

# Dialogues » WEALTH STRATEGIES FOR DISCUSSION



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## COURTESY OF SHAUN P. MILLER

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Wealth planning today must address a wide range of topics, including how to take care of parents while leaving legacies for children intact. How to hand down solid values and beliefs to children, along with money. We are committed to help clients with their entire wealth planning situation, including concerns across generations.

## Recognition for Making Wealth Work

I have been fortunate over the years to have the opportunity to work with many valued clients and to help them grow, protect and pass on their wealth.

In a recent publication of *Barron's*, I was recognized among an elite group of my industry peers as one of the "Top 100 Financial Advisors" within the wealth management industry.

Published in the April 19, 2008 issue of *Barron's*, a premier financial weekly, these annual\* rankings are determined by respected financial writer and independent researcher R.J. Shook, who screened more than 7,000 financial professionals nationwide and selected 100 full service Financial Advisors across the industry using a combination of quantitative and qualitative criteria based on his "Winner's Circle" methodology. Those identified on the list were selected based on their continued focus on adhering to the best practices that govern our business, success and quality service they provide their clients.

In an effort to ensure that you are receiving the best possible service, I need to know what matters most to you. Having wealth creates complex needs, which is why the *Dialogues* newsletter you are now reading may be a valuable resource to you. *Dialogues* is designed to inform you about significant topics in wealth planning and today's market, and can serve as a starting point for our discussions about what is most important to you.

I hope you enjoy reading *Dialogues* and look forward to speaking with you about any questions you may have and about how I can help you with any aspirations or plans in the making.

Thank you for your support and for being an important part of my recent recognition. ■

\* 12-months

By the Smith Barney Division of Citigroup Global Markets Inc.

# Smith Barney Family Assist<sup>SM</sup> Continuity Strategy

## Helping Surviving Family Members Maintain Financial Independence

The death of a loved one can be a deeply emotional and difficult experience. On a practical level, if the deceased was the primary or secondary wage earner, surviving family members are suddenly confronted with making immediate and longer-term decisions involving their financial future.

» In addition to the challenge of coping with everyday affairs, you also face the possibility of having to revise financial and estate plans to reflect new issues and concerns.

Smith Barney Family Assist<sup>SM</sup> Continuity Strategy is designed to help you and your family through some of the financial issues you may face during this difficult period. These strategies analyze your new situation and explore ways to help you meet your future financial and estate planning goals. Unlike traditional financial planning, you may not have the luxury of postponing that planning to some future date. You may have to make immediate decisions to maintain your family's cash flow and to preserve financial assets for future use.

Smith Barney Family Assist Continuity Strategy is based on the three stages of financial planning that one encounters after the loss of a spouse, family member or loved one:

- » Immediate cash flow concerns, such as how to apply for insurance and government benefits
- » Short-term focus on issues you may confront during the estate administration period, such as the distribution, retitling and sale of assets
- » Longer-term financial and estate-planning issues concerning your family's future

### TIER ONE

#### WHERE TO BEGIN

You should take the time to inventory and record the location of all-important documents that will be needed to settle an estate. These documents may include financial statements and important identification papers, such as birth and marriage certificates, deeds to property, vehicle registrations, military records, Social Security and naturalization cards, and insurance policies. Of course, copies of any existing estate planning documents, such as your

wills, irrevocable trusts and business agreements, should be included. A very helpful form called a "Document Locator" serves as a convenient list of the location of your family's important paperwork.

#### INSURANCE POLICIES, SOCIAL SECURITY BENEFITS AND FINANCIAL ACCOUNTS

Your first step toward achieving your financial goals is to put into motion the paperwork needed to generate a cash flow by applying for the benefits that are yours and your children's through any insurance policies and from Social Security. The next step is to establish or retitle an account where you can write checks to pay daily bills and where you can hold additional funds until you decide what your future course of action will be.

Did you have joint financial accounts? If you had a joint bank account, you usually will have to bring a certified copy of your spouse's death certificate to the bank in order to retitle the account in your name

only. If you don't have your own account, you will have to establish one. Ask to speak with a bank officer and explain your situation, or consider having a trusted person accompany you to the bank to help you. Some brokerage accounts may offer check writing and debit card features.

If you wish, these services can be added to an account you have or to one that you are opening or retitling.

At the same time, you should make arrangements to take an inventory of any safe deposit boxes. Here you may find the paperwork you need to continue processing your spouse's or loved one's financial accounts and estate. You will need certified copies of your spouse's death certificate in order to cash in any insurance policies on your spouse's life or to retitle or close any financial accounts, such as bank and brokerage accounts and credit cards as well. The funeral director is the person in charge of giving you the death certificates at the time of death. However, if you find you need additional copies later on, you will likely have to order them for a fee from the local government agency in charge of these records. To make the transition of accounts easier, be sure to order a generous supply initially from the funeral director.

### INSURANCE POLICIES

What type of insurance benefits did your spouse or loved one have? The first place to start, of course, would be your spouse's or loved one's place of employment. If the deceased was a member of any club, association or had served in the military, you should check with these entities to determine if any insurance policies were in place. If the death was due to an accident, some credit cards may have insurance policies attached to them, which may pay off the balance. Look through any files at home or through the

checkbook register and credit card receipts to determine if policies existed or premiums were being paid.

### SOCIAL SECURITY

The sooner you apply for Social Security benefits, the sooner you will receive any payments due to you. When most people hear the term "Social Security," retirement immediately comes to mind. However, Social Security benefits are paid to more people than just those who have retired. In some cases, Social Security benefits are available to the spouse and children of deceased individuals. Family survivors may also qualify for a small lump-sum payment to help with immediate living or funeral expenses.

### WHO MAY RECEIVE SOCIAL SECURITY SURVIVOR'S BENEFITS?

Social Security Survivor's Benefits can be paid to:

- » A widow or widower with full benefits at age 65 or older (if born before 1937) or reduced benefits as early as age 62
- » A disabled widow or widower as early as age 50
- » A widow or widower at any age if he or she takes care of the deceased's child who is under age 16 or who is disabled and receiving Social Security benefits
- » Unmarried children under 18, or up to age 19 if they are attending high school full time. Under certain circumstances, benefits can be paid to stepchildren, grandchildren or adopted children
- » Children at any age who were disabled before age 22 and remain disabled
- » Dependent parents age 62 or older

### TIER TWO

#### WHAT YOU HAVE TO DO FROM A LEGAL AND FINANCIAL STANDPOINT TO SETTLE THE ESTATE

Putting the financial affairs of an estate in order depends on the answers to several questions, including the following:

- » Is there a will?
- » Are there prepaid funeral arrangements or instructions for interment?
- » Who is the executor or administrator of the estate?
- » Who is (are) the beneficiary(ies) of certain accounts or property?
- » How is property titled? Joint ownership? Single ownership?
- » Did your spouse have any outstanding financial liabilities?

The process of transferring estate assets to those entitled to them is typically referred to as estate administration. Post-death asset ownership is governed by documents such as a will, contract or by beneficiary designations that were established before death. The laws of your spouse's or loved one's state of residence also govern property ownership.

#### PREPAYING FUNERAL ARRANGEMENTS

If the deceased has taken care of prepaying funeral arrangements, it's important to find that paperwork and contact the funeral parlor and/or cemetery. Ideally, you may at least want to ask a spouse about these final wishes instead of trying to guess about what may have been desired. Prepaying for funeral expenses is also desirable because the cost may be deductible as an estate expense.

## LEGAL HELP

In order to make the estate administration go smoothly, you should seek the advice of an estate planning attorney. If you do not have an attorney who specializes in estate planning, you should contact an attorney with whom you may have had business previously, perhaps when you bought your home or settled some other legal matter. If your spouse had an attorney, determine if you feel at ease hiring this person to assist you and whether or not there would be any conflicts of interest in representing you as well as your spouse's estate. Ask about the attorney's experience in probate, and ask for a referral if you feel there is someone else who would be better qualified to handle estate settlement. Your local Bar Association should be helpful if you need a referral or you can go to the American Bar Association website at [www.abanet.org](http://www.abanet.org) and use their Lawyer Locator system. Be sure to discuss any fees, and whether charges will be billed by the hour or as a flat percentage of the estate.

When an individual passes away, the estate must be settled by the Executor named in the individual's will. (In some states the title given to the Executor is "Personal Representative.") When the estate is settled, the Executor then distributes the assets to the beneficiaries. If the deceased had no will, the courts will appoint a Personal Representative.

## WHAT YOU CAN EXPECT AN EXECUTOR TO DO

- » Safeguard estate assets
- » Take an inventory of the deceased's property
- » Notify creditors of the death
- » Pay, from the assets of the estate, any outstanding debts that were solely your spouse's or loved one's responsibility

» File individual income tax returns and estate tax returns and pay any income and estate taxes owed from the assets of the estate

» Distribute property according to the will and/or state laws

## DISTRIBUTION OF ASSETS

In addition to a will, the deceased may have left a letter of instruction that spelled out his or her wishes as to what should be done with particular assets (generally personal items) upon death. In some cases, items with sentimental value to particular friends or family members may be passed on to these people. You should speak to your attorney about handling these final wishes.

## FEDERAL ESTATE TAX EXCLUSION

Any individual is entitled at death to transfer, free of estate tax, assets worth \$2 million—the Federal Estate Tax Exclusion—in 2006 and this amount is increasing incrementally to \$3.5 million by 2009. Any portion of the \$1 million Federal Gift Tax Exclusion used during their lifetime will reduce the Federal Estate Tax Exclusion available at that individual's death. If a deceased spouse has left everything to the surviving spouse tax-free, the deceased spouse's Federal Estate Tax Exclusion has effectively been lost. If your spouse's estate is large, be sure to seek the advice of an estate-planning attorney to see if this issue can be addressed in a tax-efficient manner during the administration of your spouse's estate.

## RETITLING OF HARD ASSETS

You will have to change the title on property owned by the deceased, either solely or in joint ownership.

## REAL ESTATE

If you and your spouse owned a home together, you will have to contact the bank or mortgage company holding any outstanding mortgage on the property. The mortgage will now be your sole responsibility, but be sure to check if there was any mortgage insurance on the loan, which will take care of the payments upon the death of your spouse. You will also have to change the name on your home insurance. Your attorney will take care of registering the mortgage and ownership of the home in your name only with the necessary local government agencies.

## AUTOMOBILES

You will need to retitle the ownership of any automobiles owned by the deceased. Contact your state motor vehicle agency. Don't forget to change the name on your automobile insurance, too, if the policy was issued in the name of the deceased.

## FAMILY BUSINESS

If your family owns a closely held business, oftentimes this is the most valuable asset a family will have and the one that requires specialized professional advice on how to transfer someone's share of this business in the case of death. Insurance, gifting techniques and trusts can all be combined to establish a workable estate plan that includes a family-owned business. Spouse survivors should look for a shareholder's agreement, business insurance policies and shares. Upon death of a spouse, the surviving spouse should contact the attorney or financial advisors who may have set up business succession plans so that a smooth transfer with little or no interruption in the running of the business may then occur.

“If your family owns a closely held business, oftentimes this is the most valuable asset a family will have and the one that requires specialized professional advice on how to transfer someone’s share of this business in the case of death.”

### WORKING WITH PROFESSIONALS

After you find your spouse’s financial records, you will no doubt get offers from the financial companies you contact to help you manage these assets. Well-intentioned friends and relatives may also step forward to help with this task. The assets you inherit from someone who has passed away are finite in that these funds cannot be replaced if they are lost or mismanaged. For this reason, you should be sure that you make the proper decisions for financial management right from the beginning.

Here are some guidelines that may help you decide which professionals should be charged with the business of managing your spouse’s assets:

Determine what you can do on your own and where you need assistance. You will likely need the help of an attorney to administer your spouse’s estate. You will also rely on a tax preparer or accountant to help you put together financial records. While there may be some tasks you can do on your own, be aware of the limits of your own experience and your time, and don’t be afraid to ask for help if you need it.

The person who handles one task may not be the person to handle another. Just because you are satisfied with how a professional handled one aspect of your spouse’s estate does not mean that person is qualified to handle everything else. Seek out those with experience and knowledge in the tasks you need help in managing.

Time is on your side...take as much of it as you need. If you are feeling pressured to make a decision, take your time until you feel comfortable. Once you take care of creating a cash flow and establishing a temporary place for these funds, very few other financial decisions must be made immediately after a death.

Make sure your spouse’s advisors know that your needs and those of your surviving family members may not be the same as your spouse’s. You may have more or fewer assets to invest. You may have to pay for childcare arrangements and household tasks that your spouse had handled. Staying with the professionals who have taken care of your family up to this point may have its advantages. Just be sure to openly discuss your present situation and your goals. Then, use their knowledge of your family and weigh the trust your spouse placed in these people when deciding what your next course of action will be.

### TIER THREE

#### PLAN FOR YOUR FUTURE AND THAT OF YOUR CHILDREN

If administering an estate left you with one thought, it should be that the process would have gone smoothly if accurate and orderly records of assets and documents were kept in a readily accessible place. Also, you now realize the value of protecting your family and assets.

Be sure to give attention to the following:

- » Locate and organize your important documents and financial records...and tell someone where they can be found.
- » Update your will, beneficiary forms and any trust agreements. Arrange for guardianship of your children and of their assets, if something should happen to you.
- » If your spouse was the one who paid monthly bills, become familiar with who your creditors are and when they must be paid. This would include mortgage payments, utility companies, and homeowner and car insurance coverage. Be sure to look into any automatic debits from your checking account and determine if you still want to continue with these programs.
- » Were your insurance benefits provided through your spouse’s employer? Be sure to contact the human resources or benefits department to find out what you have to do to begin paying the premiums on your own. This is especially critical for health insurance, but be sure to inquire about dental, vision, life and long-term care insurance coverage.
- » Your life insurance needs may have changed, especially if you have children who depend on you. You will want to review your insurance to be sure you are adequately covered. Be sure to compare the insurance policy terms and prices from several vendors.

“Everyone’s life, and death, brings with it unique circumstances. Organization and prioritization are the keys to taking care of your present needs and making plans for what you will do in the future.”

#### START WITH A NEW FINANCIAL PLAN

Your life has changed, and with these changes you now have to formulate new goals and new ways to save and invest to meet these goals. I offer you a complimentary financial analysis on where you stand and how you may meet goals in the following areas:

- » **Net Worth Analysis.** This analysis takes inventory of assets and liabilities, determines current net worth, current structure of debt, and other items that impact your personal balance sheet to establish where you stand financially at any particular moment.
- » **Retirement Planning.** Whether you are retired or are anticipating a comfortable retirement, the Smith Barney Retirement Analysis will consider how much you have saved and how much you may need to save to provide adequate cash flow during your retirement years. Another analysis can help you determine tax-advantaged ways to take retirement plan distributions.
- » **Education Planning.** Will you still be able to provide your children or grandchildren with the education you envi-

sion? The Smith Barney Education Funding Analysis will evaluate your current investments and the projected cost of your children’s education. You will receive a report detailing how much you may need to save to meet your goals and in what types of accounts.

- » **Asset Allocation.** Your investment strategy will be based on your goals, risk tolerance and investment time horizon. Smith Barney’s Asset Allocation Analysis can provide an asset allocation recommendation and suggest portfolio adjustments based on the changes in your financial situation.
- » **Estate Planning.** One task of critical importance after the death of a spouse is to create a new estate plan for yourself and your children. The Smith Barney Estate Planning Analysis can help you set priorities for the use of your assets and develop strategies for reducing taxes and preserving your estate for your heirs.
- » **Insurance Planning.** Should today be that proverbial “rainy day,” will you, your family and your assets be protected?

I can customize an Insurance Analysis to help you determine your needs and create strategies for protecting your assets in the event of death, disability or long-term care.

For those clients with larger estates, Smith Barney can offer the services of our Wealth Planning Centers. At these centers, trust and estate attorneys will work with you, myself and your tax and legal advisors to design an integrated plan tailored to your unique circumstances. These attorneys may also confer with a team of specialists in a variety of areas including lending trusts, insurance and philanthropy to help you accomplish your goals for estate planning and wealth transfer, business succession planning, charitable giving and liquidity.

#### FINAL THOUGHTS

Everyone’s life, and death, brings with it unique circumstances. Organization and prioritization are the keys to taking care of your present needs and making plans for what you will do in the future. Access the resources of one of the world’s most highly regarded financial institutions available to help ease the planning challenges that can arise during emotionally difficult times. ■

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# Ethical Will—Not the Only Way

If you feel strongly enough to commit your values to writing, why not discuss them with your family now?

» An ethical will is essentially a letter from you to your family that articulates your values and beliefs, relates the life lessons you hope to pass on and spells out your aspirations for your family. In theory, writing an ethical will sounds beneficial and fulfilling—and the fact that more clients are asking about it reflects the growing realization that one's legacy consists of much more than the tangible things we leave to our heirs. But in practice, ethical wills may represent a missed opportunity.

## ASSESSING EFFECTIVENESS

On one hand, writing an ethical will can be an extremely valuable exercise if your main purpose is self-exploration—in other words, if the exercise is primarily directed *inward*. Indeed, many proponents of ethical wills emphasize the opportunity they afford to learn about ourselves, reflect on our lives and reevaluate what is important to us.

If your purpose, however, is to perpetuate your values or beliefs—largely an *outward*-looking enterprise—then an ethical will might disappoint. When the document is read just before or after a death, the views expressed can seem like a parental decree. Some family members

“A family mission statement can be a much more effective alternative to an ethical will.”

may even be tempted to wonder why, if it was so important for the author to say these things, he or she didn't share them while still alive.

## TOP-DOWN TONE

To take it one step further, an ethical will's effectiveness can be dubious even when it's circulated during a writer's life—unless it is part of another process that invites communal discussion and contributions. Ethical wills, by their very nature, speak with a single voice, so it's hard to avoid the impression that the author is trying to impose his or her values, instilling them from the top down rather than helping them take root from the bottom up.

Let's look at a real-life example of a wealthy family that discovered this while creating a mission statement for their business. The mission statement was created in the executive suite and pushed down into the employee ranks. In short, it never took—and the family quickly learned that their employees needed to feel a sense of ownership, or the mission statement would never resonate.

When the senior family members decided it would be worthwhile to create a *family* mission statement, they made the process as inclusive as possible. Every family member participated fully, weighing in on questions like what they valued deeply and what they hoped to accomplish as a family. This process sparked a rich and deeply rewarding series of intergenerational conversations.

## AN ALTERNATIVE SOLUTION

This family's experience not only is instructive; it illustrates that a family mission statement can be a much more effective alternative to an ethical will. At times, communal conversations about family values and goals are daunting at the outset, making a simple letter seem like an easier option. But it is these very conversations that can enhance a legacy more than any letter from the grave ever will. As your Financial Advisor, I can help you access the resources you'll need to get these conversations started in a way that feels right for everyone. ■

# Smart Strategies for Investing in Any Market

## Be Better Prepared to Preserve and Protect Your Portfolio

Headline news frequently highlights how quickly the financial markets can change. For some investors, this news precipitates a degree of uncertainty about the future, and possibly prompts them to look for a more conservative approach to help them preserve and protect their investments.

» Investors are least likely to be permanently affected by current volatility if they keep their wits about them, as past experience has shown. Also, by adhering to a long-term investment strategy, they could be in a better position to benefit when the market recovers.

Meanwhile, here are some investment strategies that—when carefully applied—could help better prepare investors to respond to any major economic and investment trends that may affect portfolio performance.

- Periodically fine-tune the portfolio's asset allocation.
- Review equity positions.

- Take advantage of convertible securities.
- Consider the guaranteed income, tax benefits and death benefit guarantees of variable annuities.
- Rebalance the portfolio with fixed-income opportunities.
- Consider alternatives to cash.
- Set investment horizons globally.
- Establish a regular investment program, such as dollar cost averaging.

### SOME HELPFUL REMINDERS

- Now is not the time to ignore or abandon investment portfolios.

- The longer the time horizon, the less investors should be concerned about short-term market fluctuations.
- A diversified portfolio held for longer-time increments may help reduce the risk of losing money.

These strategies can work smartly to help cautious investors potentially take advantage of the changing financial marketplace. ■

Past performance is not a guarantee of future results. Diversification does not ensure against loss.

Dollar cost averaging does not guarantee a profit or protect against loss. Investors should consider their ability to sustain investments during periods of market downturns.

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