponzi scheme that made about $300 million disappear. He promoted investments in Trans Continental Airlines Services and Trans Continental Airlines. The catch is that neither firm existed except on paper. When the fraud fell apart, Pearlman vanished. After a global manhunt, he was caught and sentenced to 25 years in prison, where he died in August 2016.

- R. Allen Stanford, who, through his Stanford Financial Group, sold high-yielding certificates of deposit to more than 20,000 investors throughout the world. Stanford claimed the certificates of deposit were as safe as, or safer than, U.S. government-backed investments. He is currently serving a 110-year prison sentence for running a $7 billion Ponzi scheme.

- Bernie Madoff, who operated the largest Ponzi scheme in history. It was also one of the longest-running schemes, dating back to the early 1980s. The amount of money missing from the accounts of his clients (including the fabricated gains) was nearly $65 billion, with actual losses estimated at $18 billion. He is now serving a 150-year prison sentence.

But not every Predator-perpetrated fraud is a Ponzi scheme. Numerous duplicitous investments exist that are intended to separate victims from

their wealth and provide the Predator time to disappear, such as:

- The real estate development deal guaranteed by the U.S. government to pay five times the investment when it's finished. The problem: There's no actual real estate development.

- The investment in a portfolio of coins kept in a highly reputable Swiss bank vault. When the coins are sold at auction in five years, the investors profit. Of course, there is no portfolio—just paperwork saying there is, along with lots of pictures of expensive coins.

When it comes to wealth planning, Predators fleece their victims in all sorts of ways:

- Providing deep-discounted life insurance from a renowned, Triple A-rated offshore insurance company. The logic goes that because the company is offshore in a tax haven, the cost of the life insurance is considerably lower than that of a U.S. policy. Additionally, because participants pay for the entire policy at once, it's possible to drive the price down even further. The catch: There isn't any insurance company, and the Predator pockets the one-time price of the policy.

- Creating an intricate collection of offshore companies to eliminate income taxes. Once the offshore network of companies has been established, the highly successful business owner never even has to file personal tax returns. While there are legitimate ways for some firms to lower their taxes through jurisdictional tax arbitrage, the same isn't true when it comes to income taxes. The business owner unknowingly waits for the IRS to come knocking, as the one-time fee—in the hundreds of thousands of dollars—is pocketed by the Predator.

Without question, Predators can annihilate personal wealth. Some Predators work at the outer limits of human ingenuity, concocting brilliantly effective ways to motivate their victims to happily and eagerly surrender their wealth.

Exploiters

Like Predators, Exploiters are often ingenious, but they apply their brilliance somewhat differently. They do not promote any illicit legal strategy or financial product. Instead, they usually concentrate on delivering complex wealth planning solutions that are very powerful—unless, of course, they end up being determined to be illegal.

Exploiters aim to:

- Implement wealth planning solutions that are currently legal and likely very aggressive and can potentially create considerable benefits for their clients
- Be compensated extremely well for implementing these wealth planning solutions
- Arrange the situation to ensure that they avoid any blowback if the wealth planning solutions are called into question by the tax authorities (or fail to deliver in other ways)

What's so very interesting about Exploiters is their ability to manage the relationships and the situation so that if things go wrong, they escape any fallout. They recognize there are possibly adverse consequences from the legal strategies and financial products they provide, so they often take steps in advance to redirect blame away from themselves.

We had a very wealthy client who showed us a legal strategy that just didn't work out right for him. The strategy was indeed extremely clever and would likely work well for some wealthy families. The client didn't blame the wealth planner who put the strategy in place in any way. Instead, he blamed his investment advisors for not being smart enough to benefit from the multiple legal structures that were the basis of the strategy. He fired the investment advisor but continued working with the wealth planner for a few more years.

Exploiters do not advocate abusive tax shelters or even listed transactions, although some of their wealth planning solutions are likely to be second cousins to existing abusive tax shelters. Many wealth planning solutions advocated by Exploiters are multistep transactions where complexity is fomented and are in accord with a certain—not necessarily inaccurate—way of reading the regulations and laws.

Exploiters are also known to take an accepted legal strategy and push it close to the breaking point. We were once asked to provide a second opinion on a premium-financed life insurance case for an exceptionally affluent entrepreneur. (Premium-financed life insurance is a legitimate strategy in which you borrow money to pay life insurance premiums. The crux of the approach is often for the cash within the life insurance policy to grow tax-deferred, with the aim for this buildup to cover the cost of the loan and future premiums.)

Using premium financing to purchase life insurance makes sense in certain circumstances, and in others it does not. Aside from the question of appropriateness, the way the transaction is structured makes a tremendous difference as to the likelihood of its success.

In this case, the probability of being hit by dry lightning multiple times within an hour would have been higher than the probability that all the necessary factors would align for the projections provided by the Exploiter to work as intended. There was a very, very slim possibility—but still a possibility—that the purchase of the premium-financed life insurance policy would have operated as suggested. Again, it's not that premium-financed life insurance is inherently bad—it's just that in this situation, the strategy would very likely not deliver the results the client expected.

Exploiters are rarely easy to spot—in fact, quite the opposite. Most of the time they are very, very hard to identify. Remember, they're usually exceedingly bright and capable. Niccolò, discussed in the story in the beginning of the chapter, is a certified genius. Seeing the potential flaws in the wealth planning solutions he puts together is akin to complex code breaking.

Only by soliciting second opinions or conducting stress tests of your current wealth plans are you likely to ever uncover Exploiters. (See Chapter 10: Stress Testing and Second Opinions.)

Exploiters or Predators manipulating Pretenders and their wealthy clients

When Predators make Pretenders part of their campaign to fleece unwitting victims, or when Exploiters leverage the high-net-worth connections of Pretenders, they can prove to be extremely destructive to a family's wealth. Again, Exploiters are not delivering anything illegal, but their lack of integrity puts them side by side with Predators.

In the vernacular of confidence games, the Pretender in both these

scenarios is known as the "roper"—a person who brings victims and their money to the confidence game. Often the ropers are blissfully unaware that they are pawns of a Predator or an Exploiter.

Here, the ropers are usually Pretenders with a solid high-net-worth clientele. The Pretenders remain joyfully ignorant that they are part of a confidence game or are being manipulated, while their clients and friends are also being skillfully influenced. Moreover, when ropers bring in other ropers, it is possible to build a pyramid scheme based on a fraud or a legal strategy or financial product that is probably not going to deliver as promised.

Not surprisingly, the Pretender/roper is incapable of critically evaluating the legal services and financial products the Predator or Exploiter is masterfully hawking. In these circumstances, Pretenders are also victims who then ensnare people who rely on them—namely, you or other affluent individuals and families.

Conclusions

There are an awful lot of professionals who want to do business with you. The majority of them probably are unable to—or simply won't—help you effectively deal with your concerns or enhance and protect your wealth. To get optimal results, you need to work with a true expert who also focuses on the human element: an elite wealth planner.

We highly recommend that you avoid Pretenders, Predators and Exploiters like the plague. You therefore need to know how the Super Rich source their elite wealth planners so you can do the same—the topic of the next chapter.

CHAPTER 9

Sourcing Your Elite Wealth Planner

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Stories from the field

A very successful entrepreneur recognizes he needs to sell his company to outsiders. His children have no interest in the business. One is an honest-to-goodness rocket scientist. Another is happy staying at home with his family and doing a lot of charitable work. And the youngest is on track to become a clinical psychologist. The entrepreneur doesn't have any qualms or misgivings about the directions his children have taken. On the contrary, he's ecstatic that they're all doing things they love and are all very happy. He also knows that once he sells the company, all three children and his grandchildren will not have to worry about their finances.

The entrepreneur knows that to get the most out of the sale of his company, he'll need a tax professional to help him structure the transaction so that taxes are minimized after the sale. From other business owners

who've sold their companies, he knows the accountant and the lawyers he currently uses are not up to the job. He starts asking around. The referrals he receives from other business owners yield advisors who are no more sophisticated. However, his investment manager, who has a high-end business owner clientele, introduces him to an elite wealth planner. Working with the elite wealth planner, he succeeds in dramatically lowering both the taxes on the sale of the company and his estate taxes.

Another fast-track, driven entrepreneur is so involved in growing his company that his personal financial situation isn't being adequately attended to, and he knows it. The legal and accounting firms he is using for his company are not doing a good job for him personally. Moreover, from talking to other entrepreneurs, he is certain he is missing out on some ways to lower his tax bills and better protect himself in case of lawsuits.

This entrepreneur is a member of a sensational mastermind group filled with like-minded, driven business owners. In talking to the director of the mastermind group and some of the other participants, he identifies a few possible elite wealth planners and contacts them. He chooses one of them to work with.

Although these two entrepreneurs found their elite wealth planners using different approaches, they each did their homework. That is, they did some research on the planners' backgrounds, their practices and their standing in their professional communities. For example, the elite wealth planners each entrepreneur selected were well-known among their peers. They wrote and were quoted in articles explaining technical concepts and were demonstrably supportive of other professionals.

ELITE WEALTH PLANNING

Lessons from the Super Rich

- The two principal ways the Super Rich source elite wealth planners—and all the professionals they employ—are referrals from high-caliber professionals with whom they currently work and referrals from peers. Their predominant approach for sourcing elite wealth planners is to get referrals from other professionals. Most of the time, these other professionals identify latent needs among their wealthy clients, approach their clients about these matters and, when appropriate, introduce an elite wealth planner.
- A strong contributing factor in sourcing and selecting an elite wealth planner is prominence in the private wealth industry. A sizable percentage of elite wealth planners are recognized authorities. They willingly share their insights, processes and methodologies, including cutting-edge legal strategies and financial products. Their aim is to make everyone, from clients to other professionals and even competitors, more successful.
- In choosing elite wealth planners, the Super Rich have four essential criteria: integrity, a sense of purpose and deep concern for clients, operational transparency and extensive technical expertise. Keep in mind that the difference between an elite wealth planner and a technically adept wealth planner is that the former focuses intensely on the human element.

FOR COMPLIANCE REVIEW ONLY

Getting referrals for an elite wealth planner

Having been burned a few times, a Super Rich family creates a family office to act as the gatekeeper (among other roles) between it and all the professionals it needs to work with. We are asked to consult on the setup, structure and operations of the family office. Whenever we're approached, we ask how the family found us. The answer is almost always a referral from a professional with whom they're currently working.

The research is very clear on this matter. The Super Rich consistently find high-caliber professionals such as elite wealth planners in these ways, in order of preference:

- Referrals from professionals with whom they are currently working or whom they have recently employed
- Referrals from peers, who are often part of a group of which they're also members
- Contacting a professional because of his or her industry reputation

There are other ways Super Rich families connect with high-caliber professionals, but those ways are more the exception than the rule. The three ways listed here dominate how the exceptionally affluent find elite wealth planners, and they can work for you as well.

Referrals from other professionals

High-end professionals know other types of high-end professionals. Over time, their paths cross from working with the same rich and Super Rich clients and attending the same industry events and other conferences. A renowned money manager, for instance, is going to have a good grasp

on the competency and approach of a wealth planner. If they're working for the same very wealthy client, the experience often will give the money manager a good feel for the knowledge and skills, as well as the personality, of the wealth planner.

This is one reason that the Super Rich often source their elite wealth planners by soliciting referrals from the professionals they are currently engaging. This is also a very astute risk-reduction approach. The professional making the referral of a wealth planner is often on the hook for the referral. If the wealth planner referred is not "elite," then the judgment of the money manager can be questioned—with possible adverse consequences for his or her relationship with the client.

Much of the time, leading professionals will take the initiative and refer an elite wealth planner without being asked by the client. Being very capable themselves, these professionals are going to identify the latent needs of their rich and Super Rich clients. They then broach the matter with their clients. If a client is interested in addressing the latent needs, the professional introduces an elite wealth planner. Again, the professional making a referral to an elite wealth planner minimizes the risk for the client.

In this first scenario, rich and Super Rich clients need to raise their hands and say, "I want … " Because the wealthy rarely have a comprehensive understanding of all that's possible through elite wealth planning, this happens relatively infrequently. The more common scenario is for other professionals to see wealth planning opportunities potentially available to their rich and Super Rich clients, talk about these opportunities and, if they find interest, refer an elite wealth planner. We, for example, get almost all of our new rich and Super Rich clients through this scenario.

Referrals from peers

For a variety of reasons, from not wanting to share preferred professionals to not wanting to assume the risks associated with making a poor referral, the Super Rich tend not to make referrals. Still, the second-most-likely way to find an elite wealth planner is to be introduced to one by a business associate or other trusted peer. Furthermore, based on research with driven entrepreneurs, the likelihood of getting peer referrals goes up pretty much exponentially if you get to build relationships with them at highly specialized and restricted conclaves.

An example of such an assembly is the Family Office Association. While sponsored by financial and legal firms, the organization is brilliantly designed for the family offices of the Super Rich. Furthermore, the Family Office Association produces a number of symposiums where select family office members meet to share ideas and tackle issues and problems that are common to many of them.

With the goals of learning and networking, a growing number of the Super Rich are attending somewhat exclusive national and international events. Examples of these events include:

- World Economic Forum conferences
- The Milken Institute Global Conference
- Bilderberg meetings

It's at these gatherings that the Super Rich connect with their peers and build meaningful relationships. Based on those relationships, over time, they're usually willing to share the best professionals they have found, including elite wealth planners.

Increasingly, the rich and Super Rich are attending other types of assemblies. Specifically, they're joining exceptional mastermind groups for educational and resource reasons. As members of top-of-the-line mastermind groups, they're connecting with very successful individuals who are willing to share information about the professionals they employ.

While you might have a very hard time getting into a Bilderberg meeting or a Family Office Association event, there are many exceptional mastermind groups you might want to consider, such as these:

- Abundance 360
- Strategic Coach
- Genius Network
- Warroom
- GoBundance
- 7 Figure Mastermind
- CEO Warrior
- Archangel Masters
- MindSHARE
- Sales, Authenticity & Success Mastermind
- Pinnacle Global Network
- High Performance Mastermind
- Inner Circle
- Platinum Mastermind
- Maverick 1000
- Mastermind Talks

It's essential for the great majority of the Super Rich to develop rapport and trust with a peer before they will make referrals. The same generally holds true for those who are not as wealthy. By being part of exceptional mastermind groups, for example, the members build rapport that translates into trust, making them supportive of each other and readily willing to share, as well as refer, the outstanding professionals they're using.

Prominence in the wealth planning industry

Some professionals, including elite wealth planners, are well-known—for all the right reasons—among their peers and other professionals who are also working with the Super Rich. They have a powerful and influential professional brand that draws the rich, the Super Rich and other leading authorities to them.

Their extreme competence and exceptional technical expertise, coupled with their intense attention to the human element and their willingness to share their insights, technical know-how and processes with others—even competitors—create their sensational professional brand. When it comes to sharing, elite wealth planners are usually willing and even excited about the prospect of doing so. For them, as we'll discuss below, elite wealth planning is something of a calling, so whatever they can do to help clients and other professionals achieve their dreams is a positive.

We want to underline that elite wealth planners are usually well-known exclusively in the wealth planning and related industries, such as private banking, high-end concierge services and investment management, and within certain high-net-worth communities. "Everyone" doesn't know who they are. There are no Paul McCartneys or Madonnas of wealth planning.

For elite wealth planners, the intent of sharing is to improve everyone's situation. Still, their stature sometimes results in new business opportunities. When the wealthy become aware of elite wealth planners because of their reputation and standing, the wealthy sometimes reach

out to them directly. This is called "business coming in over the transom," and while it's not very common, it does happen now and again.

Four core criteria for selecting your elite wealth planner

It's often very difficult for individuals to evaluate the professional competencies of legal or financial authorities, because usually those capabilities can be judged only by peers and fellow experts. That said, there are four core criteria you should carefully consider when selecting an elite wealth planner. We discuss them here in order of importance.

Criterion #1: Proven integrity

Integrity is at the very top of the list. To protect or enhance your personal wealth, your elite wealth planner must be scrupulously honest. By being meticulously attentive to choosing a professional of the highest integrity, you avoid the problems and wealth destruction of Predators and Exploiters.

For the Super Rich (and most everyone else), the very nature of enhancing or preserving wealth results in becoming a target for a plethora of morally bankrupt professionals. You must, therefore, take considerable care when evaluating the wealth planners you engage. The following two questions can prove instrumental in helping you evaluate the integrity of any financial or legal professional.

- **Question #1: "Under what conditions would you fire a client?"** When wealthy individuals insist on taking actions that are beyond the limits, elite wealth planners will fire them.

  Possible follow-up questions include:

- "Have you ever fired a client?"
- "Can you give me an example of a situation where you fired a client?"
- "How did you handle it?"

- **Question #2: "What will you *not* do?"** The objective of this question is for you to determine where the wealth planner sets his or her limits.

  Possible follow-up questions include:

  - "Have you ever been asked to do something you considered inappropriate?"
  - "Can you give me an example of a situation where someone came to you with an inappropriate request?"
  - "How did you handle it?"

As noted with both these questions, it's very useful to have the wealth planner provide examples, as it's highly likely he or she has had the unfortunate experiences of having to fire a client and being approached with illegal or unethical requests. You want to get as good a feel as possible for the veracity and genuineness of the professionals you engage. This is why so many accomplished individuals turn to the professionals with whom they work, leveraging those good and trusting relationships to find another high-caliber expert—in this case, an elite wealth planner.

It's so very important that every legal strategy you use be a bright-line strategy—squarely within the law—and executed by a knowledgeable, talented and ethical wealth planner. Just bear in mind that as tax laws change, for example, the viability and even the legitimacy of various

strategies can change. This is why elite wealth planning needs to be highly adaptable. (See **Chapter 2: The Elements of Elite Wealth Planning.**)

Always remember: Tax evasion is the illegal nonpayment of taxes. In contrast, tax avoidance is the way to pay the legal minimum in taxes. The difference is often equal to the thickness of a prison wall.

Criterion #2: A sense of purpose and a deep concern for clients

Elite wealth planners generally are driven and see their ability to deliver their expertise to their clients almost as a calling. For example, they have an unrelenting dedication to achieving and maintaining the highest level of integrity and technical proficiency.

Elite wealth planners are truly committed to making the lives of their clients meaningfully better in accord with their wishes and requirements. Throughout this book, we've repeatedly underscored the importance of the human element. An intense and accurate focus on the human element differentiates an elite wealth planner from a highly technically proficient wealth planner.

Any professional or peer who refers you to a wealth planner should be able to vouch for the professional's sincerity and commitment. They'll probably be able to provide examples that highlight the elite wealth planner's client-first perspective. Moreover, as you start to work with your wealth planner, you'll likely be able to determine whether he or she is really focused on the human element—whether it's all about you.

Consider again the Virtuous Cycle. While attention to the human element pervades the cycle, there are three phases in the process where it stands out even more. From the very start, with profiling, your elite wealth planner will take the time and effort to really understand you—

your dreams and dreads. The Total Client Model is a tremendously potent methodology, enabling your elite wealth planner to gain a holistic understanding of your world.

Another phase where the human element is critical is *framing the recommendations*. You have to make the decisions about the legal strategies and financial products you will use. That means you must understand what they do and how they'll help you achieve your agenda, as well as otherwise impact your life and those you care about. Your elite wealth planner therefore must communicate with you in ways you understand.

This can include avoiding jargon and making sure all recommendations tie to the way you process information and to what's important to you. We don't believe you should ever seek to implement wealth planning solutions without knowing what they will accomplish and what restrictions, if any, they impose. It's essential that you make informed decisions.

The phase of ongoing monitoring and refining also ties strongly to the human element. Knowing how your profile is changing, and how best to communicate concepts and the like, is clearly all about you and your world.

If you don't understand what's going on—what your wealth plan is doing or will do—you might very well be working with the wrong wealth planner.

Criterion #3: Operational transparency

As we discussed in **Chapter 2: The Elements of Elite Wealth Planning**, transparency is a defining quality. While it's advisable to be discreet concerning the use of some legal strategies and financial products, this doesn't mean elite wealth planners are involved in some sort of

conspiracy—far from it. It's really just a matter of avoiding undue attention.

It's essential when selecting your elite wealth planner to ensure that he or she is completely open and forthright with you. You should always require operational transparency. This means being very clear about the compensation arrangements and the right to obtain second and third opinions—or whatever you want in order to verify the viability of the proposed solutions. For example, the following are usually glaring red flags:

- **Requesting that you sign a hold harmless agreement.** This would absolve the wealth planner of any liability you incur due to the legal strategy he or she executed on your behalf or to the financial product the wealth planner delivered. So if you're penalized for following the recommendations, the wealth planner who advocated and implemented the solution is legally off the hook for any problems that you incur because you followed his or her advice.

- **Requesting that you sign a nondisclosure agreement.** After signing such an agreement, you're unable to share the solution with other professionals. This makes it impossible for you to get outside confirmation of the legitimacy and efficacy of the legal strategy or financial product. Very often, this type of agreement makes it impossible to discover you're about to be cheated and simultaneously acts as a cunning way to push a questionable sale. It can easily eliminate your ability to stress test or get a second opinion—a big mistake.

There are no good reasons for you to have to sign either a hold harmless agreement or a nondisclosure agreement. If you do sign such agreements, you're likely putting yourself at a severe disadvantage. These agreements protect the Exploiters and Predators and may very well place you at serious risk.

Another aspect of operational transparency is fee clarity. More specifically, how does your elite wealth planner get paid? There are only a few possibilities, and you need to be aware and comfortable with them. They include:

- Hourly, retainer or project fees
- Fees based on assets, net worth or a portion thereof
- Contingent fees
- Statutory as well as negotiable commissions on financial products
- Some combination of the above

There is no "best" compensation arrangement. Some arrangements are a function of the type of work being done, while others are based on the client's comfort level. It's very important to be cognizant of the compensation arrangements, to understand the logic of these arrangements and to be very comfortable with them.

Being aware of how you and your elite wealth planner are going to work together with your other advisors is often a necessary component of a meaningful relationship. Some other issues to consider:

- Who is your primary or lead professional, and why?
- How will information be shared among your various professionals, and how will this process be monitored and controlled?

- What are the preferred approaches to addressing technical disagreements, discrepancies and intellectual differences?
- When your other advisors require education with respect to sophisticated wealth planning (as is often the case), how does this impact overall costs?

Clearly, understanding before you commit to an engagement how your elite wealth planner will work with you and your current team of professionals will likely make the relationship that much more productive.

Criterion #4: Extensive technical expertise

Everyone wants to work with a top-notch professional. Discounting the fact that there are a slew of financial and legal Predators and Exploiters looking to economically ravage or, at the very least, benefit from the rich and Super Rich, another problem is finding a truly talented, knowledgeable and experienced wealth planner.

Although a professional might claim to have expertise, this might not be the case. You need to consider numerous factors to effectively evaluate the technical competence of a wealth planner, including these:

- Educational background
- Professional experience
- Professional licenses and designations
- Association with industry organizations
- Publications and speaking engagements

- Writings and being quoted in respected publications
- Recognition from peers in the financial and legal communities

One of the most effective ways to evaluate a wealth planner is to determine the extent to which he or she is a recognized expert in the wealth planning industry. It's a very good sign when other professionals, including competitors, consider the wealth planner you're engaging a top-notch expert. By choosing a wealth planner who is well-known in a particular circle of informed professionals, you dramatically increase the likelihood you'll be working with an elite wealth planner.

Knowing that your wealth planner is technically competent is critical. It might also be useful to know that the specialists on whom he or she relies are also exceptional.

As we noted in **Chapter 3: The Virtuous Cycle**, there are no wealth planning polymaths. While some situations will not call for expertise beyond what your elite wealth planner is able to provide, there are times when highly specialized expertise is required.

At these times, you will likely need a team of specialists to help develop and implement solutions. It's generally useful for you to be aware of the network of specialists available to your elite wealth planner. These are some of the questions you should consider:

- Who are the specialists?
- Why did your elite wealth planner choose them?
- What are their areas of expertise?

- What are their credentials and backgrounds?
- How does everyone work together?
- How is everyone compensated?

By having even a rudimentary understanding of the depth and breadth of your elite wealth planner's network of specialists, you'll be able to gauge his or her capabilities.

Conclusions

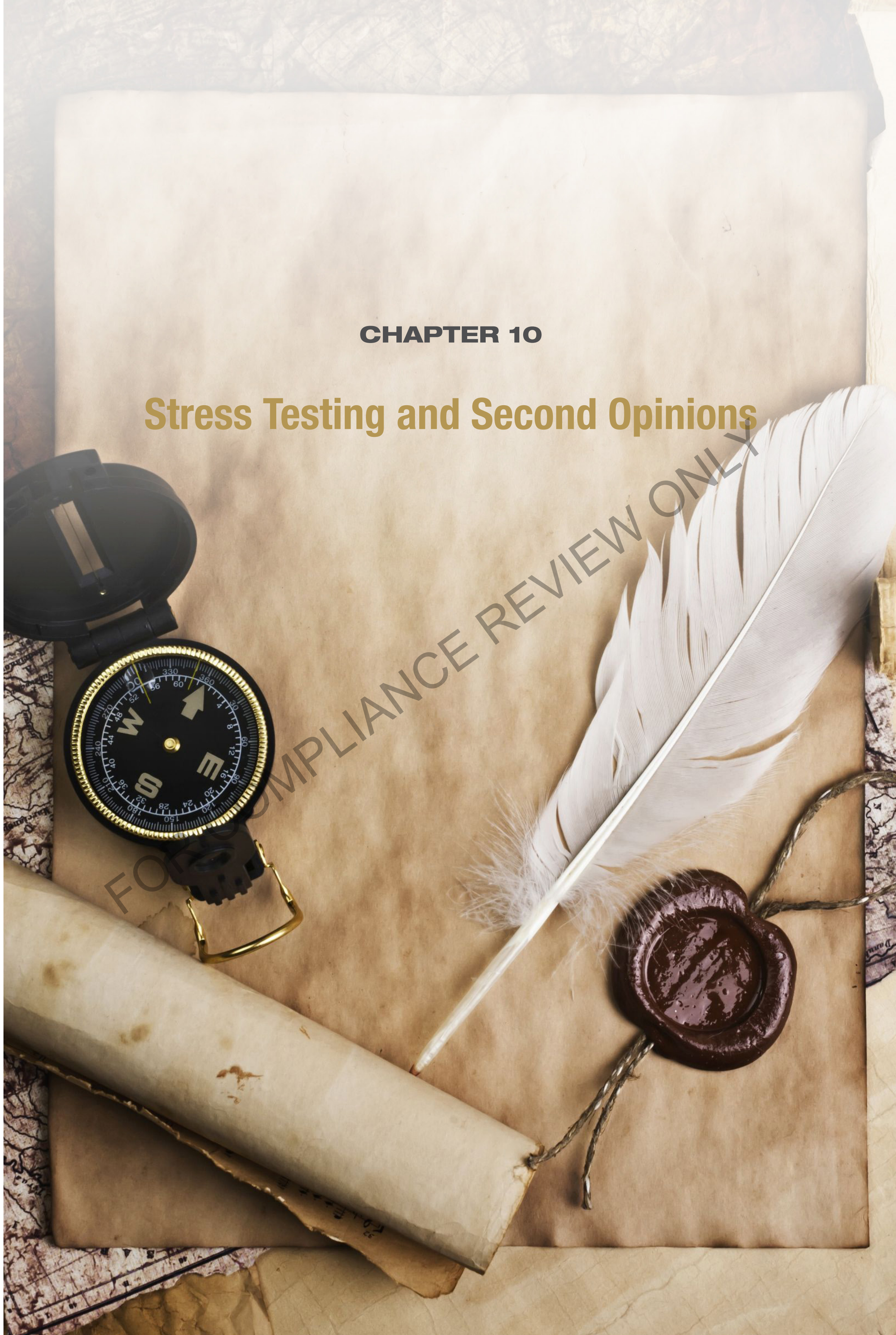
If you want the myriad benefits of elite wealth planning, you have to find and work with an elite wealth planner. While there are many technically proficient wealth planners, there are far, far fewer elite wealth planners. The Super Rich principally rely on referrals to source not only elite wealth planners but also all sorts of high-end professionals. They also strongly gravitate to experts with solid professional brands in the private wealth industry. You can readily do the very same.

As part of the selection process, the Super Rich use four criteria. Once again, you can easily use the same criteria, and we recommend that you do so. By adroitly following the path of the Super Rich, you can also potentially benefit extensively from elite wealth planning.

Elite wealth planning can be very esoteric. And even when it's not, it's not something most people are familiar with and can always judge capably. Thus, the Super Rich make extensive use of stress testing and second opinions, the topic of the next chapter.

CHAPTER 10

Stress Testing and Second Opinions



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A story from the field

A Super Rich individual once asked us to examine his wealth plan. He was actually quite proud of how ingenious it was and how well it worked. The complication was that some of his business dealings were being scrutinized, and he wanted to make absolutely sure his wealth planning would not cause him any problems. His wealth plan had done a number of things:

- *He transferred a number of his businesses to a trust, for which he received units of beneficial interest. The business trust made payments to him, thereby avoiding paying any taxes. The business trust also would not have to pay future estate taxes.*

- *In another jurisdiction, he sold appreciated property to another trust in exchange for an annuity that, in turn, sold the assets and reinvested*

the money. He claimed recognition of the built-in gain over his life, and the trust was not included in the estate.

- *He transferred his family home to yet another trust and received units that were claimed to be part of a taxable exchange, resulting in a stepped-up basis for the property. The trust was thus in the rental business and claimed to rent the residence back to him. He didn't pay rent, because he was the caretaker of the property.*

- *He created a hierarchy of trusts owning other trusts. One trust on top, in effect, held the trust units of a total of 41 trusts, and this trust distributed the income from those trusts.*

Very quickly, it became clear that what he and his advisors had done was create a number of trusts—some dubious in nature—that held selected assets and income streams. A criminal mistake was the vertical *layering of trusts, which caused fraudulent expenses to be charged to subsequent trusts, resulting in a decrease in taxable income. Simultaneously, the approach resulted in the illusion of separation of control to protect the assets in the trusts.*

Creating abusive trusts and layering them the way he did can be accomplished in a wide variety of ways, with almost all of them clearly being used for illegal purposes. It's analogous to Russian dolls, where one doll is hidden within a similar doll. Unless all the dolls are opened, you cannot find the only one that isn't hollow.

In this case, the Super Rich individual claimed he thought he was just being smart about wealth planning. What he was doing is illegal, and even if he didn't know that, the advisors who guided him and did the work most assuredly did know. In any event, he's on the hook for this planning. Because of the stress testing, he's redoing all his wealth planning.

Lessons from the Super Rich

- In the world of the Super Rich, trust is hard-won and easily lost. Even when it's achieved, there's always the possibility and fear of being manipulated and ripped off.
- Diligence in the form of stress testing and second (or third or fourth) opinions can greatly reduce the potential for abuse. These are very effectual ways the Super Rich help ensure that the wealth planning they are considering or have implemented is not only outstanding, but also right for them.
- Stress testing and availing yourself of a second opinion are two of the best ways to work with your elite wealth planner or any high-end professional. With so very much so often on the line, these approaches can be extremely useful in flushing out Pretenders, Predators and Exploiters.
- Having your wealth plan stress tested or soliciting a second opinion before you implement a legal strategy or obtain a financial product is a course of action that might serve you quite well. These approaches have been empirically validated to help keep everyone honest and enable the Super Rich to attain the desired results from their wealth planning.

When you're not 100 percent sure

To avoid a potentially economically destructive situation when you are uncertain about your current wealth planning, it's usually wise to initiate a stress test or to get a second opinion. This way you can help ensure that you're indeed getting or employing the best solutions for your unique circumstances.

First, our definition:

Stress testing and second opinions challenge the wealth planning you have implemented or are considering implementing, to assess the likelihood of its efficacy in different scenarios and at delivering the results you expect.

The difference between stress testing and second opinions is simple: Stress testing takes place *after* you have already taken action on your wealth plan, while second opinions take place *before* you have taken action on your wealth plan. For our purposes, however, they're equivalent.

Stress testing and second opinions can evaluate complete wealth plans or only segments of a wealth plan, such as particular legal strategies or specific financial products.

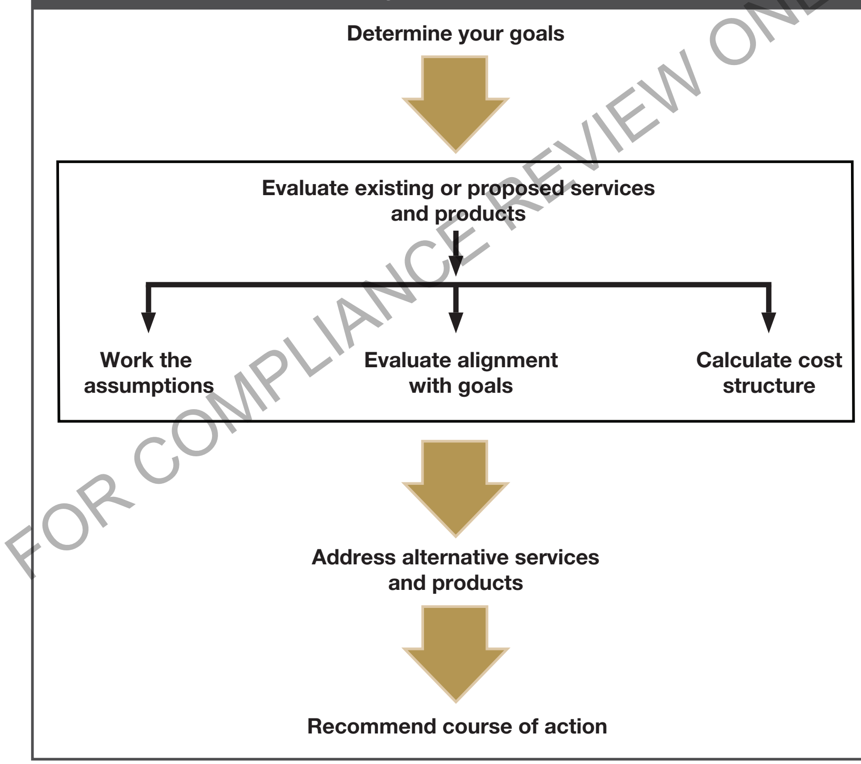
Stress testing and soliciting second opinions are very common among the Super Rich. These approaches enable them to make smart decisions, to verify that they will likely get what they want and to confirm they are dealing with elite wealth planners. Both are great ways for you, too, to find what are usually big problems—or possibly huge mistakes—and make changes so that you get the results you want.

ELITE WEALTH PLANNING

The stress testing or second-opinion process

There's a decidedly systematic way to go about stress testing and getting a second opinion, as **Exhibit 10.1** illustrates. There are variations on the fundamental process, with some elite wealth planners incorporating complex algorithms and structured analytic techniques into their methodology.

Exhibit 10.1
The Stress Testing or Second-Opinion Process



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Profiling

The basic process starts with profiling. What are your specific goals and objectives? What are you seeking to attain? What problems are you looking to solve? What opportunities are you seeking to benefit from? The answers to these questions should be the driving force behind the financial and legal solutions you employ. The Total Client Model is very useful, if not essential, at this time (see Chapter 3: The Virtuous Cycle).

Solution evaluation

Once your goals, objectives, concerns and limitations are clearly understood, the legal strategies or financial products you are using or considering can be evaluated. There are numerous ways to dissect and critically assess the solutions. Fundamental components of this endeavor include:

- **Working the assumptions.** Underlying all legal strategies and financial products are a plethora of assumptions. In stress testing or when getting a second opinion, these assumptions are systematically modified to determine how the solutions will work when the "What ifs?" of the scenario change. It's not uncommon for professionals seeking to sell their services and products to use somewhat optimistic assumptions.

- **Evaluating alignment with goals and objectives.** It's essential to ensure that the legal strategies and financial products will accomplish your goals and objectives. The solution might prove to work extremely well, but it might not achieve the desired results.

- **Calculating the cost structure.** The intent is to have the best and most cost-effective solutions possible. When calculating cost structures, all the expenses, including long-term costs, should be specified and transparent.

ELITE WEALTH PLANNING

Analytic comparisons

Based on the evaluation of the existing or proposed legal strategies and financial products, alternative solutions might be considered. It can be very useful to conduct analytic side-by-side comparisons between the solutions that you are currently using or that are being proposed and the alternatives, by asking these questions:

- How do the assumptions compare?

- How do the alternatives rate when it comes to achieving your goals and objectives?

- Which solutions are more cost-effective?

Recommendations

At the conclusion of stress testing or obtaining a second opinion, the Super Rich clients are provided with recommendations. As Exhibit 10.2 shows, there are five basic courses of action.

Exhibit 10.2
Courses of Action

Course of Action	Critical Factors
Stay the course.	The solutions are appropriate.
Choose different solutions.	The system has failed.
Choose a different professional.	The solutions are appropriate, but the professionals involved are not truly capable and/or are cost-inefficient.
Modify the approach with the original professional.	A little tweaking is required.
Continue stress testing or get another opinion.	A different professional should conduct the stress test or provide a third opinion.

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If the stress testing or second opinion finds that the solutions being used or proposed are on target and of high quality, we advocate staying the course. In our extensive experience with stress testing and providing second opinions for the Super Rich, this is the most prevalent outcome.

If the stress testing or second opinion finds what is generally called a "system failure," then the recommendation is to quickly take a different course of action. The legal strategies or financial products being used or suggested are not going to achieve your desired results. They might even blow up, costing you a lot in money and distress. The story at the beginning of this chapter is one of system failure.

When the solutions are appropriate but the professionals currently implementing or overseeing them are really not up to the task or are charging egregious fees, it will usually make sense to switch to providers who are more capable and/or cost-effective. Sometimes stress testing or the second opinion reveals a few places where slight modifications can make the solutions more effective. In these situations, there's usually little need to change professionals, as you only need to make some minor adjustments.

There are occasions when the professional chosen to conduct a stress test or provide a second opinion simply trips and falls. This often comes out clearly in the process or is evident from the professional's approach to stress testing and second opinions. The only viable course of action in this event is to obtain a third opinion, selecting a different professional to redo the stress test.

In sum, the majority of stress tests and second opinions are done because the Super Rich conclude something is not going right or simply doesn't feel right. Also, many of the rich and Super Rich are doing stress testing

and asking for second opinions as a way to help ensure everything is going as it should or will produce the results they want. It's just a way of being totally sure your wealth plans will deliver the way you expect them to.

Without question, stress testing and second opinions can be extremely valuable for you, just as they are for the Super Rich, because they're very effective in helping avoid a proliferation of Pretenders, Predators and Exploiters.

Conclusions

From being aware of the professionals you want to avoid (Pretenders, Predators and Exploiters) to knowing how to source elite wealth planners (via referrals from other professionals and peers) to knowing how to select them (including by choosing industry-prominent professionals), you can end up working with an elite wealth planner. To be blunt: If you want to benefit from elite wealth planning, you need to find yourself an elite wealth planner. But that's not enough.

We strongly recommend that when you're not 100 percent comfortable with a recommendation or something in your existing wealth plan, you get a second opinion or have your wealth plan stress tested. This will either confirm that you're on target or identify corrections that will put you on target. It's a common practice among the Super Rich and available to most everyone.

We turn last to the five most important lessons from the Super Rich. These are the concepts that can, above all others, help you take advantage of what the Super Rich have to offer.

CONCLUSION

THE FIVE MOST IMPORTANT LESSONS FROM THE SUPER RICH

Whether we're talking about tax mitigation, protecting your wealth from unfounded lawsuits, the smartest way to transfer the family business to your heirs or tax-effective ways to support the charitable causes you care about, elite wealth planning is very often the answer.

Here we summarize the five most important lessons we believe you need to know to get the maximum benefit from elite wealth planning. Keep in mind that these lessons are interrelated and, in ways, carry similar messages.

Lesson #1: Learn best practices from the Super Rich

First of all, pay attention to the lessons from the Super Rich. Generally speaking, they came to their conclusions because those answers produce powerful results. Following in the path of the Super Rich is typically an effective way to avoid costly and painful errors, as well as to help ensure you get the results you want.

To uncover actionable insights from the Super Rich, we rely on ethnographic research (see Appendix: Researching the Super Rich and Their Advisors). Here's an example: Over dinner and drinks at one of the finest New York City restaurants, a Super Rich individual opened up and shared many of the financial events in his life. Very pronounced were all the mistakes he made along the way to building his business empire and his large personal fortune. A few months later, tucked away in a corner of a 44,000-square-foot summerhouse while being served lunch prepared by a three-star Michelin chef, another billionaire shared his stories about creating his companies and all the errors he made along the way. Based on extensive in-depth interviews with the Super Rich, we've systematically identified patterns of thinking and behavior that result in achieving their goals. These are best practices.

ELITE WEALTH PLANNING

The great majority of the research done concerning the wealthy and the professionals they employ is benchmarking. This is where different segments of a cohort are compared based on their behavior. For example, more and more surveys of the wealthy are identifying that the affluent are interested in socially responsible and impact investing. This observation is a benchmark. The same research rarely identifies whether this is a good or bad course of action to take. Other factors, such as bettering the planet, can be part of the decision-making calculus, but the research with the wealthy does not show per se that impact investing is resulting in a better world or that it's producing superior returns.

Simply put, benchmarking is all about specifying what a cohort, such as the wealthy, is doing and not doing or, more precisely, to what degree and possibly why people in the cohort are taking the actions they are taking. The conclusions from the research are not verifiable best practices.

In contrast to benchmarking, best practices are ways of thinking and approaching situations, including strategic and tactical activities, that produce superior results. From the perspective of empirical and ethnological research, best practices determine the independent variables and how to manipulate them, so that the outcomes—the dependent variables—are ones that are greatly desired. The bottom line is that best practices form causal relationships that can be strongly influenced.

The ways the Super Rich source and work with elite wealth planners are best practices. We understand how they get enormous value from their relationships with elite wealth planners. It's not only because many of the Super Rich hire elite wealth planners, but also because of how they structure and manage those relationships to achieve their agendas.

Lesson #2: Work with top-of-the-line experts

Being methodical and thoughtful can help you find the top-of-the-line experts that can deliver the greatest value. Concentrate your search on elite wealth planners and other experts who are prominent in their fields. Very importantly, talk to other professionals you trust. You can also solicit recommendations from your professional peers. These actions can dramatically increase the probability of working with an extremely talented, sincere and trustworthy professional.

Everyone wants to work with top-of-the-line experts. No one has ever said to us, "I want someone who's somewhat inferior." However, as we saw in **Chapter 8: The Experts the Wealthy Want**, many professionals who want to do business with you may very well be the professionals you want to avoid. Pretenders are well-meaning but behind the curve. Exploiters are capable but willing to push the envelope hard so long as it isn't illegal (whether it's ethical is another matter) and maximizes their revenues. And Predators are just criminals, with you as their mark.

By and large, the Super Rich rely on a number of factors in sourcing elite wealth planners. Moreover, these are the same factors they tend to use in sourcing almost all the high-end professionals they engage. They regularly turn to professionals who are recognized by other professionals and other wealthy and successful individuals as experts.

These prominent authorities are not famous just because they say they are. They're renowned among their select wealthy cohorts and other high-quality professionals because they share meaningful insights, methodologies and potent solutions with others—even their competitors. For these elite professionals—including elite wealth planners—it's all about raising the bar for everyone.

Sometimes the Super Rich reach out to very prominent professionals. Because of their stature, the rich and Super Rich will occasionally contact them in search of particular answers.

For referrals to other professionals, the Super Rich regularly turn to high-caliber professionals with whom they are currently working or have worked in the past. This is the most common way the Super Rich find elite wealth planners. As we noted, it's also the way we meet the great majority of the Super Rich families that become our clients.

A smaller percentage of the Super Rich rely on the views and perspectives of their peers in finding and selecting an elite wealth planner. The peers they turn to are ones they judge to be wise and experienced and with whom they've built rapport over time. Increasingly, the rich and Super Rich are developing these relationships in select conclaves, as exemplified by the Family Office Association and exceptional mastermind groups.

Lesson #3: Make sure your experts are focused on the human element

For the Super Rich, attentiveness to the human element is essential. With all the legal strategies and financial products being commoditized, focusing on the human element is what truly produces optimal results. Therefore, you need to find and work with outstanding professionals—like elite wealth planners—who are intensely focused on you and your world. They should be intensely focused on helping you alleviate specific concerns and achieve some of your dreams.

An amazing elite wealth planner who has worked for the Super Rich for more than 40 years shared his "secret process" for incredible success:

1. Ask clients what they want to accomplish.
2. Learn about them as individuals, as members of a family, as entrepreneurs—as everything they are.
3. Build bridges by sharing and becoming increasingly attuned to their worlds and how they think.
4. Learn what really matters to them deep down—and what concerns wake them up at night.
5. Ask them again what they want to accomplish.
6. Do what's in your power to help them achieve what they want to accomplish.

As you have no doubt noticed, this elite wealth planner's success is due to the human element. It is not until the last step in his secret process that his technical expertise kicks in. It's somewhat disconcerting to many wealth planners that the core of elite wealth planning is *not* technical brilliance. It's not planning; it's understanding. For, as we have repeatedly emphasized, all the legal strategies and financial products are being commoditized—even the arcane ones. Only by truly understanding their clients will elite wealth planners be in a position to produce truly outstanding results.

To be blunt, most wealth planners are wrapped up in tools and techniques. It's usual for some wealth planners to talk to each other ad nauseum about all the various sophisticated legal strategies and financial products they could use if—and here's the really big if—they had a very wealthy client. So many wealth planners concentrate on being technically up-to-

date and proficient. This is a good thing, but although it's necessary, it's woefully insufficient.

Often when we're called in to do stress testing—when these clients have gotten too aggressive or taken action that is criminal (even though they didn't know it)—we find that they were enraptured by some of the technical wizardry (think Exploiter) or *supposed* technical wizardry (think Predator) of the solution. While elite wealth planners are indeed able to deliver state-of-the-art legal strategies and financial products as well as creatively mix and match them, the human element is what matters most. And many times, simple, often-used solutions work best.

Remember: The main difference between elite wealth planners and wealth planners is an emphasis (or lack of emphasis) on the human element.

Lesson #4: Make sure you understand what you're agreeing to

You, just like most of the Super Rich, need to make sure you have a very good grasp of what you agree to when it comes to your wealth plan. We're not talking about being cognizant of its technical aspects. Rather, it's about understanding the benefits, limitations, and implications of the legal strategies and financial products you are using or going to be using.

There's a set of very complicated legal strategies through which non-U.S. citizens with enormous wealth and numerous corporate entities can significantly lower their taxable income and ensure that almost no one, save a government (which would have to nationalize the companies), can take away their wealth. There are different levels of this approach, and all of them are 100 percent legal. One of the complications from the perspective of any billionaire implementing this composite set of legal strategies is that he or she would lose some control over a small number of the companies.

Along the same lines, when people use irrevocable trusts, it means they cannot completely change their minds. For instance, when a person sets up a charitable trust, there are tax benefits. But he or she cannot, some years later, decide to just cancel the trust and take back the money.

Situations like these are not inherently problematic. In implementing these approaches, the wealthy individual should be fully aware of the consequences, such as losing some control over a few companies or accepting the permanence of the charitable trust. The real problem, according to both the research and our experience, is that a solid percentage of wealthy individuals do not have a really good idea of what they're agreeing to.

This brings us back to the *framing the recommendations* phase of the Virtuous Cycle. It's the responsibility of your elite wealth planner, or any professional you retain, to make sure you know what the outcomes should be as well as the limitations the solutions may place on you and your agenda. The conundrum is that a great many professionals are not that good at communicating their expertise in a way that makes sense to people outside their field.

An astoundingly successful entrepreneur we know shared with us that when talking with lawyers, accountants and investment managers, he keeps pushing them to explain their proposals until they're able to do so simply and elegantly. In most cases, this ends up taking quite some time. Sometimes the professionals are just incapable of talking to someone

who doesn't have, for example, a JD or an LLM after their name. The entrepreneur never moves forward with a recommendation unless he has a big-picture understanding of it. This approach is quite common among the Super Rich, and we strongly recommend it to you.

Lesson #5: Trust—but verify

The Super Rich are big proponents of Ronald Reagan's dictum "Trust but verify." If you're at all unsure or the least bit uncomfortable about a proposed wealth planning solution or one that you are currently using, you should look for verification. This usually means getting a second opinion. Along the same lines, it's generally a good idea to, when appropriate, stress test your wealth plan to help make sure it will deliver the results you want in the way you want.

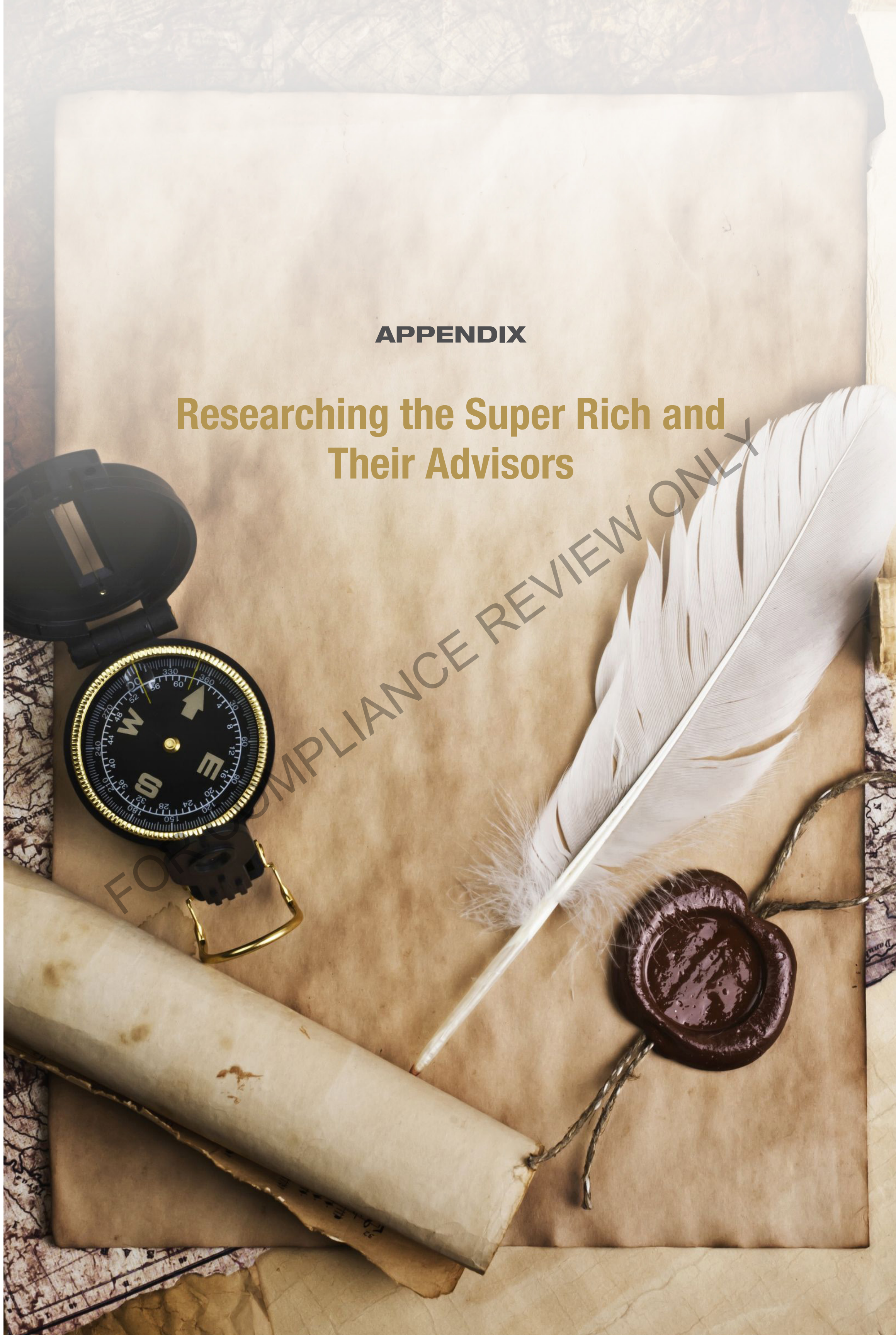
We receive most of our referrals to the rich and Super Rich from other professionals. A solid proportion of these referrals are about providing second opinions and stress testing. Most of the time, we find that everyone is in really good shape. We conclude that the rich and Super Rich clients are generally taking actions that make sense based on their situations or that the wealth plans they have in place will likely get them the results they are looking for.

However, a small percentage of the time we find that the professionals who are pitching the legal services or financial products are Pretenders. They don't know why their recommendations are inappropriate or just won't work as advertised. To a lesser degree, we see the work of Exploiters. Either we find it's very easy to see that their proposed solutions are very aggressive and that the professional will profit handsomely, or—more often—it takes us a lot of time and effort to go through a very complicated scenario before we come to the same conclusion. We don't see the efforts of very many Predators. However, when we do, they're fairly easy to spot because their promises are usually over the moon.

Getting second, third or sometimes even fourth opinions has been a very successful approach for the Super Rich. Stress testing has also proved extremely valuable to many of them. To avoid what could be very severe mistakes and assure they're not being taken advantage of, verifying is the answer.

Of course, there's sometimes a cost to getting a second opinion or conducting a stress test. While very few of the Super Rich are not readily willing to deal with the expense, it's often a bigger issue to those who are less wealthy. Because we usually find nothing amiss, the cost is a reasonable concern. It's something you should take into account. But when you are unsure or even a little bit anxious about a potential solution, or you are not completely certain that your current wealth planning will do what you want it to do, stress testing and getting second opinions can potentially save you exponentially more money and enable you to avoid the emotional turmoil of doing something that is not going to deliver.

Applying these five lessons in your work with an elite wealth planner will help you maximize the probability of achieving all that is most important to you. This may be taking care of the people you love, helping the causes you care about most and even making a difference in the world. Regardless of what motivates you, we encourage you to use these lessons to the extent that is right for you in order to receive the greatest possible benefits from elite wealth planning in your own life. We wish you the best of success on your journey.



APPENDIX

Researching the Super Rich and Their Advisors

A story from the field

We're sitting in a wine cellar some half-dozen floors underground. Because we're so far underground, air must be pumped in. Along with wine, the chef is serving an epicurean assortment of exotic meats and other delicacies. When our host suggested dinner in his wine cellar, we expected a great meal and a couple of hours of conversation. As it turns out, we will not leave the wine cellar until about six hours after entering.

Our host is a self-proclaimed Cathar. In the 12th and 13th centuries, the Christian church murdered over 6,000 Cathars because of their gnostic beliefs. Aside from two of the host's friends and us, the other two guests are contract employees who have been hired to collect the four Grail Hallows.

The first Grail Hallow is the platter used at the Last Supper. The second is the lance that killed Jesus on the

cross. The third Grail Hallow is the Holy Grail itself: the cup that caught Jesus' blood, ensuring none touched the ground. The fourth is the sword of King David, which was used to decapitate St. John the Baptist. Altogether, when properly combined, the four Grail Hallows are reputed to bring untold riches, astounding pleasures and amazing longevity—if not immortality.

Supposedly, the Knights Templar excavated these relics from below their quarters in Jerusalem. Their temple was situated on the site of King Solomon's temple. There are many legends surrounding the Grail Hallows. One legend has King Arthur of Camelot taking Holy Communion where the Holy Grail was used. He is said to have later sent his knights to find the relic to restore Camelot to its former glory. Another legend has Hitler searching for the Grail Hallows to use their powers to dominate the world.

The contract employees are archeologists with colorful histories and very large bank accounts. They have a *penchant for sourcing hard-to-find artifacts. This is the first time they have been hired to acquire such specific and unique items. While they're intrigued by the assignment, the treasure hunters are motivated by the fees—guaranteed and success-based—they can earn.*

Why pay millions of dollars to obtain the Grail Hallows? Our host is motivated for religious reasons. However, after a couple of bottles of wine, we did spend hours discussing the spiritual and worldly benefits that accrue to the person who can bring the Grail Hallows together and unleash their majesty.

Think about it financially. A lottery ticket costs a dollar, but a winning lottery ticket can pay off in the hundreds of millions. The odds are stacked miles high against the buyer of the ticket, but the rewards are quite attractive. Funding an expedition for the Grail Hallows has a cost, but that cost is equivalent to a billionaire investing a dollar in a lottery ticket for the mega-mega-mega jackpot.

ELITE WEALTH PLANNING

Ethnographic research: The Super Rich

The story of the lottery ticket for a billionaire exemplifies ethnological research. The wealthy—and more so the Super Rich—are notoriously difficult to study. There are a multitude of reasons for this, including these:

- Privacy concerns
- Geographic difficulties
- A formidable array of professionals and other gatekeepers intent on keeping outsiders at bay
- An often-powerful aversion to sharing

Because of the imposing barriers to studying the Super Rich, ethnological research is often the only answer. Ethnographic research is commonly used by social scientists to collect and interpret data on distinct and separate segments of societies. The aim of ethnography is to study selected members of a society in their natural environments and to produce detailed case analyses that explain key aspects of their behaviors and the results of those behaviors. While the aim is to be as detailed as possible, the often-arduous and complicated circumstances under which the research is conducted can make this quite difficult.

The predominant way to collect data with respect to the Super Rich, and many times the experts they employ, is through participant observation and interviews. The former is direct, firsthand observation of the Super Rich engaging in various activities related to specific research questions. Not surprisingly, it's quite challenging to observe them as they engage in most of their lives.

FOR COMPLIANCE REVIEW ONLY

While there's great research value in being up close and personal, being involved directly in the worlds of the astronomically wealthy is problematic on another level. For study purposes, we've yet to find members of this cohort who are willing to let us into their world for more than a relatively fleeting period of time. Now and again it's all right, as long as it is under controlled conditions.

For example, save for the occasional private jet or private helicopter trip compliments of an extraordinarily wealthy client, we're unable to access these types of vehicles on a regular basis. Similarly, summering in the Hamptons or spending a month in Monte Carlo or Singapore is not feasible unless some magnanimous Super Rich individual is willing to foot the bill (which includes covering an array of personal expenses such as mortgage payments). This simply does not happen. All in all, the idea of observing the world of the Super Rich up close and personal when you are not Super Rich, while quite appealing, has not panned out particularly well.

The other approach to data collection, which proves to be more viable, is structured and unstructured interviews. These can range from periodic chats to deep, involved and lengthy conversations. With more than a blood oath of anonymity, we've had tremendous opportunities to sit down and learn about the splendor and awfulness of extreme personal wealth. Admittedly, it took a considerable amount of time for the Super Rich to trust us and be willing to share their stories without filtering every single word they said.

To garner success as an ethnographer of the Super Rich, one needs to be awfully open, pretty much fearless and very personal with them. Their willingness to share frankly in interviews is critical. Having a high degree of precision, being empathetic and ensuring discretion—especially

ensuring discretion—are essential attributes of anyone wanting to conduct ethnographic research with the Super Rich.

In sum, ethnography has allowed us as researchers to obtain access to the rarely seen. It has given us a look behind the curtain that provides information and insights otherwise known only to insiders.

Survey research: Elite wealth planners and other advisors

While it's exceedingly difficult to study the Super Rich, and it regularly requires an ethnographic approach, their advisors—including elite wealth planners—are much easier to research. The simple reason is that trusted advisors to the Super Rich are usually willing to fill out surveys. Empirical studies coupled with ethnography provide extensive information on and insights into the universe of professionals in the service of great wealth, as well as into the ultra-wealthy themselves.

Consider the family offices of the Super Rich. The senior executives responsible for these boutique financial and lifestyle entities are predominantly high-caliber professionals. Clearly, more and more family members are taking operational leadership roles at their family offices. However, only about 10 percent of family offices have family members in senior management positions. From a research perspective, this means that surveys of family office senior executives are not surveys of the Super Rich. They are business-to-business surveys.

Surveys of leading private client lawyers, high-net-worth accountants, private bankers and so forth are also business-to-business surveys. All these types of professionals are, for the most part, inclined to share their perspectives and viewpoints. Still, it's important to realize that our focus in researching the Super Rich and their advisors is on ascertaining best practices.

Taken together, our ethnographic research of the Super Rich and our survey research of their advisors have built a comprehensive understanding of Super Rich mindsets, perspectives and patterns of actions around wealth creation. Although we have been conducting this research throughout our entire careers, we are still unearthing new insights on how to amass and protect significant wealth. As we move ahead, we look forward to continuing to share these lessons from the Super Rich.