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WEALTH MANAGEMENT

PRESS RELEASE

Top five estate planning mistakes made by high net worth individuals

Vancouver, Canada — **June 4, 2013** — Having a sound estate plan is one of the most important things you can do for your family, yet approximately 40 per cent of high net worth families fall short in their estate planning efforts, say financial advisors at Nicola Wealth Management, an investment counsel firm in Vancouver that caters to high net worth business owners and entrepreneurs.

Many affluent investors avoid the subject of estate planning because it touches on uncomfortable issues - mortality and making sure loved ones are taken care of. Nicola Wealth's advisors say high net worth individuals owe it to themselves and their families to regularly review their estate plans and to avoid canned solutions that don't fit their individual needs.

Individuals and families with significant assets face a variety of wealth-related issues that typically require professional advice and assistance in order to implement effective estate strategies for each family's specific situation.

"What's most surprising when I meet new clients is that they don't have the basics of estate planning necessary for their net worth," said Nicola Wealth Management's president David Sung. "Affluent investors tend to be savvy and successful, but they may have a big blind spot when it comes to estate planning.

"Whether it's indifference, outdated advice, or a combination of both, one thing is common among many high net worth individuals: they face a variety of wealth-related issues that require ongoing and updated professional advice, and they aren't getting it."

No two family scenarios are the same, and this is especially true when it comes to wealthy families with a high net worth, Sung explained. As more money is involved, more risk and complexity usually come along with it.

Nicola Wealth Management has been helping individuals and families with estate, succession and legacy planning since 1994 and has identified five common estate planning mistakes that many high net worth families make:

1. **Many clients have outdated wills that are no longer valid.** They don't realize that they need to review their wills at least every five years or whenever there's a major life change in their family with themselves or children. These life changes include: marriage, divorce, birth, death, and a major purchase or sale. It's important to monitor your plan and make the necessary changes as your life circumstances change.

2. **Having advisors work on an estate plan independently rather than employing a more holistic approach**. Often, a client will have various advisors each working on the estate plan in isolation. While each advisor is likely competent and trusted, it isn't necessarily ideal. The most effective estate planning involves a team of advisors with wealth management expertise working together and sharing their knowledge of your situation to develop the plan that works best for your family and your legacy. This team may include advisors such as an investment counselor or financial advisor, lawyer, accountant, insurance specialist, or in the case of business owners, other applicable business succession advisors. Ideally these professionals will work together to develop a customized estate plan for you.

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3. **Giving very little thought to how to give money; all the effort is spent on who and how much.** Putting a plan together is not solely about how much money you want to give and to whom; it's also about how to develop and implement an effective plan in the event that something happens to you. If you're a high net worth individual, you'll likely require a will, holding company, family trust planning, insurance, private business succession planning (if self-employed), wealth transfer strategies, tax reduction advice, and planned giving strategies.

4. **Under-utilizing testamentary trusts as a planning strategy**. A testamentary trust literally means "a trust in a will" and is a legal arrangement made in advance with the trustor to oversee assets at their death. Testamentary trusts offer significant opportunities for income tax savings[1]. Typically the trustee is given complete freedom to sprinkle the income and capital of the trust among any one or more of the beneficiaries as he or she thinks fit.

   However, even the most sophisticated investors may not fully understand the complex and time-consuming demands placed on a trustee, who is charged with carrying out the directives of the trust. Responsibilities can include investing trust assets, filing tax returns, and distributing trust assets to beneficiaries — usually a surviving spouse and adult children.

   "It appears most investors prefer asking a family member to carry out their wishes, and may perceive relatives as more dedicated and compassionate," said Sung. "Unfortunately, family members are not always competent to carry out the duties of trustee, and their decisions can be swayed by family dynamics. In many circumstances, having arm's length financial advice can be useful."

5. **Not involving family members early and often in the planning process**. With most families, there is a lack of communication around estate planning with the potential heirs. This can wreak havoc later when it's time to divide and allocate the assets. Communicating with and involving family members early leaves less of a chance that your well-meaning wishes are not left misunderstood, reducing the chances of survivors arguing with each other over what they "thought" you wanted versus what you tell them you want.

Be aware of estate planning opportunities and avoid common estate planning mistakes. If you're wealthy, seek credible professional advice from experts that specialize in wealth management and estate planning.

About Nicola Wealth Management
Established in 1994, Nicola Wealth Management (www.nicolawealth.com) is Canada's fastest growing asset fund management and private investment counsel firm (Investor Economics, 2011) with $2.1-billion in assets under management. The firm provides wealth accumulation, retirement and legacy planning services and expertise to high net worth individuals, institutions, and foundations across Canada. NWM's team of experienced advisors and support staff offer one of the best advisor-to-client ratios in the industry.

Note to Editors: To download David Sung's photo, please visit the Media Room here.

- 30 -

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1 As of May 2013, the Federal government is currently looking at the tax treatment of testamentary trusts and whether graduated taxes on them should be eliminated. A consultation paper is due to come out soon.