Flourish Wealth Management

Quarterly Newsletter

News From Flourish

APRIL 2022

1st Quarter | 2022

Spring has sprung! I hope that the first three months of 2022 have been good to you. With so much going on in the world, I know that I have had to take moments to myself to reflect on the gratitude I have that me and my family are safe and healthy. If the 2020's are continuing to deliver bad news, please know that you are in our thoughts and we are hopeful that there are brighter days around the corner for everyone.

Wer are excited to announce that we are celebrating eight years in business here at Flourish and we are so grateful for our clients, colleagues, friends, and partners who have supported us along the way. It is very rewarding to look back at the relationships we have developed over the years and the opportunities to help clients identify and accomplish their financial goals.

This quarter I am sharing an article that we published a few weeks back that I think can be helpful if you or someone you know is navigating a family wealth transfer or is considering how to go about doing so. Whether you're planning a significant transfer of wealth or a more modest one, the key to success is preparation and flexibility. Put a plan in place early on, communicate openly and honestly with your family about your plan, and be sure to review your family's values as you grow to ensure everyone remains on the same page.

We hope you find value in this quarter's article and, right after that, you can read Jay's Market Commentary on this last quarter's tumultuous journey.

QUARTERLY ARTICLE

Four Common Reasons Family Wealth Transfers Fail

Avoid These Common Pitfalls for a Successful Wealth Transfer

By: Kathy Longo, CFP®, CAP®, CDFA®
President and Founder

The United States is in the midst of a massive wealth transfer from Baby Boomers to Gen Xers and Millennials – [to the tune of $68 trillion] – with Gen Xers set to be the primary beneficiaries of this transfer. With that much money on the line, it's crucial that the transition of these assets is done thoughtfully, with deliberate and careful planning ahead of time. Regardless of the size of your family's portfolio, having a smart wealth transfer plan in place should be an essential part of your financial plan.

A legacy plan ensures that all of your hard-earned assets will transfer to people and organizations in accordance with your wishes, and it prepares your heirs to inherit and execute your wishes, too. This can be a complicated process, and it's easy to make mistakes. Here are four common missteps that you should keep in mind as you put together a wealth transfer plan for your family.

Misstep #1: Lack of Planning

It can be disconcerting – even depressing – to sit down and talk seriously about what you want to happen when you die. Because of this, people tend to put off necessary planning. However, we never know how much time we have left, and you cannot be sure that your goals and wishes will be honored if you die before you put a plan into place.

The best course of action when it comes to legacy planning is to put a plan in place sooner rather than later. That way, you know you're prepared no matter what happens. It's also smart to revisit your plan regularly as it should evolve as you experience life changes and transitions. A good legacy plan should be rooted in what you envision for your family today, but with the flexibility to accommodate any changes the future may bring.

Misstep #2: Poor Communication and Faulty Trust

One of the biggest roadblocks to a successful family wealth transfer is a lack of communication and trust within the family. It's important that you communicate openly and honestly about any plan you're putting into place or you risk creating a rift between yourself and your children/ grandchildren. This is especially true if your wishes may be different than what your heirs are expecting, or if you plan to include organizations or people outside of your family in the wealth transfer.

If you're uncomfortable sharing exact monetary figures, try focusing instead on the overall strategy and talk with your heirs about timing, family values, and what you're seeking to accomplish with your legacy plan. Keeping the lines of communication open and having transparency with your plans can help mitigate any negative feelings or confusion, proactively alleviate trust issues, and create a higher chance for a successful wealth transfer.

Misstep #3: Failure to Properly Prepare Heirs

Wealth transfers and legacy planning can be confusing, especially once you're gone and your family is left to carry out your wishes on their own. Failing to make time to properly prepare your heirs and ensure they understand their defined roles within your legacy plan creates the risk of chaos and confusion getting in the way of your family's wealth transfer.

Think about scheduling a time to sit down with your heirs and describe your vision for your estate to make sure that everyone is on the same page. Work together to determine what each person's contribution can be. For example, if one of your kids is highly organized, you may want to put them in charge of coordinating family meetings and ensuring your plans stay on course.

Misstep #4: Missing the Big Picture

As already mentioned, wealth transfer planning can be complex. The process can include many moving parts and often requires big-picture thinking to pull off. Too often, wealth transfers fail because of simple but costly mistakes, such as overlooking tax implications or potential legal issues. It can be hard to understand the implications that legislation may have on your legacy plans, not only currently, but down the road. For example, many provisions in the Tax Cut and Jobs Act of 2017 that specifically impact estate and gift taxes will end in 2025. Knowing how these changes will influence your legacy plan, and what to do about them, is difficult but crucial if you want your wealth transfer plan to be a success.

The Bottom Line

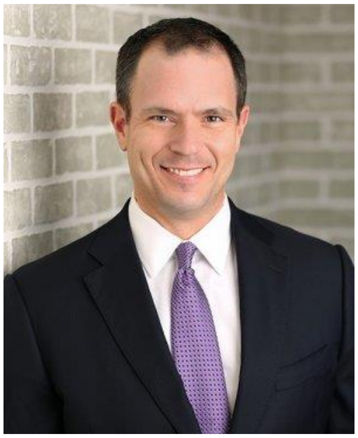
Whether you're planning a significant transfer of wealth or a more modest one, the key to success is preparation and flexibility. Put a plan in place early on, communicate openly and honestly with your family about your plan, and be sure to review your families' values as you grow to ensure everyone remains on the same page.

Because of the complicated nature of wealth transfers and legacy planning, it's wise to partner with a professional that you trust who can help you create a plan that will accomplish your goals. If you'd like to schedule a meeting with a member of the Flourish team about your family's wealth transfer plan, please contact us today.

For more tips on having money discussions with your loved ones, check out my podcast, Flourish Financially with Kathy Longo.

MARKET COMMENTARY

1st Quarter 2022



By: Jay E. Pluimer, AIF®, CIMA®

Director of Investments

The first quarter of 2022 was a difficult one for most investors. It was a rare quarter when all stock and bond categories lost money, with the exception of commodities. In fact, this was the worst quarter for bonds in over 40 years as the Federal Reserve initiated the first of multiple interest rate hikes, increasing short-term rates by 0.25% of what is expected to be a total increase of 2.0% or 2.5%. At the same time, stocks reacted to the combination of rising oil prices due to the war in Ukraine along with higher commodity prices across the board. Inflation hit 7.9% during the quarter, a record high, with expectations that inflation will continue to be at record levels for the next few months. The combination of high inflation and supply shortages continue to make life difficult for consumers as companies have been passing along the price increases while maintaining high profitability and earnings. We experienced a 10% market correction twice during the quarter, once in early January and then again in late February. Fortunately, the market recovered during the month of March with indications that we should expect continued volatility over the next couple of quarters.

The Federal Reserve has been forced to make a 180 degree turn over the past few months, switching from messaging that inflation was a "transitory" issue to taking an aggressive approach to decrease inflation. The Fed has a dual mandate to support full employment and maintain long-term inflation of 2%. Employment levels have fully recovered from the COVID downturn in 2020 and people are returning to work after the Great Resignation of 2021. The Fed will now be walking a tightrope over the next year or two while raising interest rates with high inflation on one side and an economic recession on the other. We have already witnessed an inverted yield curve which typically signals a recession, although the downturn won't start for another 7 to 33 months based on historical evidence. There is an optimistic scenario where the Fed successfully walks the tightrope by raising interest rates to a level that reduces inflation without shutting down the economy, so our goal is to be prepared for a downturn while maintaining market exposure to capitalize on a potential recovery.

For more information on investments and the markets you can reference our Quarterly Market Review.

If you found this content helpful, I encourage you listen to my weekly podcast, ***Flourish Insights****, available on Apple Podcasts, Alexa, or wherever you get your podcasts.*

Conclusion

As always, we are here to listen to our clients and share our perspective. We hope that our newsletter and articles provide you with inspiration and useful information. We encourage you to share our resources with family and friends who you think would benefit from them. Have a safe, healthy, and happy spring, and we'll be in touch with our weekly newsletter!

Sincerely,

Kathy Longo, CFP®, CAP®, CDFA®

& the Flourish Team