Investor's Edge

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Planning for modern families

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There is a need for fresh thinking when it comes to wealth planning and preserving family legacy.

As family structures have changed, so have the ways in which families build and grow wealth over lifetimes and generations. When you hear the phrase "modern family," your first thought might be of the TV show bearing that name. The family portrait it presents—including second marriages, same-sex marriages, adopted children and half-siblings—is closer to today's reality than the old notion of a "traditional family" composed of a mother, a father and 2.2 kids. According to U.S. Census Bureau data, half of Americans identify as being outside of a traditional, nuclear household.

Rethinking the vertical transfer

A convergence of demographic trends—including increased longevity, higher divorce rates, delayed and childless marriages, same-sex marriages, staying single by choice and multinational unions—has thrown a wrench into the traditional pattern of wealth transfer, from grandparents and parents straight down to children and grandchildren.

Today's modern families, and the professionals who advise them, also need to plan for complex dynamics yet to come. Future children and grandchildren, divorces and remarriages, step-children and step-grandchildren, or a beneficiary's untimely death or unforeseen disabilities can all further complicate an already nuanced estate plan.

It's also critical for single, childless individuals, who are growing both in number and influence, to think carefully about how they transfer the wealth they've accrued during their lifetimes. Single adult women now outnumber married women in the U.S., and they are inheriting and attaining wealth at unprecedented levels. For this group and all the many kinds of modern families, having assets properly titled with beneficiary designations, having a will and having a health care directive are important first steps.

Thinking beyond basic wills

But again, basic first steps are not always sufficient to address the needs of today's families. Now, estate planning requires input from more individuals, who often have diverging needs and expectations. It may also require more than a simple will. The structure of so many of today's families is so complex that they would likely benefit from a detailed estate plan to control and protect the disposition of their wealth.

In many cases, the degree of complexity is so high that adding a professional trustee to the mix is the best way to help

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bring confidence to the plan and reduce family discord. A trustee is a neutral individual who likely has years of experience managing a range of family financial matters—and he or she has the legal and tax knowledge required to guide important decisions. As a professional fiduciary, this person can also ensure assets are managed in line with the highest investment standards.

Planning strategies for the modern family

While my colleagues and I are seeing a degree of focus on estate planning and preparing the next generation for inherited wealth, research makes it clear that the majority of families are falling short. Only 26 percent of high-net-worth individuals in a recent survey say they have a full wealth transfer strategy in place, with a surprising 32 percent of respondents admitting they have done nothing yet to prepare.

So what can families do to succeed in this new era of estate planning? For one, they can take measures to prepare the next generation to receive wealth. Beneficiary education has proven to be a crucial step in sustaining family wealth, and the earlier it happens, the better. This doesn't have to be a formal process—just talking about day-to-day saving and budgeting can go a long way toward getting younger generations into a wealth succession mindset.

More forward-thinking families can also engage the next generation at an earlier age by involving them in financial matters that tie directly to core values, including charitable giving decisions. This enables loving parents and grandparents like you to use gifting as an opportunity to share the family's vision, priorities and intentions. Instilling an early sense of family stewardship can be an excellent way to spark further conversations about wealth and related responsibilities.

Lastly, families must also grapple with some tough, potentially unpleasant decisions. Parents and grandparents (especially in blended family scenarios) must decide how wealth will be transferred among heirs—typically this is done on an equal basis, but sometimes family heads will base these decisions on the individual needs of the inheritors. As lifespans continue to lengthen, older family members might also ask themselves if they can begin wealth transfers while they are alive or if they'll need to preserve those funds for health care and other living expenses.

Looking ahead

Beyond financial education, sustaining wealth for future generations requires careful planning and the ongoing "care and feeding" of a comprehensive wealth management and transfer plan. It requires that families sit down and talk openly about the good and the bad, the opportunities and the risks. Again, with so many diverse parties and potentially competing interests inherent in today's modern family structure, it's often the best idea to engage and retain an estate specialist who can facilitate discussion and help establish a comprehensive plan designed to ensure that the family legacy endures for many generations to come.

In the end, while family structures have changed dramatically, their overarching financial goals have largely stayed the same: accumulating wealth, funding your lifestyle today and tomorrow, protecting wealth, leaving a lasting legacy and sharing wealth with others. Effective estate planning that takes into account all the latest definitions and iterations of family can help individuals achieve just that even if their beneficiary designations look a bit different from generations past.

To learn more about wealth transfer issues, and to find out about what resources are available to you, including access to a professional trustee, please connect with your advisor.

6 ways your company benefits from equipment leasing

You've heard the adage: You have to spend money to make money. Equipment leasing turns that around with financing that can save you money and give you more flexibility while keeping your business on the cutting edge.

> "Most people think of leasing big-ticket items like million-dollar construction or medical equipment," said John F. Unchester of First American Equipment Finance, a City National Bank-owned equipment leasing company. "But you can lease just about anything your business needs."

Maybe you need more trucks to deliver your goods to clients. Perhaps your older computer equipment needs to be replaced with faster laptops and more networking equipment. Have you moved or expanded? You can lease your new office furniture. You can even finally replace that buggy software with a newer version that would enhance productivity.

Consider these six equipment-leasing benefits before writing a big check

Save capital

Let's face it, most of us don't have extra cash reserves. If we do, there are plenty of other ways to use it, like hiring new employees or expanding a facility. Avoid the sinkhole of obsolescence: Should you pay $1 million in cash for technology that will change in two years? At the end of a lease, you can return the equipment and get something more advanced, or buy the equipment if you choose.

Remain flexible

A purchase commits you to one particular technology or business strategy. This is especially relevant for purchases that involve your core business offerings. While you might be able to live with aging printers or copiers, if you're a health care company that invested in machines for therapy protocols that are no longer in demand, your business could be at stake. Leasing that technology lets you adapt as your industry evolves.

Reduce your tax liability

If a lease is structured correctly, you may be able to expense 100 percent of the payment. On a conventional loan, only interest is deductible. Consider the financing options, but a lease might bring tax advantages, according to Unchester.

Shift a capital expense to an operating expense

As the year progresses, many companies find their capital budgets bursting at the seams. And yet needs and opportunities arise with little regard for those seams. As Unchester puts it: A lease gives you a way to get the equipment you need without blowing up your budget.

Gain predictability

Some investments—like complex technology implementations—involve unpredictable costs. A lease gives you fixed, predictable monthly payments that are spread out over time. This means fewer surprises and better cash flow overall.

Find the right financing partner

While price is important, Unchester advises business owners to look beyond price. "You want to work with someone who can get the deal done," said Unchester. "If you go with someone who promises the best rate but can't close the deal, you've wasted your time. And time is money."

- Unchester recommends working with the bank directly and not with an intermediary like a broker: "Brokers don't have the capacity to execute the lease."
- Look for transparency and clarity. All terms and fees should be in writing. If something isn't clear about the contract, speak up.
- Unchester also recommends looking toward the future. "Will you need credit, a mortgage, treasury or other banking services? Can this institution bring value beyond this deal?"

For more information, contact your RBC Wealth Management financial advisor for a referral to City National Bank.

Make this the summer you invest in you

From family vacations to backyard makeovers to finally buying that new boat—there's no time like summertime for investing in experiences that will become lifelong memories. And we're here to help you turn dreams into realities.

While the days are longer, the summer months are fleeting. Make this the year you enjoy the financial freedom to dream big.

A securities-based loan through RBC Wealth Management is a smart way to enjoy today, without jeopardizing tomorrow. By using your securities as loan collateral to borrow money, you can get same-day access to cash at competitive rates with flexible repayment terms. All while avoiding potential tax liabilities from selling your portfolio assets, the burden of credit card debt or the high interest of a bank loan.

Securities-based lending is also a great way for you to be able to help out on the big things in life like family weddings, grandchildren heading off to college or the down payment on a new home.

Securities-based lending from RBC Wealth Management offers:

- **No fees —** You won't pay any fees to open, maintain or cancel a securities-based lending account
- **Low rates —** Lending is typically offered at a lower interest rate than many banks offer
- **Flexible repayment plan —** Each month, your only obligation is to pay the interest due; pay back the loan principal on your own terms
- **Convenience —** Monitor your balance, make a payment or request a draw amount from anywhere with easy and secure online access

While securities-based lending can be advantageous, it does carry some risk. Specifically, since a loan is secured by the value of securities pledged as collateral, your account must maintain a minimum lending value. If your account value falls below the minimum, you will need to immediately deposit additional cash or securities. However, you will not be taken by surprise by the need to replenish your account before it dips into "danger" territory. You will receive notice, so that you will have time to take action.

It's easy to apply for securities-based lending. Simply talk to your financial advisor to help you determine your ability to make interest payments and to recommend strategies for repaying the loan principal. Then, you just complete a short online application and enjoy a life well-planned.

Contact your RBC Wealth Management financial advisor to learn more.

Securities-based loans involve special risks and are not suitable for everyone. You should review the provisions of any agreement and related disclosures, and consult with your own independent tax and legal advisors about any questions you have prior to using securities-based loans or lines of credit. Additional restrictions may apply.

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Planning for the unexpected

Despite the many unknowns about potential care needs in the future, the proactive choices that you make today can protect your health and wealth.

Protect all that you’ve worked for

Health and wealth intersect in retirement. Americans are concerned about the rising cost of health care, with many people wondering how they will pay potential unexpected expenses—such as a sudden health care issue—that may undermine their financial plan. In fact, one of the largest spending shocks facing a retired household is the need for ongoing long-term care.

Long-term care insurance provides benefits to cover costs associated with nursing home care, assisted living facilities and home health care. It provides relief for those expenses, so as not to burden family members or jeopardize your retirement savings.

The financial impact of memory decline and dementia

Memory decline and dementia-related diseases are leading causes for needing long-term care. Because age is the primary risk factor with dementia, Baby Boomers—with the first wave now in their early 70s—are a driving force behind this trend.

The family caregiver

Note that a dementia diagnosis doesn’t just affect those with the disease; it affects everyone who loves and cares for them.

The bulk of long-term care is handled by family: 75% of caregivers are female family members,[1] with 60% rating the emotional stress of caregiving as high or very high.[2] In addition, the majority of caregivers have full-time jobs, yet need to go in late, leave early or take time off to care for a family member.

Long-term care

As you grow older, the potential for experiencing a long-term care event becomes increasingly likely. With nursing home stays averaging two-and-a-half years and costs outpacing inflation, long-term care insurance should be part of your overall plan. Preparing for this possibility means addressing the following:

1. Incapacity — Document your wishes in an advanced health care directive to offer guidance for your family

2. Funding — Understand your options and build a plan that addresses the costs of care

3. Adaptability — Build flexibility into your plan and be ready to adjust as independence and overall health change over time

The real cost of care

Dementia is the most expensive disease in the United States because patients need constant care and supervision. It can also lead to financial missteps—and make people with dementia targets of fraud and abuse.

Information in this article is leveraged from the RBC Wealth Management Rewriting Retirement thought leadership white paper. For more on this topic and to view the full publication, please connect with your financial advisor.

[1] Institute on Aging, ioaging.com, accessed 2018.

[2] Alzheimer’s Disease Caregivers Factsheet, Alzheimer’s Association, 2018.

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