

INSIGHTS

A QUARTERLY WEALTH MANAGEMENT PUBLICATION of FERGUSON WELLMAN, OCTAVIA GROUP and WEST BEARING



THE VALUE OF PLANNING

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Founded in 1975, Ferguson Wellman is a privately owned registered investment adviser, established in the Pacific Northwest. As of December 31, 2023, the firm manages more than \$8.4 billion for more than 990 clients that include individuals and families; Taft-Hartley and corporate retirement plans; and foundations and endowments with portfolios of \$4 million or more.

West Bearing Investments, a division of Ferguson Wellman, serves clients with assets starting at \$1 million.

Octavia Group, Ferguson Wellman's private family office, provides fee-based services for clients with \$10 million managed by our firm.

INVESTMENT EXCELLENCE
LIFELONG RELATIONSHIPS

THROUGH COLLABORATIVE AND thoughtful planning, financial strategies can be reflective and supportive of our personal values and provide peace of mind through market volatility and other challenges.

According to a recent *Hearts & Minds* survey, "Americans who have a financial plan enjoy increased savings, better asset allocation, more confidence in financial decision-making and more balanced portfolios."* Likewise, the Charles Schwab 2023 Modern Wealth Survey reports that "92% of those with a documented financial plan feel confident they'll reach their financial goals."

Common Questions Addressed in Our Process

- How much can I afford to spend in retirement?
- How should I plan for a major purchase?
- What is the best way to fund education?
- Is there anything I can do to reduce my income tax bill?
- What are the most tax-advantaged ways to give to charity?
- How do I transition and maximize my legacy?

With such compelling statistics, why don't all of us have a financial plan? Even with the knowledge of the potential benefits, it can feel overwhelming to get started without professional support. Ferguson Wellman and West Bearing provide step-by-step guidance and the opportunity to complete a *Wealth Horizon™* plan at no additional cost. Through this process, we gather data, explore personal goals and values and collaborate with clients and their professional partners to address common financial questions with practical and achievable strategies. As circumstances and goals evolve and the tax and regulatory environment change, the most appropriate techniques are likely to need updating.

If you would like to ring in the new year with a plan focused on achieving your goals and optimizing your financial strategies, please reach out to your portfolio manager. With the support of our Wealth Planning team, the process can be both manageable and motivating.

* *The Power of Planning: Proven Benefits That Transform Consumer Financial Outcomes*, Hearts & Minds survey, 2023

Our Ferguson Wellman logo is based on a bronze coin of Marcus Aurelius Antoninus, emperor of Rome from A.D. 161 to 180. According to historian Edward Gibbon, he was the only person in history in which, "the happiness of a great people was the sole object of government." Marcus Aurelius was the author of a series of personal writings and meditations that revealed a mind of great humanity, natural humility and wisdom.



GIVING THE GIFT OF CLARITY: SHARING YOUR ESTATE AND LEGACY PLANS WITH CHILDREN

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ESTATE AND LEGACY PLANNING IS A crucial aspect of financial responsibility and ensuring that your loved ones are taken care of after you're gone. While many people choose to keep their plans private, there is an increasing trend towards open dialogue with adult children about these matters. Like any decision, there are both advantages and disadvantages to consider when discussing your estate and legacy plans with your children.

ADVANTAGES

Clarity and Understanding: Open communication allows your children to gain a clear understanding of your wishes and intentions. It reduces potential confusion or disagreements that may arise after your passing. This transparency can foster a sense of trust among family members.

Emotional Preparation: Discussing your estate and legacy plans in advance can help your children emotionally prepare for the future. Knowing what to expect can reduce the shock and stress that often accompany dealing with these matters during a time of grief.

Opportunity for Input: Involving your children in the discussion may provide them with an opportunity to share their thoughts and concerns. They may have valuable insights or suggestions that you hadn't considered, leading to more comprehensive and fair estate planning.

Preserving Family Harmony: Open dialogue can help prevent disputes and conflicts among siblings or other beneficiaries. When everyone is aware of your intentions and reasoning, there is less room for misunderstandings that can strain family relationships.

Educational Value: Discussing estate planning with your children can serve as a valuable educational opportunity. It can help them become more financially literate and better prepared to handle their own financial affairs in the future.

DISADVANTAGES

Privacy Concerns: Some individuals value their privacy and may feel uncomfortable discussing their finances and estate plans with their children. They may worry that this openness could lead to judgment or interference in their decision-making.

Estate Planning Goals

Legacy	Help families achieve desired legacies
Taxes	Minimize estate taxes (40% federal, varies by state)
Harmony	Limit family conflict
Privacy	Avoid public court probate process
Incapacity	Provide for proper financial and personal care during incapacity

Source: Ferguson Wellman

The laurel is part of our Octavia Group branding. Octavia the Younger was one of the most prominent women in Roman history. She was respected for her nobility and humility. Octavia was hailed as a "marvel of womanhood" and was a political advisor between her brother and husband. She was immune from the "tutela," which placed in her the unique position of managing her own finances.

Potential for Disagreements: While open dialogue can prevent conflicts, it can also unearth disagreements or differing expectations among family members. These disagreements could lead to tension or strained relationships.

Pressure on Beneficiaries: Knowing the details of an inheritance may inadvertently put pressure on beneficiaries. They may feel obligated to meet certain expectations or may have concerns about the fairness of your distribution plan.

Changing Circumstances: Life is unpredictable, and circumstances can change. What seems like a solid plan today may not be suitable in the future. Openly discussing your estate plans could set expectations that you may later need to adjust.

Complexity: Estate planning can be complex, involving legal and financial intricacies. Your children may not fully understand the legal and tax implications of your decisions, leading to misunderstandings or misconceptions.

The decision to have open dialogue with your children about your estate and legacy plans is a highly personal one and should be made thoughtfully with everyone's best interests in mind. If you do choose to have such discussions, it's essential to approach them with sensitivity and patience, ensuring that all parties involved are on the same page and that your intentions are clear.

Here are some tips for how to approach these discussions:

CHOOSE THE RIGHT TIME AND PLACE: Select a comfortable and private setting where everyone can speak openly without distractions. Consider scheduling a specific time for the conversation to ensure that everyone is mentally prepared.

BE PREPARED: Before the conversation, gather all relevant documents and information regarding your estate and legacy plans, such as wills, trusts, and financial statements. Familiarize yourself with the legal and financial aspects of your plans so you can answer questions and address concerns.

START EARLY: It's often best to initiate these discussions well before they become necessary, giving your children time to absorb the information and ask questions without the added pressure of an impending event.

BE TRANSPARENT: Be honest and transparent about your intentions and the reasoning behind your decisions. Explain your goals for your legacy and how you hope it will benefit your family.

LISTEN ACTIVELY: Encourage your children to

share their thoughts, concerns, and questions. Listen actively and empathetically to their perspectives, even if they differ from your own.

ADDRESS POTENTIAL CONFLICTS: If you anticipate that certain decisions may lead to conflicts or disagreements, be proactive in addressing those issues. If there are unequal distributions or specific bequests, provide clear explanations for your choices to help avoid misunderstandings. Discuss potential solutions or compromises that can help prevent future disputes, and express your commitment to the reasons behind your decisions.

INVOLVE PROFESSIONALS: Consider involving legal and financial professionals, such as attorneys or financial advisors, in the conversation to provide expert guidance and answer technical questions.

REVISIT AND UPDATE: Estate plans should be reviewed periodically to ensure they remain aligned with your wishes and current circumstances. Communicate any updates or changes to your children as they occur.

PROVIDE WRITTEN DOCUMENTATION: Consider providing written summaries or documents outlining your estate and legacy plans. This can serve as a reference for your children and help ensure clarity.

BE PATIENT: Recognize that these conversations may take time, and emotions may run high. Stay patient and open-minded throughout the process.

Remember that the goal of these conversations is to promote understanding, trust, and family harmony. By approaching the discussions thoughtfully, you can help ensure that your children are well-informed and prepared for the future, while also minimizing the potential for conflicts and misunderstandings.



Our West Bearing logo is inspired by the American bison, an iconic creature symbolizing resilience, grace and the western path to growth and opportunity. Most animals attempt to outrun inclement weather, prolonging their exposure to the elements and, in doing so, weaken their conditions. Only bison instinctively turn to face the storm, often bearing west, to find the quickest path to clear skies.



FAMILY BUSINESS AND THE NEXT GENERATION

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TRANSITIONING A FAMILY business to the next generation is a delicate and complex process that requires careful planning, communication, and a strategic approach. While the prospect of passing the torch to the next generation can be exciting, it comes

with its own set of challenges. Careful consideration and a well-executed transition plan can help the business emerge successfully on the other side and maintain family dynamics.

START EARLY AND PLAN STRATEGICALLY

One of the critical factors in a successful transition is to start the planning process early. Waiting until the last minute can lead to rushed decisions and increased stress which may have significant financial implications. Begin by establishing a clear timeline for the transition, outlining key milestones and goals. Develop a comprehensive succession plan that addresses not only the transfer of ownership but also the transfer of responsibilities, relationships and values.

IDENTIFY AND DEVELOP LEADERSHIP QUALITIES

Before entrusting the business to the next generation, it's essential to assess their leadership capabilities. Identify family members who demonstrate a genuine interest in the business, possess the necessary skills, and have a long-term commitment. Implement training and mentorship programs to develop their leadership qualities, ensuring a smooth transition without compromising the company's stability.

OPEN AND TRANSPARENT COMMUNICATION

Effective communication is the cornerstone of a successful transition. Foster an open and transparent dialogue among family members and other key employees about the future of the business. Discuss expectations, roles, and responsibilities to avoid misunderstandings. Clearly communicate the vision and values of the business to maintain a cohesive company culture throughout the transition.

PROFESSIONALIZE THE BUSINESS

To assist the longevity and success of the business, it's crucial to professionalize its operations. Implementing modern management practices, embracing technology,

and establishing clear corporate governance structures will enhance the overall performance and instill confidence in stakeholders including other employees and customers.

SEEK EXTERNAL EXPERTISE

Enlist the support of external advisors, such as financial consultants, legal and tax professionals, and business advisors, to guide you through the transition process. Their objective perspective can offer valuable insights and help address potential challenges. Additionally, external experts can facilitate discussions, mediate conflicts, and provide a roadmap for a seamless transition.

FINANCIAL PROJECTIONS AND VALUATIONS

Accurate financial planning and business valuation are critical components of a successful transition. Determine the fair market value of the business and establish a financial plan that accommodates the needs of both the retiring generation and the successors. Consider financing options, tax implications and potential sources of funding to ensure a smooth financial transition.

GRADUAL TRANSITION

Rather than a sudden handover, consider a gradual transition that allows the next generation to assume increasing responsibilities over time. This phased approach provides an opportunity for learning, skill development, and relationship building. A measured transition allows time for challenges to be identified and addressed early and by both parties. It also minimizes disruption to the business operations and allows for a smoother transfer of leadership.

Transitioning a family business to the next generation is a significant undertaking that requires careful planning, communication, and a commitment to professionalization. By starting early, identifying and developing leadership qualities, fostering open communication, seeking external expertise, and implementing a gradual transition, you can pave the way for a successful and sustainable handover. With the right strategy and mindset, your family business can thrive for generations to come.