

# WEALTH, TAXES, AND GARDENING — GET WHAT YOU PAY FOR



TRUXTON TRUST  
A PRIVATE BANK



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There has been much excitement over the last decade for pursuing a low cost or no cost wealth management strategy. It suggests that there is no value to wealth advisors, or more to the point, that wealth management can be a DIY (“do-it-yourself”) project. Look on the web or get an app on your phone and it’s just as good as paying for professional advice and investment management. How can you lose? Look at what the S&P has done over the last decade.

The brokerage and mutual fund outfits supporting this idea cite data noting that their funds pursuing this style outperform the average actively managed portfolio year after year.

Yet, there are a coupla things wrong with this scheme. First, appreciate that nothing is free. Brokerage organizations are generating a profit on these passive accounts; it’s just not fully disclosed. In some cases, they are making serious money.

Second, investment performance over a fixed period hardly encompasses what you should expect from a holistic wealth management company like mine, Truxton Trust. At my firm, it starts with a thorough review of all your assets, liabilities, resources and constraints (including partnerships, trusts, real property, insurance policies, etc.). Then the Truxton team develops a total wealth plan for you and your family with a full understanding of your needs, desires and tolerance for risk. Finally, your wealth management squad “works the plan,” all day every day.

Working the plan includes building a diversified investment portfolio of attractively priced, liquid, durable investments, trading these assets when prudent to do so to strengthen the plan. Wealth management also includes decreasing asset concentrations to reduce your risk profile. Most wealthy families generate high concentrations in specific assets, often the source of their wealth. I am particularly sensitive to this issue since my family had nontrivial exposure to AIG which all but evaporated in 2008.

But my greatest appreciation for Truxton Trust wealth management comes from the tax efficiency of their program. Interest rates and share prices can

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move with little warning in a seemingly arbitrary way. Taxes are fixed, at least for a period of time. Nothing will make me (or my heirs) madder than if I failed to take advantage of a tax idea and was penalized accordingly. Taxes are hard dollar payments. One can excuse a miss on an investment since the future is unknowable. But taxes are known! Today! And while you are working to save a 1.25% fee on investment management, you are bleeding 5%, 10%, 20% or more in cold, hard cash by not managing your wealth to maximize what really matters - after-tax results.

This work is a constant thing. Every day, investment trades at Truxton Trust take into account your overall tax position, working to reduce your tax liabilities. Every little bit counts, particularly when compounded over years and decades. More importantly, the Truxton team has an ongoing, life-cycle perspective of your full wealth profile. Unlike an accountant or attorney who sees a portion of your financial picture once a year or once every several years, Truxton has regular, consistent communication with its clients and constantly monitors their situations to suggest the latest structures to enhance their families' after-tax wealth. Much of my extended family has taken advantage of this service with measurable results.

As an example, with Truxton's guidance, I recently set up a revocable trust, a Tennessee Community Property Trust, which gives the surviving spouse a full step-up in tax basis on all assets in the trust at the death of the first spouse. So, at the first spousal death, the decisions by the surviving spouse to sell assets are not clouded by the idea of paying abundant taxes. (When I'm gone, I want my bride to sell the house and all of rest. Get rid of it!)

Now, Truxton won't directly promote these tax efficiency savings. Everyone's tax situation and balance sheets are very different. Some clients have a much greater opportunity for tax savings than others and, in any given year, the opportunities for tax saving may not manifest themselves depending on market vagaries. Regardless, I am thrilled by the idea that these guys are always working every day to reduce my taxes. Irrespective of elections, interest rates, recessions, and the volatility of the S&P, I will pay taxes every year as will my children and grandchildren. Please leave no stone unturned in pursuit of limiting tax liabilities. Tax issues can be complex, dreary and even uncomfortable, but an indifferent strategy which ignores them, leaves you and your family indisputably poorer.

I liken holistic wealth management to gardening. I find gardening enormously tedious and boring. It's hard work. I know that I am not an expert and don't want to be. But, without question, the yield in a garden is much improved with consistent fertilizing, weeding and pruning coupled with the judicious application of various contrivances to limit vermin - moles, voles, birds of all kinds, chipmunks, rabbits, squirrels, deer, and hordes of insects and parasites. In the garden comprised of my family's wealth, the fertilizing, weeding and pruning equate to the investment management. The vermin are taxes. You know they are there. They're relentless and they're coming. You need a strong, experienced wealth management team to slow their advance.

Low cost or no cost wealth management isn't "management" at all. You get what you pay for. It's capitulation. It's avoidance of the hard work necessary to grow and maintain your wealth. Pay Truxton Trust to have your garden flourish and chase the vermin away. ■