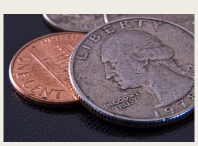
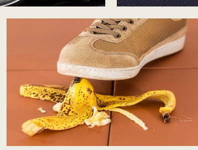
THE BENEFITS (AND CHALLENGES) OF ASSET CONSOLIDATION

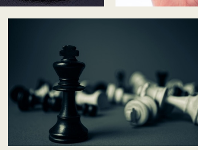
Led by:
Michael Damschroder CFP®, AEP
Jaakko Kasko, CFP®

HISTORY

WHY CONSOLIDATE?







TIME

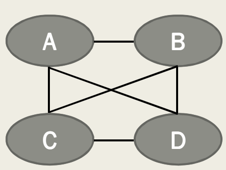
- Client
- Professionals
- Executor
- Beneficiaries

COST

- More transactions
- Higher Fees
- Decreased Service
- Sub-optimal asset management
- Missed opportunities
- Psychological
- Professional's time

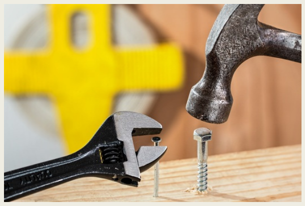
COMMUNICATION

- Increased communication necessary to ensure that there is coordination in asset management.
- More pieces of information to track for each party
- Implementation of financial plan is more complex



MISTAKES

- Higher chance of error AND lower chance of catching it.
- Lack of communication
- Implementation errors
- Possibility of unclaimed assets at death
  - *In 2015 there was $220 million worth of property transferred to the state of Michigan*



DECISION MAKING

- Financial professional decision making
  - *Incomplete information*
- Client decision making
  - *Difficulty looking at the overall picture*
  - *Decision fatigue*

BARRIERS TO CONSOLIDATION

- Costs
  - *One-time fees or penalties*
  - *Possible tax consequences*
  - *Possible additional legal liability*
  - *Loss of investment protection (SIPC / FDIC)*
- Reluctance
  - *Multiple financial institutions as "diversification"*
  - *Desire for secrecy*
  - *"Bucket" approach for money from different sources*
  - *Existing relationships*
- Necessity
  - *Workplace benefit plans*
  - *Legal considerations*

VEHICLES FOR CONSOLIDATION

- Personal / Family Trusts
- Gift Trusts
- Investment Accounts
- 1031 Exchange
- 1035 Exchange
- Family LLC

DISCUSSING CONSOLIDATION

- Always start with client's best interest.
- Ask clients with more than one financial institution if they've considered consolidating assets.
- Helps the client, and the financial professionals involved
- Depends on circumstances – in some cases multiple institutions are necessary.

Audience Discussion