



Preparing for an Estate Transfer

Paul L. Comstock



Perception Question

Who does the “Preparing for an Estate Transfer” apply?

- The one transferring (Transferor)
- The one receiving (Transferee)
- Both



Perception

- How we view reality may be different from others
- It is not necessarily what reality actually is
- Often our perception is an illusion that makes reality easier or perhaps harder to deal with



Wealth Transfer Guidance

President Ezra Taft Benson

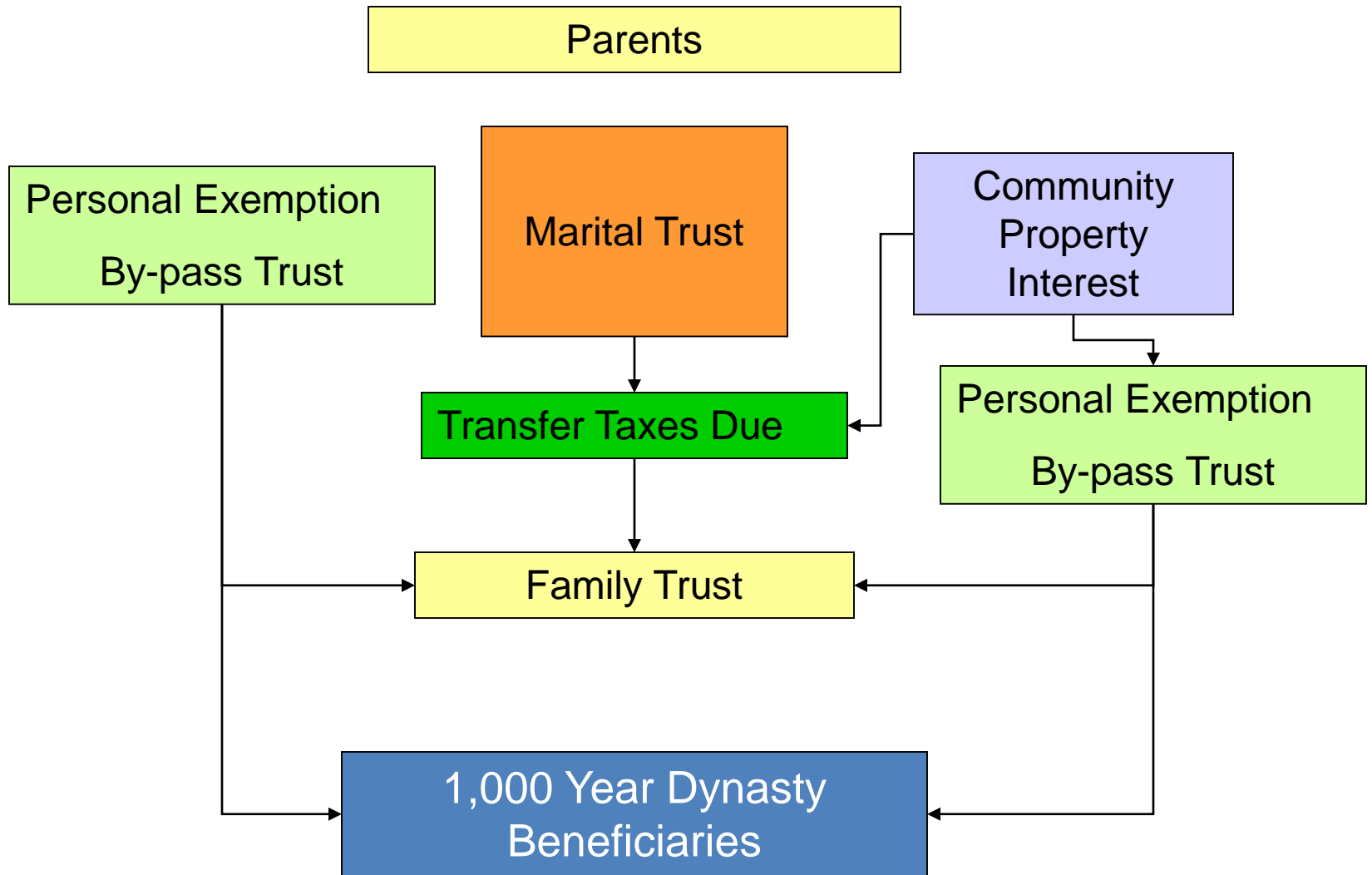
“to set up, insofar as it might be possible, a [plan] under which the curse of idleness would be done away with, the evils of the dole abolished, and independence, industry, thrift, and self-respect be [established]”



Lessons I've Learned

- Taxes and maintaining control dictate most estate plans
- The most liberal entitlement programs are not sponsored by the government; they often belong to our clients

Estate Structure Template





Wealth Transfer Leveraging Entities

- ILITS
- FLPs & LLCs (Asset Structured Discount Entities)
- CRTs
- CLTs
- GRATs
- ISDGT
- Private Annuities
- Private Foundations/Donor Advised Funds

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- Taxes due are the least of worries when trying to preserve family wealth across generations



Stealth Destructors of Wealth

- Divorces
- Addictions
- Illnesses
- Overspending
- Uninsured liabilities
- Law suits (among and external to heirs)
- Affinity group fraud
- Entitlement syndrome
- Bad investment decisions

Destruction of Wealth Investment Strategy

“Read the financial press, watch what others are doing and then act on your base fears or enthusiasm not to be left out”

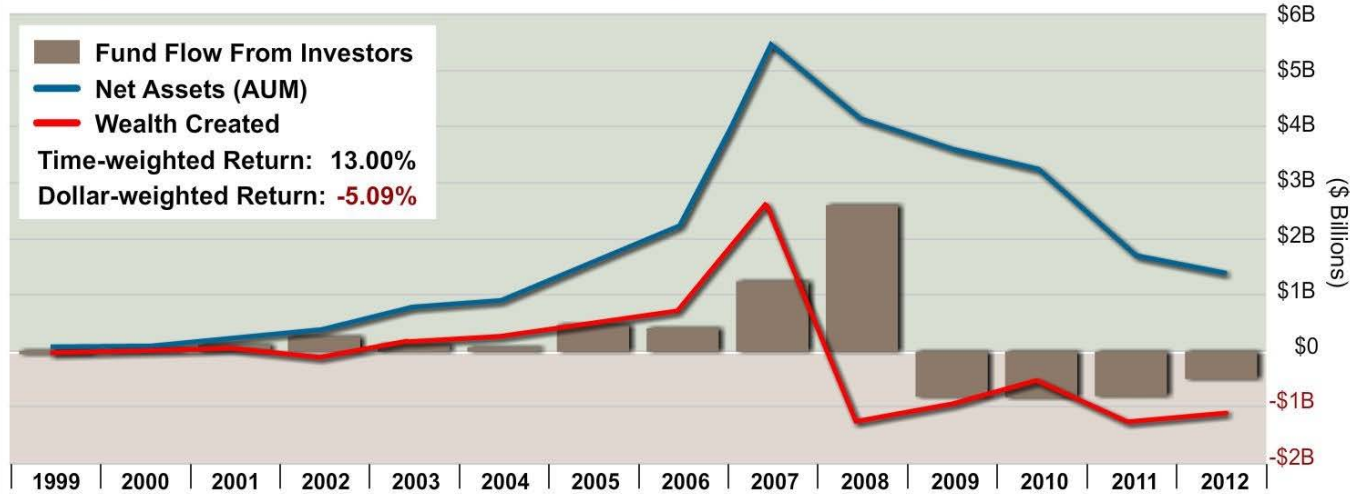
Paul L. Comstock, 2015

How Funds Can Earn Big Returns But Still Lose Money

14 Years (1/1/1999 - 12/31/2012)

8

Looking at the CGM Focus Fund's (CGMFX) cash flow analysis, you can see that the handful of early investors earned positive returns, but the fund's later losses were experienced by many more.



Time-weighted Return: 13.00%
Dollar-weighted Return: -5.09%

Annual Total Return (%)

8.45	53.93	47.65	-17.79	66.46	12.41	25.29	14.92	79.97	-48.18	10.42	16.94	-26.29	14.23
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Alpha (CGM Focus Fund minus Russell 1000 Growth Index (Morningstar Analyst Benchmark))

-24.70	76.36	68.06	10.10	36.71	6.11	20.02	5.85	68.16	-9.74	-26.79	0.22	-28.94	-1.03
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At the initial stage, the fund experienced a slow growth in funds added by investors. The group of early investors who bought and held through the end experienced favorable returns.

Attracted by the favorable returns, more investors started to flood the fund with cash.

The fund flow peaked in 2008. The newer investors found their returns to be less than favorable as the market started the downturn.

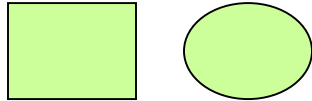
By the end of 2010, nearly \$1.3 billion of wealth had been wiped out since the inception of the fund.

Lessons I've Learned

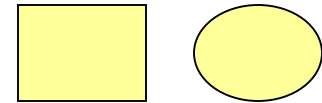
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- Most estate plans provide for influencing other people's children without parental consent;



In the Beginning



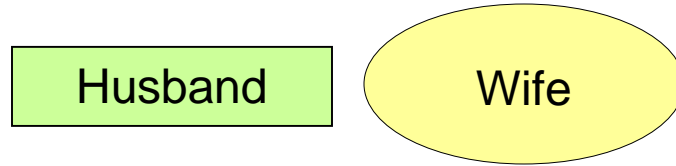
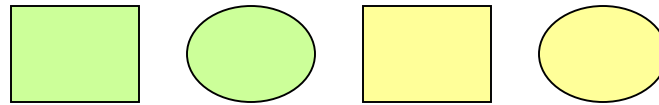
Boy



Girl

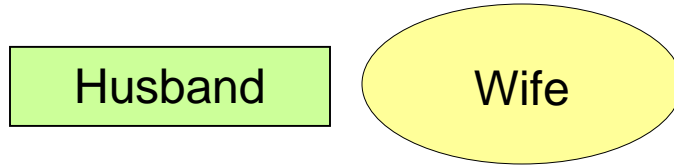
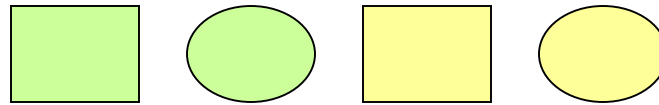


A New Family Created



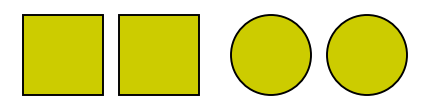
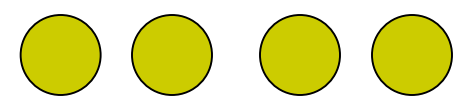
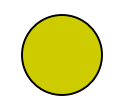
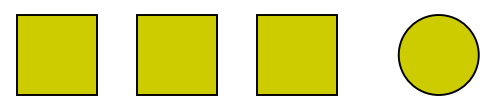
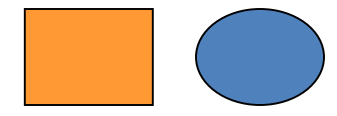
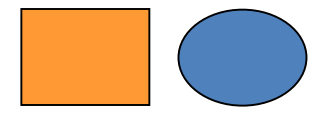
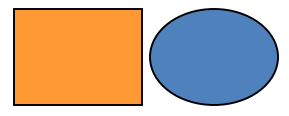
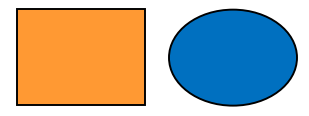
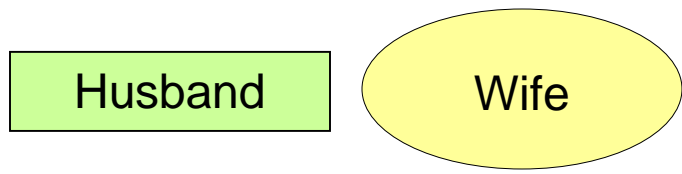
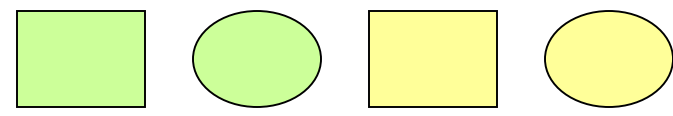


Other Peoples Children





Other Peoples Children



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- The most liberal entitlement programs are not sponsored by the government; they often belong to our clients
- Taxes due are the least of worries when trying to preserve family wealth across generations
- Most estate plans provide for influencing other people's children without parental consent;
- **Creating a tool for wealth transfer is much easier than maintaining it to achieve the intended outcomes.**



Perpetuation of Intent Challenges

- Choice of Trustees
- Entity leadership succession planning
- On-going management decisions
- Monitoring delegated management
- Administration options
- Cost of maintenance : benefit ratios

Getting to the Carnegie Hall of Estate Transfers

Practice, Practice, Practice

Establish a “Probationary” Estate

Financial Parenting prior to an inheritance being given provides the best chance of long-term positive outcomes

Obtaining a Graduate Education

Financial Parenting and Wealth Transfer

An undiscovered professional and family education resource.

Everything that concerns the economic, social, and spiritual welfare of the human family is and ever will be the concern of the Church of Jesus Christ of Latter-day Saints”

Chapter 21: Principles of Temporal & Spiritual Welfare,
Teachings of the Presidents of the Church, Ezra Taft Benson

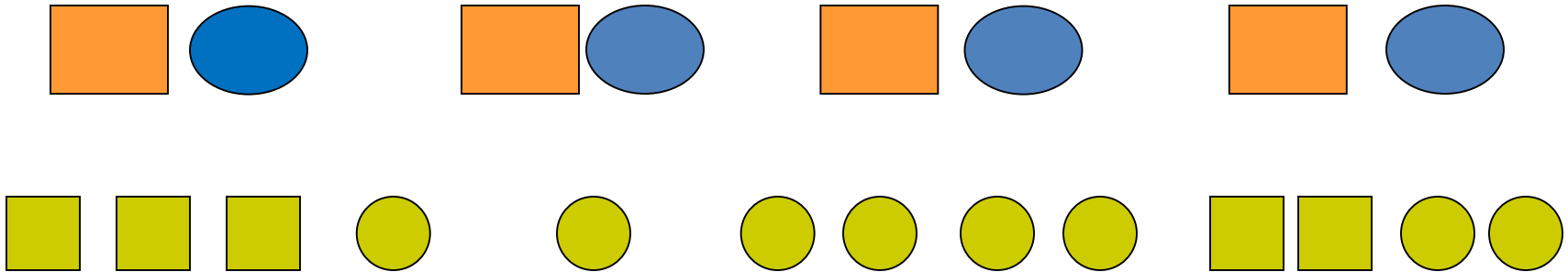
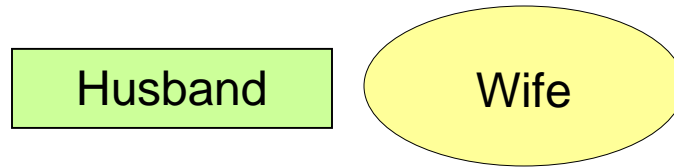


Eternal Principles Learned

- That our purpose on earth is to experience JOY, not just pleasure
- That I should teach correct principles and let my children govern themselves (and their family)
- That my transfer structure should allow my beneficiaries to Act on versus being Acted upon
- That I be a servant leader
- That all of my beneficiaries should become “self-reliant” both spiritually and temporally
- That I and my beneficiaries are each a child of God that He knows personally, that we each have infinite worth, individual purpose and gifts to develop
- That I use and teach the benefit of “councils” in decision making



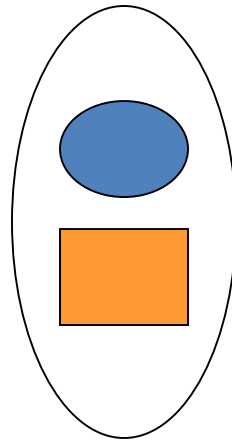
What Constitutes Our Secular “Estate Planning” Family



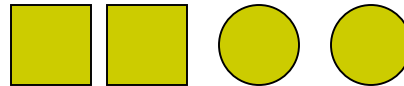


The Proclamation to the Family

Organization Chart



Parents are
Mutually
Accountable

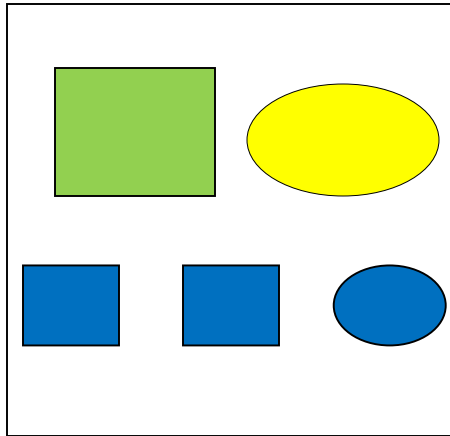


Children are to be
taught to be
Self-reliant
Temporally &
Spiritually & have
a claim on their
parents

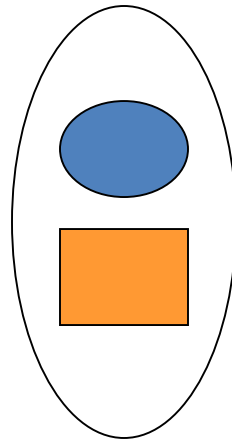


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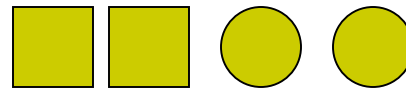
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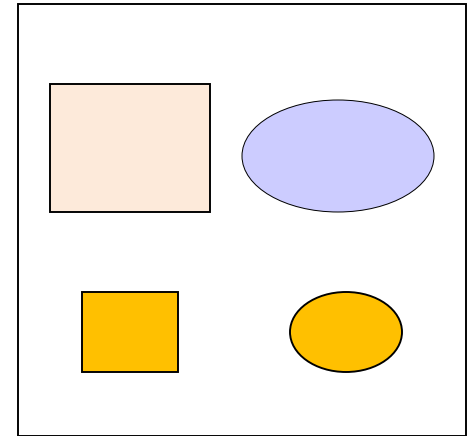
Extended Family
"if and as needed"



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Extended Family
"if and as needed"

Counseling Together

Who's Plan Is it?

The Purpose of an Endowment

Heavenly Father's Endowment

Institutional Endowments

Your Family Endowment



Comstock Family Endowment

A Self-reliance Development Resource

- Help our heirs become self-reliant temporally and spiritually
- Provide them with opportunities to be engaged in their eternal progression
- Prepare them to labor for their sustenance and meet their responsibility to their children
- Embrace the principles of stewardship of self, family and assisting the poor and needy
- Don't rob them of their lives (agency)
- Do all we can to build up the Kingdom of God on Earth.

The Family Endowment in Operation

- Set it up and work it while alive (practice)
- Fund later when functional
- Set into motion succession leadership and watch it operate prior to the endowment going permanent
- Remember, this is not about you or about the money, its about Heavenly Father's children

Meet Emily Park

Our first Higher Education Endowment Grant
Recipient

What do our Heavenly Father's children want
from us?

What do our Heavenly Father's children want from us?

- Lead me;
- Guide me;
- Walk beside me;
- Help ME find the way;
- Teach Me all that I MUST DO

Thank you!