Since 1913, Trust Point has assisted individuals, families, companies and organizations to preserve and grow their wealth with a wide range of comprehensive services.

Investment Management • Trust & Estate Services • Retirement Plan Services
Philanthropic Services • Wealth Management

Preserving & enhancing wealth, values & trust for over a century
Welcome to Trust Point Investment Management Magazine. This publication is created for our clients, our friends, individuals interested in the world of finance, and those who would like to learn more about Trust Point.

Trust Point is a privately owned, 102-year-old investment-management and trust company that serves clients nationwide. We have grown exponentially through word of mouth from satisfied clients and from the referrals of attorneys and advisors in other professional-service areas. For that reason we have deliberately chosen not to add to the world’s promotional noise with traditional mass-marketing campaigns.

After more than a century in business, however, we decided it was time to share our expertise with a broader base, and to showcase our exceptional company and staff in an informative and entertaining platform. We planned this magazine to offer valuable educational and financial content from the perspectives of our staff, as well as entertaining lifestyle pieces.

Here is an invitation to explore our history, our client philosophy, and our corporate culture. It is an opportunity for you to find out what makes us tick (the guts of who we are) and how we conduct business (what sets us apart).

Since our founding a century ago, we have operated by a simple philosophy: In doing what is best for our clients, we will be doing what is best for Trust Point.

That is not an empty slogan. It is embedded in our structure and our business practices. Trust Point is a completely independent institution. We are a fiduciary, which means we are held to a higher standard of integrity. We are not owned or controlled by a bank. We are fee-based. We do not sell insurance or any other products. We have no proprietary funds, no loads, and no shareholder pressure that would compete with the goal of doing what is best for our clients.

We earn long-term, trusted relationships with our clients by providing objective advice—advice delivered with genuine personal attention by a staff that is second to none. It is very unusual to find a team of credentialed, multi-disciplinary professionals all under one roof and at your service. Our clients can call upon staff members including Certified Public Accountants (CPAs), Chartered Financial Analysts (CFAs), Certified Financial Planners (CFPs), attorneys, market/investment strategists, researchers, tax strategists, and others. In addition, we work with our clients’ non-Trust Point advisors, not against them. We value and respect our clients, our staff, and the communities we serve. We strive every day to honor and deserve the reputation that we have worked so long to earn.

We hope you enjoy reading Trust Point Investment Management Magazine. We also invite you to visit our website, www.trustpointinc.com.

Enjoy,

Kent C. Handel
President & CEO

“In doing what is best for our clients, we will be doing what is best for Trust Point.”

CORE PRINCIPLES

Tailored Client Engagement • Specialized Expertise • Accountability & Attention
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REVOCABLE TRUSTS

SHOULD YOU USE A REVOCABLE TRUST (INSTEAD OF A WILL) TO PASS PROPERTY TO YOUR HEIRS?

A revocable trust, also referred to as a living trust, is an instrument used to manage your assets during your lifetime and at death. You are both the creator and the beneficiary of the trust (during your lifetime) and you are often the initial trustee, although Trust Point Inc., in its role as a professional corporate fiduciary, also acts as an initial trustee. A revocable trust may be amended or revoked. And as with a traditional will, you provide for the disposition of your assets at your death, either outright to your beneficiaries or in the trust for their benefit.

The use of revocable trusts has gained popularity as an alternative to traditional wills for a number of reasons. The most significant is that when assets are properly titled in the name of the trust, they are not subject to probate at your death. This can save a great deal of time and expense, since the formal probate process can be long and costly.

The trust continues after your death, which allows the trustee to accomplish the efficient administration of your intent as stated in your trust document. Trust Point Inc. often serves as a successor trustee because we are a professional corporate fiduciary with broad administrative and investment experience.

A revocable trust is especially useful if you own real estate in multiple states. By titling the real estate in the trust, you can avoid ancillary probate procedures affecting domestic property held outside your state of residency.

Another reason for the increasing use of revocable trusts is that they protect privacy. Probate files are a matter of public record, while the assets in a revocable trust are distributed without the need for any type of court approval. Revocable trusts also eliminate the need for a court-appointed guardian, should you become incapacitated.

The use of a revocable trust does not create any adverse consequences with regard to income taxes, estate taxes, or gift taxes. Likewise, there are no tax penalties for amending or completely revoking the trust. However, a revocable trust does not automatically create any income, estate or gift tax savings, either.

A revocable trust is typically paired with a pour-over will. This is a will that passes property not previously retitled at the time of your death into your revocable trust. Be aware that you may have to probate the assets passed into your trust by the pour-over will.

Revocable trusts are most often used by individuals. They sometimes are suitable for married couples, in the form of joint trusts, depending on state laws and circumstances.

In order to make a revocable trust work as you intend, it is imperative to properly retitle assets and coordinate beneficiary designations. Because the major benefit of establishing a revocable trust is to avoid probate, you must be sure to retitle the appropriate assets in the name of the trust. These assets typically include real estate, bank accounts, investment accounts, stocks, bonds, and closely held business interests. Many clients open an account with Trust Point Inc. as a way to retitle their investment assets.

Also remember to coordinate beneficiary designations with your overall estate plan. Non-probate assets—such as qualified retirement plans, IRAs, and life insurance—pass on to your heirs by beneficiary designations. It is important to coordinate the primary and secondary beneficiaries you name with the disposition you create in your revocable trust. This is also true if you use a traditional will.

Another item to review is the transfer-on-death or pay-on-death designations on your bank and investment accounts. If you do not remove these designations, they will control the disposition of those accounts. While the assets would avoid probate, you might not get the result you tried to achieve with the dispositive provisions of your revocable trust (or traditional will).

This article was written for educational purposes only. The information contained here-in is not, nor is it intended to be, legal, financial or tax advice. Legal, financial and tax advice is dependent upon the specific facts and circumstances of each unique situation. The information contained in this article should not replace the advice of competent legal counsel licensed in your state, a qualified financial planner or a tax practitioner licensed in your state.
Our Story

PRESERVING & ENHANCING WEALTH, VALUES & TRUST SINCE 1913

A RICH HISTORY

In the first decade of the 20th Century, there was no trust company within 80 miles of the city of La Crosse, Wisconsin. Individuals and business owners sorely needed help with administering their estates and managing their assets. In 1913 a handful of prominent individuals with ties to the banking industry responded to that need by collecting $50,000 in capital and founding the La Crosse Trust Company. La Crosse Trust (now Trust Point Inc.) received its charter from the Wisconsin State Banking Commission on July 1 of that year and established its offices in the old State Bank building at 311 Main Street in La Crosse. Lucius C. Coleman became the first president.

The founders envisioned an independent organization that could help families, businesses, and nonprofits manage their estates, grow and protect their assets, and invest for the long term. That vision of long-term success has been realized again and again over the past century. A local cemetery association, for example, set up a trust on Aug. 31, 1914, that continues to this day. Several La Crosse families have been clients for more than 90 years.

Independence is part of the organization’s DNA. When the Great Depression ravaged the country in the 1930s, the La Crosse Trust Company served as a safe haven. In March of 1933, when President Roosevelt declared a national bank holiday, La Crosse Trust remained open, giving its customers access to their funds. We are highly unusual in that we remain a completely independent institution, unlike most trust companies, which are typically owned and controlled by banks.

TRUST POINT BOARD OF DIRECTORS

Members of the board standing from left to right:
Kent C. Handel, Trust Point President & CEO, Richard C. Schmoker, JD, John T. McHugh, Mark T. Glendenning, Janet Stansfield Hess, Duane Ring, Jr.

Members of the board seated:
Stephen T. Heuslein (left), C. Daniel Gelatt, Chairman of the Board (right)

A PATTERN OF GROWTH

In the boom decades of the 1950s and 1960s, La Crosse Trust boomed as well, adding retirement and profit-sharing plans, tax planning, and investment management to our services. The company’s sterling reputation helped fuel even more growth in the 1980s, when we added the administration of 401(k) plans and IRAs to our offerings, and assets under management climbed above $100 million.
In the 1990s the company continued to expand by responding to another financial need in the region. Many smaller banks in Wisconsin, often in rural areas, had clients who needed trust services that the banks were unable to provide due to the large financial commitment and the special expertise required. La Crosse Trust designed a plan to provide trust services for those banks’ customers. Since we did not extend any kind of traditional banking services to the smaller banks’ customers, this became an amiable and mutually beneficial arrangement. Today there are 18 Trust Service Offering (TSO) locations at various banks.

The TSO venture led to our first name change. In August of 1990, to better reflect our growing geographic spread, our board changed the enterprise’s name to North Central Trust Company.

By 2001 assets under management reached $1 billion. In 2003 the company took two big steps to prepare for future growth: We opened a full-service office in Minneapolis, and we moved the La Crosse headquarters from our 90-year home on Main Street to a larger historic building in downtown. Five years later, our growing list of national clients, and occasional confusion with another trust company with “Northern” in its title, led us to change our name once again. In September of 2008, we became Trust Point Inc.

Trust Point currently has 35 shareholders, many of them descendants of the 1913 founders. Ownership and management philosophy have changed very little over time. The company has been led by only six additional presidents since Coleman first took the helm more than 100 years ago. Our current leader, Kent C. Handel, has been president & CEO since 2001.

Today Trust Point boasts more than $3.2 billion in assets. We have clients in 38 states and several foreign countries. We are one of the region’s oldest and largest independent trust companies, an exemplar of strength and discipline in the modern financial market.

Trust Point’s growth has provided the resources to build world-class investment capabilities, an industry-leading information-technology infrastructure, and an unusually well-qualified team of professionals to serve a broad range of client needs.

A WEALTH OF EXPERTISE

Among the group of 65 talented professionals at Trust Point are attorneys, CPAs, financial planners, investment managers, and estate planning specialists, most with many years of experience. Some have continued pursuing higher education, earning additional credentials such as Certified Trust Financial Advisor (CTFA), Chartered Financial Analyst (CFA®), Personal Financial Specialist (PFS), Certified Trust and Estate Planner (CTEP), Certified Financial Planner (CFP®), and more.

Photo courtesy of the La Crosse Public Library Archives

Minneapolis Office: Riverplace, 43 Main Street, S.E., Minneapolis, MN
Retirement Services Professional (CRSP) and Certified Employee Benefits Specialist (CEBS). On a regular basis, our staff members participate in educational and training programs to stay abreast of the latest changes on the financial, economic, and legislative scenes. Together, they bring to the table a phenomenal amount of expertise and resources, as well as a common desire to serve their clients' best interests.

COMMUNITY INVOLVEMENT

Community involvement and philanthropy have long been ingrained in the Trust Point corporate culture. Our company sponsors and supports many charities and service organizations. Trust Point’s clients also tend to be very philanthropic; therefore, we manage the assets of our clients’ family foundations, as well as the assets of approximately 120 other not-for-profits.

As individuals, Trust Point’s employees are very involved with numerous charities and community organizations. They volunteer and serve on many boards and committees. Trust Point’s people value the communities they live in. They understand that the services provided by not-for-profits in the region are vital to the quality of life we all enjoy.

COMMITMENT TO PERSONAL SERVICE

We are proud of our history, and we look forward to making the future enhancements and expansions necessary to meet the growing needs of our clients. But it is important to understand that from the beginning, we have been absolutely committed to personalized service. Every individual, every family, and every organization that becomes a Trust Point client is treated with personal care and attention. We do not believe we can do our job properly unless we understand and account for a client’s particular needs, values, and situation. We want to be in it for the long haul with our clients. And we understand that every day, our right to maintain such long-term relationships has to be earned.

Our mission —

To preserve and increase your wealth, in a manner that serves your values, now and for generations to come.
7 Personal-assistant apps to keep you organized

In the age where attention is demanded and stolen by the minute, staying on top of everything can be like trying to get through the line at Starbucks within 10 minutes at 6 a.m. Remembering to study for that bio test, running late to work for the fourth day in a row, and debating whether drinks will fit into your budget for both time and money: it all keeps you running on all 4 cylinders. To stay organized, the old stationery and planner just don’t cut the mustard. Fortunately, this age of instant gratification also means there is an app to solve any and all logistical messes. Here are eight apps that will help to streamline day-to-day activities and keep you on the straight and narrow.

**Coach.Me**
Coach.Me lets ambitious goal-setters thrive on nuggets of community-based motivation and support. Once you’ve identified your goals, you can set up the frequency of completion, like publishing at least one blog post or going for two runs per week. If you decide to make your goals public, users with the same goals can see what you’re working on and give you ‘props’ on your progress, and returning the favor is just as easy. While the app is free, there is an option for one-on-one coaching from a live person for $14.99/week. These coaches are experienced in their niches and are available all through the week.

Android: Free • iOS: Free

**TimR**
TimR is a mobile tracking device that is great for users who want to monitor their productivity. Students can track how long they’ve been studying or see how long it takes to complete a project. TimR runs in the background and helps you breakdown where your limited time is going. With that information, you can make changes to your schedule to increase your efficiency. TimR includes a free 3-day trial; after that, it’s $11.80 a month.

Android: $11.80/month • iOS: $11.80/month • Windows: $11.80/month

**Timeful**
Timeful is like a supportive life coach—but without the cost for a weekly session. Each day, the app suggests healthy options to add to your schedule like reading, exercising and stretching to keep you mentally and physically sharp. The app also focuses on keeping the user engaged by setting up times for him or her to plan out their subsequent days. The app’s drag and drop feature makes rearranging to-do lists easy.

Android: Free • iOS: Free

**EasilyDo**
Have your own personal assistant with EasilyDo. This app syncs your calendars, social media accounts, and email accounts to give you access to all of your tools in one location. Start by signing up via Facebook or Gmail and EasilyDo will pull your data from there. On the app, you will be notified of things like birthdays, will have access to your boarding pass, and can even track packages. The basic version is free, but for those who’d like to remove the ads or use the bulk merge option, it costs $4.99 per month or $49.99 annually.

Android: Free • iOS: Free

**Evernote**
Let’s face it; group projects are the worst. Trying to collaborate with other students can be a logistical nightmare, especially when it comes to putting all of the information together. Evernote gives you the ability to record your notes, thoughts, photos and anything in between to the cloud. The Work Chat feature allows you to real-time message the group you’re working with so that you’re all on the same page. Evernote has 3 tiers: Free, Premium: $5/month, and Business: $10/month/user.

iOS: Free

**Taasky**
With Taasky, you can categorize tasks by home, work, friends and shopping lists. The app allows you to prioritize tasks using stars, but more importantly, it also gives you progress reports, providing a breakdown of the percentage of task completion. Through these breakdowns, Taasky can figure out which day of the week is your most productive.

iOS: $1.99

**Any.Do**
If the thrill of crossing off items on your to-do list is what makes the pen and paper appealing, Any.Do has not overlooked that. The digital to-do list that remains in your pocket at all times features the favored ability to cross out items once you complete them, and allows you to sort based on long-term and short-term. The free version will take care of all of your productivity needs, but for those who want to create customized recurring tasks or location based reminders, the price is $5 per month or $45 per year.

Android: Free • iOS: Free
There are times in all our lives when we actively look for professional advice. Typically the search comes as we begin to make larger life decisions, like planning for our children’s education, purchasing our first home, considering a career change, or preparing for retirement. All of those are financial decisions, but they also involve personal goals and our personal philosophies around money. What is your view of money? Are your finances there to help you live life to the fullest each day, or to build a charitable bequest, or support your children now and in the future? These are just examples of the philosophies around your money habits.

When looking for a financial advisor you need to ask yourself what services are most important to you and what type of advisor you need to meet your goals. Advisors come in many different forms, and their areas of expertise vary: investments, estate and tax planning, accounting, legal services, insurance, and others. Some advisors strictly manage your money. Some promise to help you with specific financial goals by offering products and services related to those goals.

It is important when looking for an advisor to consider both your personal goals and your financial picture. The best advisor will help you develop a plan in a way that clarifies the choices you need to make and shows how those choices will achieve the overall objective.

Here are 10 questions to pose as you try to find the right fit:

1. **What licenses, credentials, or other certifications do you have?**

   If you want comprehensive planning, look for a Certified Financial Planner (CFP) or a Chartered Financial Consultant (ChFC). Those designations require testing and are good indicators of a professional who can provide broad-based planning services. If you have higher income or are a small-business owner, you probably want a Certified Public Accountant (CPA), who can offer you advanced tax planning. The Personal Financial Specialist (PFS) certification is another designation often obtained by CPAs who help clients with comprehensive financial planning. At Trust Point we offer a team approach for our clients, including a variety of services by staff with credentials including CFP®, CPA, CFA®, CTFA, and JD.

2. **Are you a fiduciary?**

   A fiduciary is a person (or entity) legally obligated to place the client’s interest ahead of his or her own. Fiduciaries also must disclose their fees, how they’re compensated, and any other information related to potential conflicts of interest that might influence an individual’s decision to use their services. In contrast, non-fiduciary financial advisors might receive a sales commission for selling you a particular investment regardless of whether it is the best option for you. And they won’t necessarily disclose the commissions they receive for serving interests other than yours. Trust Point is a fiduciary. We do not sell any products, and we do not participate in revenue sharing agreements. The focus is strictly on finding the best solution for our clients.

3. **How do you charge for your services, and how much do you charge?**

   If you don’t see this information on the planner’s web site, ask if there is an initial planning fee, if they charge a percentage for assets under management, and if they make money from selling you a specific product. This way you find out how much the service will cost you, and you also learn whether
the advisor has an incentive to sell you particular types of products. At Trust Point, clients receive a complete fee schedule which is explained clearly at the beginning of the relationship, before the account is opened. We explain that we do not sell any products, do not participate in revenue sharing arrangements and do not receive commissions for the funds we offer and recommend to our clients. Our fees are primarily based on assets under management.

4. **What services does your company provide?**

Again, some firms provide only money-management services. Others offer comprehensive financial planning around retirement, insurance, estate planning, and tax planning. Choose an advisor whose services meet your personal goals and financial objectives. If you are looking for comprehensive services, make sure that the firm can offer everything you need and that, if necessary, it can work with outside attorneys, accountants, and brokers to ensure that your goals are achieved.

5. **What types of clients do you specialize in?**

Financial advisors tend to build their client base on customers much like themselves. They focus on a primary group, such as small-business owners, farmers, growing families, or people with specific financial needs, such as estate settlement or retirement planning. Make sure that the advisor’s focus meets your needs and that the expertise matches your personal goals. At Trust Point we focus on clients looking for objective advice and good client service with a personal touch.

6. **Will you give me a sample financial plan and account statement?**

There is no single, set structure for financial advising or planning, which means there is wide variation in the industry. A sample plan and statement allow you to discuss the advisor’s approach, see the end product, and ask questions about the process. For instance, how are you going to receive information about what’s going on? This also gives you the opportunity to see how an advisor responds to client questions and interacts with you personally.

7. **What is your investment approach?**

This is an issue especially if you have a strong preference for a particular investment philosophy. For instance, if you prefer to use low-cost funds, you can ask whether the advisor plans to use actively managed funds or passive investments. You want an advisor who is listening to you and who seeks to understand your preferences and your risk tolerance. The best advisors also want to understand your personal goals before they try to help you shape investment objectives to meet those goals.

8. **How much contact do you have with your clients?**

Some advisors meet to establish the initial plan, then follow up annually. Others are looking for more input from the client as they develop your financial plan and might want to talk quarterly or monthly. The need for contact can vary depending on the goals you are pursuing. If you are selling a business or beginning to plan for retirement, you may have more frequent discussions as the date of those events approach. A recent J.D. Power & Associates survey found that investors contacted 12 or more times a year had the highest rates of satisfaction with their advisors.

9. **Will I be working only with you or with a team?**

Here again the “right” answer depends on your preference and what services you are looking for. Some companies have a team approach rather than an individual approach. Trust Point believes the best approach is what works best for the client. We provide a dedicated relationship manager who is supported by a larger team to service your account. As your financial picture develops and your personal goals are attained, we are equipped to be there to provide the additional financial service expertise you need.

10. **Did you ask me questions and seem interested in me?**

This last question actually is one you ask in your own mind after meeting with the candidate. Did the advisor talk most of the time or seek to learn more about you and your goals? It is important that the advisor ask questions and make an effort to get to know you. Good financial planning is about looking at clients’ individual circumstances, assessing their financial knowledge and risk tolerance, and helping them to develop a plan to achieve their personal goals. At Trust Point we believe in spending the time to truly know our clients so that we can help them establish realistic plans to achieve their personal goals.
Ever since Kate Middleton walked down the aisle at Westminster Abbey in 2011 for the wedding of the century, in her stunning wedding gown by Sarah Jane Burton of Alexander McQueen, the world’s most famous celebrities have paid homage to this much-loved designer by wearing and being photographed in iconic McQueen designs.

In the recent years, we’ve been treated to some super stylish looks as some of the world’s most beautiful celebrities have hit the red carpet in the best Alexander McQueen has to offer. Preening and posing as they sashay in front of the cameras, we have feasted our eyes on Cate Blanchett in a futuristic McQueen sequined dress, Beyoncé performing in a McQueen avant-garde waistcoat, Ashlee Simpson in a conservative but beautifully cut and tight-fitting McQueen strapless dress, Nicole Kidman in a pink and purple gown showing us you can easily combine these striking colors when you’re wearing the very best from this talented designer, Cameron Diaz and Liv Tyler in provocative satin dresses that scream sex appeal, and more recently Salma Hayek in a gorgeous brocade bustier ball gown with matching clutch at the 2015 Golden Globe Awards in Beverly Hills.

“I want to be the purveyor of a certain silhouette or a way of cutting, so that when I'm dead and gone people will know that the twenty-first century was started by Alexander McQueen.”
Lee Alexander McQueen was a British fashion designer who also worked as chief designer for Givenchy from 1996 to 2001, succeeding John Galliano. McQueen was well known for his shocking and controversial attitude and designs. He toned down these anti-establishment ideals when he joined Givenchy, but his designs were still instantly recognizable for their originality and outlandish creativity. McQueen is recognized as the designer who introduced the “bumster” low-rise jeans, as well as the skull design that we see so often on the scarves draped around the necks of many well-known celebrities.

Unfortunately, Lee Alexander McQueen could only see darkness and unhappiness in his personal life, and despite his success he was plagued with personal issues that he was unable to resolve. Lee McQueen committed suicide and passed away on 11 January 2010, nine days after the death of his own mother.

Alexander McQueen is Kate Middleton’s favorite designer. When Kate visited Australia in April 2014, she stepped off the plane in a blushing pink wool ensemble with a plunging neckline and softly pleated skirt. In May 2014, Kate arrived at the Blenheim War Memorial in the United Kingdom in a stunning Alexander McQueen sky blue peplum coat dress. At the Remembrance Sunday Service in London in November 2014, Kate arrived in a military-style black wool coat from Alexander McQueen with impressive wide lapels. Fashion commentators around the world admired the coat for its flare design and peplum hemline.

Lee Alexander McQueen will always be remembered for his contribution to the British fashion industry. You can’t help but admire his stunning designs, which have inspired fashion designers and style lovers all over the world. Sarah Burton, the creative director of Alexander McQueen, will continue to preserve and develop the legacy and designs that Lee McQueen cultivated until his unfortunate death in 2010.

The Victoria and Albert Museum in London celebrated Alexander McQueen in the exhibition “Alexander McQueen: Savage Beauty.” The event ran from March through August 2015. The museum had to release an extra 50,000 advance tickets to meet public demand. It was the first and largest retrospective of McQueen’s work to be presented in Europe.
Estate Planning

For Blended Families

Here’s the story of a lovely lady
Who was bringing up FOUR very lovely girls.

Here’s the story of a man named Kevin,
Who was busy with THREE kids of his own,

Till the one day when the lady met this fellow
And they knew it was much more than a hunch,
That this group must somehow form a family.
That’s the way we all became...

Involved in a much more complicated estate plan!

That’s not really how the story is supposed to end, right? I was the lady in this scenario, and Kevin is now my husband. Like other couples, when our relationship started we took long walks, went out to dinner and the movies, and had deep conversations. The furthest thing from our minds was how, if this relationship continued, we would set up our estate plan.

As things progressed, our discussions turned to the logistics of combining households, who would get to park in the garage, and what brand of toothpaste we would share. Estate planning didn’t seriously come up. We were happily married in the summer of 2014—two adults, seven children, and two dogs all living as a family that was actually larger than the Brady Bunch!

Then reality set in. As we were re-naming beneficiaries and combining our financial affairs, the complications of this second marriage started to emerge. We couldn’t delay the inevitable. We needed to have a difficult and uncomfortable conversation regarding our estate plan. We had to address questions such as what would go to the children of our first marriages; what, if anything, we would give to charity (would we agree?); and what would go to the surviving spouse upon the death of the other. While these issues were complicated and emotional, we knew we needed to plan before it was too late.

We had to consider some pretty scary scenarios. Say, for example, that Kevin passes away, leaving everything to me with the expectation that I will provide for his children and carry out his philanthropic wishes. Instead, suppose I get remarried, and I change my beneficiary designations so that all those assets, now my assets, will pass to my own four biological children at my death. Nothing would be left for Kevin’s kids. Other possibilities could be even grimmer, and they have to be considered in estate planning.

At Trust Point, we talk to many blended families to help provide advice and tools to plan good solutions and ease possible family conflicts. Here are some recommendations for estate planning if you are already in a second marriage, or even just thinking about it.

Where to Start

Good communication is key. Have an honest conversation with your new spouse about your existing finances, your goals for the future, and how you expect your assets to be distributed. If your children are adults, you may also want to include them in these discussions so that everyone knows what to expect. Consult with the estate-planning experts at Trust Point to discuss the special challenges that present themselves in second marriages. Like most people in this situation, you probably want to provide for your spouse’s needs, while ensuring that your children will retain part of the property or assets. Providing for everyone can get tricky.

One place we like to start with families who seek Trust Point’s expertise is to review any fiduciary designations you have made. This includes beneficiary information on insurance policies or retirement accounts, power-of-attorney (POA) designations, and healthcare directives. In
your estate planning, you should think holistically about insurance policies and retirement accounts. For example, you might want to provide a death benefit through a life insurance plan for your spouse, while allowing the rest of your estate to pass to your children.

It is important that you do not name minors on your beneficiary designations. Minors are not legally able to control assets, and a guardian may have to be appointed by the court to manage the assets until the minor turns 18.

A durable power of attorney lets you name a trusted individual to manage your financial affairs and legal decisions during your lifetime if you are not able. Similar to a POA, a healthcare directive allows you to name someone you trust to make decisions about your medical treatments when you are not capable yourself. An updated healthcare directive is always helpful for medical professionals in the event of an emergency. Reviewing your healthcare directive gives you a chance to talk with your new spouse about your feelings regarding end-of-life care, organ donation, and burial arrangements.

Surprisingly, we often meet with people who forget to change one or more of these designations—financial, legal, or medical—when they get divorced or remarried. Make sure that your accounts and plans are up-to-date and that everything matches your wishes. You don’t want to accidently leave money to an ex-spouse or present your new blended family with any other disagreeable surprises.

W H O S E  I S  W H O S E ?

You may come into a second marriage with individual assets, as opposed to owning everything as joint tenants with right of survivorship. Under the latter arrangement, the surviving spouse would have sole ownership of the assets at the passing of the first spouse. This would allow them to dispose of the property as they deem necessary, which could include selling a house, say, and leaving the proceeds only to their own biological children.

Given that lack of control, alternative property arrangements should be considered. This could be accomplished through a marital property arrangement that lists all significant assets and specifies which spouse has ownership of each. For example, if one spouse solely owned a house prior to marriage, that owner could set-up a life estate to allow the surviving spouse to use and maintain the property during the survivor’s lifetime. At the surviving spouse’s death, the property would pass to beneficiaries named by the other spouse—the one who originally owned the house.

Special considerations need to be made if you live in a community-property state, where most property is considered jointly held after marriage. There are exceptions to the rule so it is important to have these discussions. Identifying exceptions such as this are where the credentialed staff at Trust Point can really add value to your estate plan.
If there are family heirlooms or other specific items that you know you’d like to leave to your biological children, start putting together a list. Make sure those items are addressed in writing in your final estate plan. One of the biggest mistakes people in blended families make is failure to clearly identify any property that will be left to specific children. At Trust Point, we have encountered a number of situations where an estate has an item that has little to no financial value, but the family still has conflicting viewpoints of what happens to it. Disappointment and family tension arise when children don’t receive something they’re convinced their parent wanted them to have.

It is common in first marriages to leave everything outright to the surviving spouse. In a second marriage, the benefits and risks need to be weighed more carefully. On the plus side, outright distribution to the surviving spouse occurs under the estate-tax marital deduction, which defers any estate tax liability until the second spouse’s death. Outright distribution also provides the surviving spouse with free access to the funds, with no special oversight or reporting required.

On the other side of the coin, there are risks. If you die, your surviving spouse could get remarried again and give everything to the new spouse, leaving nothing to your children. Or the surviving spouse could spend the money in an extravagant, irresponsible way. Or everything could be eaten up by creditors of the surviving spouse.

**Special Tools for Special Cases**

It is important to learn about tools and techniques that can help you get where you want to go. One tool that may be suggested, given the risks associated with leaving property outright, is the use of a trust. Setting up a marital trust for the benefit of the surviving spouse will not only provide for the survivor but also will allow the deceased spouse to control where the property goes upon the surviving spouse’s death.

A marital trust provides for the surviving spouse by requiring mandatory distribution of income. Under some arrangements, discretionary principal also may be provided for the surviving spouse’s lifetime. Discretionary distributions are determined by the language in the document, but typically would include health, education, maintenance, and support of the surviving spouse.

The person or organization you name as trustee of this trust should be selected with care. The trustee must act in an objective manner to avoid future conflict. An independent fiduciary, such as Trust Point, may be a wise choice to help avoid family discord. Trusts do require some administrative time and costs, but the peace of mind they provide are well worth the expense.

You need an estate plan that fits you and your situation. At Trust Point, we understand the value of getting to know our clients and understand that each situation is different. Knowing a family’s values and goals allows us to create customized plans. Besides our credentialed staff, we also work in tandem with estate planning attorneys to ensure the plan works as it should.

After many long discussions Kevin and I finally have a plan in place. It was a lot of work, but we knew that if one of us passed, expecting the survivor and the children to “just work it out” was not a good plan. We now know that what we want to happen will actually happen. That will help ensure we all remain one big happy, blended bunch!

“You need an estate plan that fits you and your situation.”
The next great digital frontier is money.

No, not the vast troughs of venture capitalist cash that have elevated Silicon Valley into a gaudy empyrean of wealth, but the idea of money — the tenuous social contract that underwrites economic life in market societies.

Bitcoin — which debuted a mere six years ago under the aegis of a mysterious, and presumably pseudonymous, computer geek known as Satoshi Nakamoto — is a digital currency distinguished by its lack of a central bank to keep track of who owns what, making Bitcoin extremely secure. Instead, Bitcoin valuations and transactions are managed by a peer-to-peer computer network.

When people lend their computer’s processing power to the network, they also “mine coins.” The virtual coins thus earned can then be used like any other currency — to purchase goods and services from participating vendors, to hoard, to underwrite black market exchanges, or to fuel rampant investor speculation, which explains why Bitcoin is a big hit with the digiterati.

Silicon Valley investors are betting that Bitcoin’s technology will come to displace most routine financial transactions — from currency exchanges to legal contracts to stock trading — via a passel of coding functions known in the Bitcoin world as the blockchain. One recent Bitcoin startup, 21 Inc., pledges to take the shadowy, often extra-legal, subculture of Bitcoin trading into the mainstream.

But as Nathaniel Popper makes clear in his chronicle of the Bitcoin insurgency Digital Gold: Bitcoin and the Inside Story of the Misfits and Millionaires Trying to Reinvent Money, that virtual currency has a long way to go before it upends the old monetary order.

Ever since Nakamoto introduced the concept of a secure digital currency, Bitcoins have been catnip to libertarian ideologues and utopian anarchists. Because it’s accessed via a completely private key, Bitcoin is not only (in theory) a quantum leap forward in the security of digital money exchanges; it is also (in theory) a private medium of exchange, out of reach of meddling government regulators who have termed digital currencies the “Wild West of finance.”

Small wonder one of the earliest adopters of the currency was the online exchange for illicit drugs and other illegal entertainments, Silk Road. According to the FBI, the service was, at its peak, logging more than 7,000 daily transactions and earning more than $20,000 in daily commissions for its creator and operator, Ross Ulbricht. The Silk Road saga ended badly for Ulbricht, however, when American federal agents tracked him down. In February, he was convicted of seven charges, including money laundering and narcotics trafficking.

Over the course of Silk Road’s rise, Ulbricht had descended from his perch as a slacker-entrepreneur presiding over transgressive digital commerce into a Michael Corleone-grade study in paranoid sociopathy. By the time of his arrest, Ulbricht had allegedly put out six contracts to kill people associated with Silk Road. One was a vendor who attempted to blackmail Ulbricht; another, a recently arrested Silk Road collaborator whom Ulbricht feared would divulge information about users. No actual murders seem to have occurred, but Ulbricht’s handling of these virtual killings is nonetheless chilling; a seized computer diary entry concerning one of them simply reads: “got word that blackmailer was executed / created file upload script / started to fix problem with bond refunds over 3 months old.”

Likewise, a central exchange for Bitcoins, the online clearinghouse known as Mt. Gox, came to an inglorious end last year. The site’s Japan-based proprietor, a French national named Mark Karpeles, managed to have all the site’s reserves stolen out from under him before going bankrupt, with tens of thousands of clients losing Bitcoin accounts valued at more than $400 million.

Thanks to the resistance to any sort of public oversight, Bitcoins have proven notoriously unstable — prey to panics over adverse news events, speculative runs, and price meltdowns at a moment’s notice. A 2013 study found that 45 percent of exchanges like Mt. Gox had gone under. The new wave of Silicon Valley boosters assure skeptics that the currency will stabilize as more big-ticket players (like them) enter the Bitcoin market. The mainstreaming of the Bitcoin, however, looks like another libertarian boondoggle — not unlike the labor-soaking sharing economy or Alan Greenspan’s disastrous anti-regulatory tenure at the Federal Reserve. For the signature weaknesses of Bitcoins are nearly identical with those that already assail our conventional paper economy: the systemic vulnerability to unchecked speculative end-runs around regulation, the deep instability of debt-driven financial instruments, and the proliferation of bad actors, cheats, and market frauds. After all the cheerful rhetoric of market conquest that now attends the ready-for-primetime Bitcoin industry, Digital Gold reminds us of how rapidly the libertarian Valhalla degenerates into a capitalist Hell.
Succession Planning
FOR THE FAMILY-OWNED BUSINESS

John and Jane Smith are 60 years old. They own ABC Company, which they started 30 years ago. Now they would like to reduce their hours in the business. They have even begun to contemplate retirement.

John and Jane have three children. Two are active in the business, while one is employed elsewhere. John and Jane would like to keep the business in the family, if possible, while ensuring a secure retirement for themselves. They want to treat all of their children fairly in their estate plan.

The Smiths’ scenario is a fairly common one for family-owned businesses. The fact that they have started to discuss their goals and objectives puts them ahead of most family-business owners. Nevertheless, their work is only starting. They must consider a number of factors as they formulate and implement their succession plan.

Normally at this stage in the process, we at Trust Point meet with our clients to discuss appropriate strategies. By bringing a wealth of in-house expertise and knowledge to the table, we are able to advise clients on planning options that best fit their situation.

Consider exit strategies

While their goal is to keep the business in the family, the Smiths should step back and look at the situation realistically, then plan for contingencies. They need to consider whether any of the children have the qualifications and desire to take over the business, and who the ultimate decision-maker should be. They also should examine what the best exit strategy for the family would be from a financial point of view.

In addition to the idea of transferring the business to the children, John and Jane should consider other options, such as selling to an outside party or to a group of key employees. Every strategy has advantages and disadvantages. Developing a list of these factors will help the Smiths make informed, rational decisions as they develop their plan.

Tax Implications

If not planned properly, the transfer of ownership of a business can have negative income tax consequences. Losing 30%, 40% or more to taxes can severely impact the secure retirement that the Smiths desire. It is important to analyze each exit strategy, along with the type of transaction being utilized (outright sale, installment sale, part gift/part sale, etc) to obtain a tax efficient result.

Communicate

When developing a succession plan, communication with both family members and key employees is the surest way to avoid problems.

“By bringing a wealth of in-house expertise and knowledge to the table, we are able to advise clients on planning options that best fit their situation.”
down the road. John and Jane should meet with their children to discuss their goals, making sure that the reasoning behind the plan is clear. Discussing the plan with family members allows them to have their questions answered and concerns heard. It makes them feel that they had a say in the planning process. In a number of situations, Trust Point, as the family’s advisor, has assisted in the presentation and communication with the family and key employees. This helps provide an objective view to the succession plan.

Communication with key employees is also important. John and Jane may have employees who hope to take over the business and feel qualified to do so. These employees probably are integral to the business’ current and future success. Discussing the plan with them and hearing their concerns is likely to make the transition more successful.

Train and provide opportunities

Any succession plan that transfers ownership to family members or a group of key employees requires proper training and opportunities for the next generation of leadership. This takes time and careful thought. Ideally, the process should start at least five years before the anticipated transition date.

In the Smiths’ case, the children staying in the business need to be seen by the existing employees as having the authority to make decisions. The kids also need to develop the necessary leadership skills and qualities to carry on the business.

Coordinate with estate planning

One of the key issues John and Jane need to address is the transfer of assets to their children. With respect to the company, there are three basic options: 1) Transfer a third of the voting stock to each child. 2) Create non-voting stock to transfer to the child who isn’t involved in the business, and transfer voting stock to the other two. 3) Transfer liquid assets (now or at a later time) to the child not involved in the business.

The question John and Jane need to answer is, are they trying to treat their children fairly or to treat them equally? These are different concepts. If the goal is to treat the kids equally, voting stock should transfer to all three. If the goal is to treat them fairly, the last two options deserve some thought.

“The question John and Jane need to answer is, are they trying to treat their children fairly or to treat them equally? These are different concepts.”

The question of fairness vs. equality obviously has implications for the Smiths’ estate plan, as well. The estate plan needs to be coordinated with the succession plan for the business if fairness is to be achieved.

Consult with advisors

As the succession plan is being formulated, John and Jane need to bring their team of advisors into the planning process. Those advisors—attorneys, accountants, investment specialists, and maybe more—can serve as good sounding boards in addition to providing critical legal, financial, and tax advice about the succession plan. In more complicated scenarios, a formal succession-planning advisor might be brought in to coordinate the process.

No one knows what the future holds. If you own a family business, the biggest mistake you can make is failing to plan for its future. Proper planning forces you to identify and deal with issues that will arise when you’re not around. The process helps ensure that your goals for the business—and for your family—will be met.

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Before the Apple Watch was revealed, it was rumored to include several biometric sensors that could track the vital signs of the person wearing it. The first iteration of the device turned out to be disappointing in that it has only a heart rate monitor. But future generations will likely track our body temperature, glucose levels, tremors, oxygen, and hydration, helping patients stay out of the doctor’s waiting room.

This is just one of many promising ways in which Silicon Valley is poised to remake the monstrously inefficient health care industry. But can the tech industry stop the government from strangling its emerging ventures?

Take the Palo-Alto based company Theranos, founded in 2003 by Stanford University sophomore Elizabeth Holmes. It developed a new approach to phlebotomy that involves a simple finger prick. The company uses software to test a single drop of blood on the spot at prices that read like they’re written on the menu board above a deli counter: Checking cholesterol levels costs $2.99. A glucose-tolerance test runs $8.85. Looking for the presence of a cancer antigen sets customers back $14.31. Holmes, now 30, tells the story of a diabetic who recently had several tests performed by Theranos for $34 that otherwise would have cost the insurance company $876.

Clinical labs like Quest Diagnostics, which booked $7.1 billion in revenues last year, aren’t the only firms that need to watch out for Theranos. Patients don’t need to bother with insurance companies when a test costs just $2.99. Holmes, whose board of directors is packed with former high-profile government officials, is passionate about changing federal health laws to empower consumers. In February, Theranos scored a victory when the Department of Health and Human Services issued a new rule allowing patients in all 50 states to view their lab results without involving a doctor.

Other ventures aim to help patients make use of all this health data. Curious, a health technology firm cofounded by Linda Avey (who also helped start the personal genetics firm 23andme), will start beta testing a new platform in November that synthesizes genetic information (collected by 23andme), microbiomic profiles (collected by a startup called uBiome), personal traumas and life events that users will enter manually (such as a fight with a spouse), and (eventually) biometrics collected by wearables such as the Apple Watch. It will then analyze the information in a way that helps users determine what’s helping, causing, or exacerbating various ailments and conditions.

The company’s cofounder and Chief Technology Officer, Mitsu Hadeishi, compares Curious to other peer-to-peer tech companies like Airbnb and Uber because customers will “anecdotally share things” with each other and the software will utilize its network to “look at patterns on a larger scale.” As an example, Hadeishi cites reports that eating the root black cohosh helps mitigate hot flashes. Through Curious, users could track the treatment’s effectiveness and share their experiences with other users. If black cohosh helps some participants and not others, the software would look at other aspects of their health profiles that might explain the difference. “It’s not just people randomly saying things on message boards,” says Hadeishi.
Ultimately, clinical studies will be necessary to establish links between treatments and outcomes, and Hadeishi sees Curious’ software in part as a “hypothesis generation source.” In the past, clinicians could come up with broad theories about what works simply by observing their patients, but in the future, doctors need to develop treatments tailored to subsets of patients based on their unique physiologies, so patterns are harder to detect. Tools like Curious’ software could help scientists develop testable ideas.

Medicine is, in part, about solving mysteries, and eventually Curious’ software (or similar products by other tech firms) could be much more effective at diagnosing problems than high-priced specialists. Yet Curious, like any company seeking to enter this space, has to look out for the Food and Drug Administration (FDA). Companies don’t need the agency’s approval to market products that track and share raw information on patients, but they get into trouble with the FDA when they try and make “predictive claims,” says Paul Howard, the director of the Manhattan Institute’s Center for Medical Progress. Last November, the agency forced 23andme to pull its $99 personal genome test off the market for giving customers too much information about the implications of their test results.

Curious is walking a fine line in this regard, and the FDA could force the company to submit to an expensive approval process that would likely put it out of business. (Curious has raised about $900,000 in seed funding to date.) But Hadeishi says he’s fairly confident that his product won’t require FDA approval, and he’s been in touch with staffers in the office of the U.S. Chief Technology Officer — a position created by President Obama to cut red tape — who are “aware of the types of things we want to do and want to find a way to accommodate innovation.”

Another way for patients to make use of all the health data available to them while avoiding costly and time-consuming office visits is through the burgeoning field of telemedicine. Doctors on Demand, which the Mercatus Center’s Robert Graboyes wrote about recently, offers users 15-minute online video chats with physicians for a flat fee of $40 — or about the price of a co-pay to visit a doctor’s office under many insurance plans.

The Palo-Alto based HealthTap offers a similar service, with unlimited calls for $99 a month (plus $10 additional per family member), and participating physicians will call in prescriptions and examine physical symptoms photographed with a smartphone. A current limitation is that providers can’t check a patient’s pulse or temperature through a video call, but biometric data-gathering devices could change this, making telemedicine considerably more useful. A less surmountable limitation are state laws dictating that a physician licensed in one state can’t treat a patient in another.

In its efforts to Uber-ize health care, Silicon Valley’s biggest challenge will be convincing states to repeal competition-killing licensing laws and working with the FDA to let software eat its way through our antiquated, expensive, and labor-intensive approach to patient care. There’s reason for optimism: In recent years, the tech industry has become far more adept at navigating the regulatory terrain in Washington. The next big political idea to fix our nation’s health care system should be to get out of the way.
Is Your Investment Professional a Fiduciary?

(IF NOT, WATCH OUT!)

A recent report from the White House Council of Economic Advisers estimated that hard-working Americans are losing $17 billion each year from their IRA assets alone—the equivalent of 1% of return annually from those assets—due to conflicted investment advice.

What is “conflicted investment advice,” and how is it costing people so much money? The core of the issue is that in the financial industry, not all buyers of investment products or advice are entitled to the same level of legal protection and care. The duties owed to clients by various investment professionals are significantly different. This is because the regulatory regimes that govern them differ.

In a nutshell, some “advisors” manufacture and sell financial products. Others are legally bound to provide investment advice that serves the clients’ best interests, not their own. Understanding the differences between the two is critical.

At Trust Point, our philosophy is simple. We believe that in doing what is best for our clients, we will be doing what is best for Trust Point. We do not manufacture or sell financial products (annuities, insurance, proprietary mutual funds, etc) but provide tailored wealth-related advice that meets the highest standards of objectivity, ethics and transparency.

WHAT’S THE DIFFERENCE?

Broadly speaking, three main regulatory regimes cover the U.S. financial industry: the SEC and its state counterparts; banking regulators; and watchdogs over brokers and insurance agents.

Investment advisors are registered with the Securities and Exchange Commission (SEC), or with state securities regulators if they manage less than $100 million. They are governed by the Investment Advisors Act of 1940. Investment advisors have a fiduciary duty to their clients—a legal obligation to act in their clients’ best interests at all times. Fiduciary duty is a well-established legal principle backed by decades of precedent.

Trust companies (and bank trust departments) incorporate the same standard of fiduciary duty in their relationships with clients. Their regulators may include, but are not limited to, state banking authorities, the Office of the Comptroller of the Currency (OCC), the Federal Reserve, or the Federal Deposit Insurance Corporation (FDIC).

In addition to the legal obligation to put their clients’ interests ahead of their own, fiduciaries also must adhere to defined duties of loyalty and care; they must provide up-front disclosures to a client before an agreement is signed; and they must either eliminate conflicts of interest or fully disclose any unavoidable ones.

The last group of advisors is made up of brokers and insurance agents.

That is a big number.
Brokers do business under the Securities and Exchange Act of 1934 and are self-regulated by the Financial Industry Regulatory Authority (FINRA). Insurance agents are governed by state insurance regulators. Brokers and insurance agents have no fiduciary duty. Instead, they operate under the less-strict standard of suitability.

This means that brokers and insurance agents’ obligation is limited to reviewing a client’s financial needs, objectives, and unique circumstances before providing advice or making investment recommendations that are suitable.

It is good to know whether your advisor is required merely to act in a manner that could be defended as “suitable” in light of your goals and objectives, or if the advisor is required to act purely in your best interest. Wisconsin’s oldest and largest independent trust company, Trust Point takes great pride in the fact that, by law and principle, it fully incorporates the standard of fiduciary duty and therefore, it has and will always sit on the same side of the table as its clients.

**Why does it matter?**

Over the years, it has become increasingly difficult for investors to differentiate between all of the professionals who want to offer them advice. Titles such as wealth manager, wealth advisor, financial advisor, investment consultant, investment manager, investment advisor, portfolio manager, and registered representative are used indiscriminately today. This alphabet soup of titles was designed by the industry to inspire trust and confidence, but for the most part, the titles don’t mean much...unless you take the time to look under the hood.

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“In any industry, the way people are compensated usually goes a long way toward explaining how they behave.”

In any industry, the way people are compensated usually goes a long way toward explaining how they behave. The financial industry is no exception. This raises an important distinction.

Fiduciaries are “fee-only” advisors. That means they can charge only for their advice and expertise, normally in the form of an hourly or flat fee — or, most commonly, a percentage fee based on assets under management. Fiduciaries usually have discretionary authority over a client’s account and are allowed to invest based on the parameters set with the client at the beginning of a relationship. Fiduciaries provide ongoing advice as the client’s needs change over time and adjustments to the investment plan are required. Fiduciaries do well if you do well. Their self-interest lies in helping to grow your wealth.

Brokers and insurance agents employ a “commission-based” model. They get paid based on products sold. These payments come in the form of commissions, referral fees, or kickbacks. In other words, brokers and insurance agents are essentially salespeople. They are not required by law to put your interests ahead of theirs.

This may affect the way they do things such as select securities and build your portfolio. For instance, they might invest your assets in higher-cost funds, such as a “retail” share class of mutual funds, to collect on revenue-sharing payments from the mutual fund companies (watch for Class A, B, or C shares, in particular).

Similarly, there is nothing to prevent them from recommending the parent company’s sponsored mutual funds (to receive a higher personal payout), regardless of past performance or onerous, built-in, hidden fees. Life insurance policies and annuities are known to have massive embedded commissions, but that doesn’t prevent insurance agents from advocating strongly for their use. Brokers and insurance agents don’t necessarily do well if you do well. They do well if you take action.

**Regulators to the rescue?**

Few will argue the point that the fiduciary standard is superior to the suitability standard when it comes to protecting investors. So why would you want to give your assets to someone who doesn’t necessarily have your best interest at heart?
Regulatory authorities lately have been asking themselves the same question. In the wake of the 2008-09 financial crisis, regulators have intensified their efforts to provide more transparency and clarity to investors.

The debate over ethical standards was encoded in the 2010 Dodd-Frank Act, which authorized the SEC to create regulations that would impose a *uniform fiduciary standard of care* for retail investment advice. After years of industry opposition, the debate about that standard is now back on the front burner.

While the SEC’s chairwoman, Mary Jo White, recently indicated her support for a uniform rule for brokers and advisors, the journey ahead is still uncertain. For too many years now, politics have prevented the SEC from moving swiftly, as lobbyists representing large brokerage firms and insurance companies oppose changes to their clients’ very lucrative commission-based-sales business models. Even disregarding the efforts of those lobbyists, the current push for a uniform standard of care could be derailed by the election of a new president in 2016.

In the meantime however, the Department of Labor, at the request of President Obama, has made the issue a top priority. The DOL recently resurrected a proposal from 2010 to expand the obligations of fiduciary status to include a wider range of people providing financial advice to retirement-plan sponsors, plan participants, or IRA owners. The move is aimed specifically at brokers and insurance agents. Just as individuals often can’t recognize the wolves dressed in advisors’ clothing, many retirement-plan sponsors don’t really understand the inherent conflicts of interest surrounding the “advisors” with whom they are working.

There are too many such conflicts, hidden fees, and lacks of appropriate disclosure in the financial industry today. At Trust Point, we share the desire of the SEC and DOL to better protect and inform retail investors and plan sponsors. Investor confusion about the different standards applicable to investment professionals is an important issue that needs to be addressed. We believe that well-crafted reforms would go a long way toward instilling greater investor trust and confidence in our industry.

**How Can You Protect Yourself?**

First, don’t wait for the regulatory authorities to take action; that won’t happen immediately, and it might not happen at all. Ask your financial professional today if he or she is required by law to act as a fiduciary. Anyone who purports to uphold a fiduciary standard should be willing to put it in writing for you. It’s as simple as that.

Secondly, be careful of “dual” or “hybrid” advisors. In recent years, many traditional brokers have used exemptions from the SEC to allow themselves to operate as both advisor and broker.Although legal, that business model presents multiple conflicts and is purposefully confusing to clients. On Tuesday these people will put on their “advisory” hats and provide advice for a fee; on Wednesday they will sell you a financial product and accept a commission for doing so. In almost every one of these hybrid situations, the temptation is omnipresent to steer clients to whichever option will net the advisor the biggest paycheck. That represents a huge conflict of interest.

**How Would the Proposed Change Affect Trust Point?**

The DOL and SEC initiatives, if pursued, are likely to cause a massive change in the industry. But they would have no direct bearing on Trust Point’s model. By law, our organization already incorporates the standard of fiduciary duty and has done so since 1913.

Trust Point is an independent trust company regulated by state bank regulators. Many consider the fiduciary standards of trust companies to be the strictest and highest in the financial industry. Fiduciary duty is at the core of what we do every day. Whether our clients have a trust relationship or an investment relationship with us, the same fiduciary principles apply. We don’t combine product sales with giving advice. Everything we do is focused upon the client’s best interests. Our business model and our company structure are built to ensure that there are no conflicts between our self-interest and yours.

**Bottom-Line**

There will always be volatility in markets, and nobody can guarantee that investors will enjoy rewards divorced from risk. But you can ensure that the investment advice and management you get comes from a firm that is legally required to put your needs before its own — a firm, like Trust Point, that uses a business model with no built-in conflicts of interest. In fact, that is one of the most important decisions an investor will ever make.
Alberta, Canada is one of the best places in the world for avid skiers. The Alberta Rockies are home to numerous fantastic ski resorts that anyone can enjoy. With a ski season lasting from mid-November until mid-May (although dates can vary year-to-year), you have plenty of time to get out to the slopes. If you’re wondering where you should go, then here are some of the very best ski resorts in the province:

**Nakiska**
Home to the Alpine events in the 1988 Calgary Winter Olympics, Nakiska is the closest of these 6 resorts to the City of Calgary. This resort’s proximity to the city isn’t the only great thing about it, however, as it also home to 71 marked trails and 4 lifts. The trails provide a good balance between beginner, intermediate, and advanced, making it one of the most family-friendly resorts around.

**Castle Mountain**
Iconic Castle Mountain, which was host to the 1975 Canada Winter Games, is located about 2 1/2 hours outside of Calgary. The resort is geared slightly more towards intermediate skiers, but there are plenty of trails for beginners and experts as well. Castle Mountains is particularly known for its long and steep runs, and has a skiable area that includes 2 mountains, 8 alpine bowls, 78 trails, and 6 different lifts.

**Mount Norquay**
Just a quick drive from the Town of Banff you will find the Mount Norquay Ski Resort. Though it has the smallest skiable area of all of the resorts on this list, it is also the only one where you can buy hourly lift passes. Mount Norquay has 34 trails, 6 lifts, and a good mix of beginner, intermediate, and advanced runs. The resort also offers snowshoe trails, tubing, and fully lit nighttime skiing!

**Marmot Basin**
Marmot Basin is the closest of these 6 ski resorts to the City of Edmonton. Located in Jasper National Park, Marmot Basin offers very well-balanced terrain and plenty of runs to try out, as there are a total of 86 trails and 7 lifts. One of the best things about the resort is that, due to its distance from Alberta’s major cities, it is usually not as crowded as the other resorts on this list.

**Sunshine Village**
Sunshine Village is a very popular ski resort located a mere 10 minutes from Banff Town. Its popularity doesn’t stem solely from its proximity to Banff, however, but also because this particular resort is home to 12 different lifts, the most in the Canadian Rocky Mountains. These lifts can bring you to a total of 126 different trails, which enjoy an annual snowfall of 360 inches!

**Lake Louise**
With the largest skiable area in the entire Canadian Rockies, Lake Louise Ski Resort draws skiers from far and wide. It also offers 10 lifts and 139 trails, the highest of the resorts on this list. Furthermore, Lake Louise is a fantastic resort for snowboarding, cross country skiing, and snowshoeing. Located just 60 km from Banff, you can’t afford not to go if you are in the area.
hydrotherapy
Kohler Waters Spa is an elegant, classically styled haven for relaxation with an emphasis on innovative water treatments. It operates within The American Club® in Kohler, Wisconsin, and is one of only 48 hotels in North America to boast both Forbes Five-Star and AAA Five-Diamond designations.

The spa leads the industry in therapeutic, experiential treatments, launching new signature water-based services each year. Guests visiting will enjoy the most luxurious services, top-level hospitality and the opportunity to personally experience the newest KOHLER® products. The spa offers twenty-one treatment rooms, a signature 30-foot relaxation pool with 8-foot waterfall, and enclosed rooftop deck with fireplace, sauna, plunge pools and relaxation areas.

Kohler Waters Spa occupies 25,000 square feet of space on two levels of the Carriage House, a fifty-five-guest-room annex to The American Club. The location allows Carriage House guests to travel from their hotel guest rooms to and from the spa in their luxurious robes.

Destination Kohler is home to championship golf courses at Whistling Straits and Blackwolf Run, eleven dining outlets, The Shops at Woodlake, River Wildlife, Sports Core, and other resort properties.

This year, Kohler Waters Spa is pleased to announce its newest services, available May 1. Exciting additions to the menu include gentlemen-focused services as well as treatments that harness the healing applications of bamboo, water and magnesium.

“Every year our staff exceeds expectations designing thoughtful and innovative services for our guests,” said Jean Kolb, Director of Wellness for Kohler Co. “Adding specific services that are tailored to men is exciting and something our guests will certainly welcome. In addition, we’re pleased to add a new signature hydrotherapy service with the Magnificent Wrap, which will be sure to rejuvenate guests with the healing powers of remineralizing magnesium. This year’s new menu reflects Kohler Waters Spa five-star creativity and innovation.”

According to the International SPA Association, men are visiting spas more than ever before, and discovering the benefits of a wellness experience. Kohler Waters Spa has seen a steady rate of male spa enthusiasts looking to get away for a weekend or to calm sore muscles after an outing on the Kohler-owned Championship golf courses. This year, the spa launches two new services created specifically with gentlemen in mind — The Woodsman Massage and Rain Man.
new services

The Rain Man

Known for its expertise in hydrotherapy, Kohler Waters Spa now offers The Rain Man — a Vichy Shower experience for male spa-goers. The KOHLER Custom Vichy Shower, with an automatic digital thermostatic valve, is unique as it allows for a continuous flow of water, freeing up the therapist’s hands to continually massage the guest. This relaxing and invigorating experience incorporates the scent of John Michael Kohler products as well as a warm stone treatment on the back and feet.

The Woodsman Massage

Meticulously created by Kohler Waters Spa therapists, The Woodsman Massage aims to increase circulation, range of motion and decrease muscular pain, tension and inflammation. “Three important factors helped inform the way the Woodsman Massage was created,” said Garrett Mersberger, Manager of Kohler Waters Spa. “We found that men often request a deeper tissue massage, their range of motion is at times limited, and lastly, many men do not take enough time to exfoliate their skin. Our new massage aims to address each of these three areas, making it a distinctive experience for men.”

The Magnificent Wrap

In addition to the new services targeting men, Kohler Waters Spa has added hydrotherapy treatments for both genders. This year, the Magnificent Wrap has been introduced to the menu, providing a full-body exfoliation, a remineralizing magnesium bathing experience and a choice of a seaweed or mud body wrap. Containing more than 60 essential minerals and trace elements — including sodium, potassium, magnesium and calcium — this service promotes detoxification while also replenishing the body of several commonly deficient minerals.

Bamboo Bliss

Another new specialty service, Bamboo Bliss, employs warm bamboo to provide an unparalleled massage experience. “The use of heated bamboo and Swedish-style massage movements are used to ease tension,” explains Jean Kolb, Director of Wellness for Kohler Co., “and allow for a deeper massage for the most fatigued muscles.” Therapists start with a lighter touch and progressively apply deeper techniques, in the direction of the heart in order to encourage blood circulation, for the added benefit of relaxing deep muscle soreness. This approach helps increase circulation and flush the body of metabolic wastes.

Each of these new services further enhances the guest experience at Kohler Waters Spa. With industry leading therapeutic treatments and a host of amenities, the most relaxing weekend of your life is only a stay away.
Mutual Funds Are All the Same, Aren’t They?

So you finally find yourself in a position to invest some money, but you’re confused about the options. You are a perfectly intelligent person. You are successful and comfortable in your chosen occupation. It’s just that investing seems to be conducted in a foreign language. You hear radio and television advertisements for brokers, advisors, online services, and etrading accounts. What should you do?

You end up sitting down with a local broker. The broker starts talking about the benefits of investing in a mutual fund. As you listen, it becomes clear that you don’t have the time or desire to research individual companies and select specific stocks. The benefits of a mutual fund make sense: pool your money with other investors who have similar goals, hire a team of trained professionals to select the right companies, and hold more companies than you could afford to as an individual.

But then your broker starts talking about share classes. Evidently there are A shares, B shares, C shares, and institutional shares, but they’re all in the same mutual fund. You’re talking about the same mutual-fund company, same underlying holdings, same management team... so what’s the difference?

Actually, the difference is simple. It has to do with fees and performance. The accompanying chart illustrates a series of mutual fund share classes.

The “internal expense ratio” is the fee paid to the fund company. It changes by share class. The 12b-1 fee is an amount given to the seller (in this case, your broker) as a “marketing fee.” This is part of the seller’s compensation. The “load” is what is paid to the seller either at the front end or the back end (“deferred load”), based on the holding period. Share classes with loads are commonly referred to as “retail shares”. Revenue sharing is a very common practice within the industry. Trust Point does not participate in any form of revenue sharing. We believe that it would be an inherent conflict of interest for Trust Point to select an investment option for you and then get paid by that investment option.

Almost all funds include institutional shares. However, the minimum investment amount in many cases is $1 million or more, which prevents many individual investors from qualifying for institutional shares. However, Trust Point utilizes an Omnibus platform, which provides you with access to institutional shares. This means that we take advantage of all of our their clients’ assets to get each client into the least expensive share class.

As you can see, from the chart, the internal expense ratio and load can have a very significant effect on the overall performance of the fund. While no one can predict the future performance of a specific mutual fund, what can be quantified and known for sure is the amount of money you are paying to invest in the mutual fund. All of Trust Point’s clients utilizing mutual funds can rest assured that they are in no load institutional share class options.

Do your research, and make sure you understand all the expense ratios, revenue sharing, and loads associated with the funds being recommended to you. Trust Point has a team of professionals that can meet with you and review your current investments. As part of this analysis they can share with you the other opportunities available and there potential benefit.
Wearable tech isn’t really a new technology, but it is building a new momentum. In the early 1980s, Casio came out with its series of Databank watches, which featured 16 multi-function keys and a whole range of storable data. Around the same time, Polar and other companies began manufacturing portable, wearable heart rate monitors for athletes to get real-time feedback from their workouts. Personal pedometers have been around for a long time, but in recent decades became fully electronic and work from GPS satellites rather than simply attempting to count and measure steps.

Currently, a new breed of wearable tech is emerging based on smaller and cheaper memory, better miniaturization technology, social engineering and advancements in GPS equipment. Now instead of wanting to track a particular workout, people want to be able to track and record every waking minute of their lives, and their sleep patterns as well. Not only that, but they want this data synched with every device they own and the cloud as well.

Wearable tech for those interested in fitness has evolved rapidly over the last few years. Far from the old mechanical pedometers which relied on motion to count steps and an ‘average’ pace to determine distance, these modern wonders do so much more. The modern version of the pedometer from companies such as FitBit uses accelerometer technology, calibrated to the individual to measure motion and keep track of distance traveled. Other devices combine this method with GPS data where available for even greater accuracy. More advanced models can combine that with an altimeter to keep track of stairs climbed or hill workouts. These wrist-worn pieces of tech track all movement throughout the day, and then keep track of your sleep patterns. This data is then wirelessly synced with laptops, smart phones and tablets for ready access to the data.

Smart clothing has also made great strides in recent years. Shirts that constantly monitor a variety of health related issues and both records that data for later retrieval or syncs the data to other devices have been out for several years. Improvements in size, weight, memory and communications is swiftly leading to smart clothing that can be worn full-time by
not only athletes, but anyone in need of constant and accurate monitoring of vital statistics. Imagine a future Olympics where all the data on all the athletes is displayed real-time during competitions.

The trend toward wearable tech doesn’t end with fitness buffs, either. In 2013, Google began beta releases of its Google Glass technology. These wearable computers incorporate optical head-mounted displays, to give wearers an almost Star Wars view of data and the world around them. Early prototypes do not actually contain lenses, but Google is working with lens manufacturers to add prescription lenses in the future. Using voice activated technology, the user can take pictures, get directions, or send messages to friends via Google+.

For those of us who grew up with the promise of the Dick Tracy watch, the new age of wearable technology has finally arrived.
Beauty on the Baltic

Cities of Poland

Poland represents a relatively inexpensive, yet beautiful travel destination. The country has much to offer to tourists. Poland is home to many attractive cities, the Baltic Sea and the mountains of the southeast, which are beloved of skiers. If you’re planning a city break to Poland, consider the following cities:

Kraków

Kraków is Poland’s second largest city and one of its most visited. There’s a vast selection of accommodation options as well as transport connections by bus, rail, and plane all over Europe. It is often considered to be the leading cultural, academic and historical centre of Poland. Kraków is also one of the few Polish cities that did not get levelled during the Second World War. It boasts many interesting sites such as the Market Square, Wawel Castle, St. Peter and Paul Church and St. Mary’s Basilica. There are also two popular daytrips from Kraków – the infamous World War II death camps at Oświęcim (Auschwitz) and the Wieliczka Salt Mines.
Gdańsk

Gdańsk is Poland’s main port city, lying on the Baltic Sea. It is part of the Tri-city area that also includes the city of Gdynia and the spa town and resort of Sopot. Gdańsk is a very picturesque Hanseatic city boasting some particularly colorful architecture and a unique old-world charm. Notable sites in the city include the City Hall, the Long Market, St. Mary’s Church and much more. Gdańsk is good to visit during any time of year, although winter is very cold. Neighbouring Sopot is very much a summer resort town, boasting fine Baltic beaches and a very lively nightlife. For those looking for a midsummer beach holiday, Gdańsk is a fantastic location.
Wrocław

Wrocław is the fourth largest city in Poland with a population of about 630,000. It is the historical capital of the region of Silesia and, during over the last few hundred years, it has been part of Poland, Germany, Prussia, Bohemia and Austria giving it a diverse history and culture. Wrocław is built on a group of islands scattered around the River Oder and it is home to more bridges than almost any other city in Europe. The town centre is civilized and well-kept and home to many sites such as the Centennial Hall, the City Hall and the Main Station. The Town Square is home to numerous bars, restaurants and a bouncing nightlife.
Virtual Realities

HAVE YOU PROTECTED YOUR VIRTUAL LIFE AFTER DEATH?

Would you spend $635,000 on a property that you could never even visit? Would that property be worth anything at all? Someone certainly thought so! In Entropia Universe, an online gaming platform, a player going by the screen name of Neverdie sold his space station and his property on a giant asteroid to other players of the game for $635,000. That’s in real U.S. dollars!

Even though an item may have no intrinsic value, what matters is that people believe it does and are willing to pay for it. That raises an intriguing question: What would have happened to Neverdie’s online fortune if he had died prior to the sale on Entropia Universe? Did his estate plan cover that possibility?

Neverdie’s virtual real estate is an example of a digital asset. Whether they engage in online gaming, keep tabs on Facebook, store photographs and videos, go shopping, or just read the news, 87% of adults are active internet users (webcease.com, 2015). Even if they aren’t on the internet, most people have access to a computer or mobile device where files are likely kept. Any online account or file you have stored

*Club NEVERDIE’ Virtual Asteroid Sells For World Record $635,000 http://www.sourcewire.com/news/60884/-club-neverdie-virtual-asteroid-sells-for-world-record-635-000#.VYQ5O3nbKxA

by ANGELA J. STRANGMAN, MBA
Vice President, Personal Trust
“Digital assets are everywhere and will continue to grow exponentially.”

in the cloud or on your own device is considered a digital asset. The average American has $30,000 worth of digital assets, according to a recent McAfee study. Personal memories stored digitally made up $16,581 of that value (trustadvisor.com, 2015).

Digital assets are everywhere and will continue to grow exponentially. Some digital assets are easy to associate with significant value, as in the case of property in Entropia Universe. For another example, consider the digital currency Bitcoin. As of mid-2015, one Bitcoin trades for $250 in U.S. dollars. In recent years, the value has been as high as $1,100 USD = 1 Bitcoin.

Domain names can fetch a steep price as well. In 2010 the domain name insurance.com fetched a sale price of $35.6 million.

If J.K. Rowling had died unexpectedly while putting the finishing touches on the last book in the Harry Potter series, can you imagine the value of the manuscript that was sitting on her computer?

On a more modest scale, what about frequent flyer accounts and the points racked up in credit card or hotel loyalty programs? Any of those could have real-world value, depending on the balance of points in the accounts.

Other digital assets are more subjective in their valuation. Photo storage accounts through Shutterfly or Flickr may have extreme sentimental value because of the memories they contain. Posts, comments, and pictures posted to social media accounts may be used for reminiscing and also as magnets to draw grieving family members and friends together to share stories and condolences. Email accounts, blogs, tweets, or text messages may serve the same function—and they derive value for this and other reasons.

“About 93% of Americans who possess digital assets have no idea what will happen to their online personas when they pass.”

Digital estate planning

Given this real or perceived value, digital assets need to be considered in estate planning. Just as with real estate, stock certificates, or other tangible property, an estate plan should account for the management, preservation, or distribution of digital assets. Otherwise, your family risks not only monetary loss but the possibility that they may never be able to access priceless material such as your digital photos, videos, emails or blogs. About 93% of Americans who possess digital assets have no idea what will happen to their online personas when they pass (webcease.com, 2015). They need to understand the ramifications.

Part of the need to incorporate digital assets into your estate plan arises from the lack of clear law that would allow your spouse, executor, attorney, or beneficiary to access these assets after death. Legally speaking, online material is very different from items in a physical file cabinet in your home that a named fiduciary typically would be allowed to rifle through in
an effort to find information. Even if fiduciaries have the deceased party’s user names and passwords, their authority with regard to online access can be confusing and sometimes contradictory. Privacy laws come into play, and these may disallow access to sites by third parties.

The Uniform Fiduciary Access to Digital Assets Act, approved by the National Uniform Law Commission in July 2014 is a step in the right direction. The act allows fiduciaries the same authority over digital assets as they have with physical ones. Furthermore, it compels the fiduciary to comply with the deceased individual’s instructions about these assets. Unfortunately, states have been slow to enact the proposed legislation. As of June 2015, as shown in the map above, only Delaware has fully adopted the Access to Digital Assets Act.

With no legislation, it is up to individual online platforms, such as Shuttlefly, Facebook, and so on, to determine procedures for users who die. Many online companies have inserted language into their own terms-and-conditions agreements that may be adequate. But some sites have no agreement at all, and others have differing policies.

Yahoo has taken the stance that a user’s account dies with the person. Therefore, no one would be granted access.

Google has an inactivity feature that takes effect as soon as the company is notified of a user’s death. However, it can take up to 18 months to fully deactivate the account. During that time, no activity from a third party is allowed.

Twitter and LinkedIn will remove an account after a request from a family member or friend, as long as the companies are provided with pertinent information and a link to the obituary.

In response to a flood of demands from its customers, Facebook recently launched a new feature, easy to find in the user’s “Settings,” called a Legacy Contact. This contact, who must be named prior to the user’s death, can pin a post to the decedent’s timeline, accept new friend requests, and update the
profile picture. The contact also can delete the account and download any data for archival. Facebook, with more than 1.39 billion users worldwide, has thus taken a big step in the right direction until estate laws catch up with technology.

The fact remains, however, that it is important to review each online account and agreement, as well as state law, to determine whether your wishes will be carried out as you intend.

LOCK YOUR DIGITAL DOORS

Planning not only helps ensure that your wishes for digital assets are carried out, it also can protect you from postmortem identity theft. More than 2.5 million deceased Americans fall victim to identity theft each year. If an individual is unable to monitor online accounts due to incapacity or death, thieves will take advantage of the situation to take over accounts, open new ones, apply for jobs, get bogus identification cards, and more. Social media profile pages often reveal enough information about a person for thieves to use for fraudulent means.

Many online shopping sites with proprietary cards allow users to purchase items online using a stored card. That is a convenience while you’re alive and active, but after your death it leaves an open window for criminals to rack up thousands of dollars in sales. The only way to guard against this is to name a fiduciary who can access your accounts and close them down before any wrongdoing can occur.

Assuming you’re persuaded that it is vital to account for your digital assets in estate planning, how and where do you get started? Here are some helpful steps:

1. Identify the Assets – Take an inventory of all your online accounts with their passwords. Store them in a safe place, and share the location with a person you’d trust with your life—literally. This could be an attorney, a family member, or a friend with power-of-attorney. You can also use technology to help store passwords for you. Online sites like KeePass or RoboForm will manage and encrypt your passwords, making it easy and convenient to log into accounts because you need only one password to get into your stored list. However, there is still the concern that these systems could be breached. Choosing a reputable company with a good track record obviously is important.

Inventory lists should not be stored in a will. Wills can become public record and therefore are susceptible to criminals or to people who are merely curious. Regardless of where your list is stored, make sure to update it regularly.

HOW TO CLOSE ACCOUNTS

To learn how to close your account or to examine policies for deceased users on these social media services, use the following quick links:

Facebook: Deactivating, deleting and memorializing Facebook accounts:
http://goo.gl/f6bTk

Google+:
Delete your Google+ account:
http://goo.gl/hJks0

Contact Google about a deceased user:
http://goo.gl/1Xn0J

Twitter:
Close your Twitter account:
http://goo.gl/WJc1l

Contact Twitter about a deceased user:
http://goo.gl/8Js0t

LinkedIn:
Close your LinkedIn account:
http://goo.gl/CgvJV

Contact LinkedIn about a deceased user:
http://goo.gl/eJhy6
2. Seek advice from an estate planner, like Trust Point, to help determine how you want your digital afterlife handled. Do you wish your accounts to be deleted or deactivated? Do you want to keep some information private? Should additional information be posted on your behalf, transferred, or downloaded? While most of these decisions are still in the hands of the service providers, it’s good to document your wishes in case the law changes or you fall victim to a sudden catastrophe. We would suggest that more valuable digital assets flow through a trust to avoid probate. A trust can provide orderly management and transfer of assets, digital or not.

3. Appoint someone to manage your digital assets after death or disability. While a digital executor, as such, is still not an option in most states, you can ask your executor or a named person in your will to carry out your wishes. Trust Point, as a named executor, does everything possible in order to respect the wishes of the decedent in regards to their assets, whether those assets are physical or virtual. The ongoing conversations we have with our clients over the course of our relationship with them enable us to understand their values, goals and ultimate wishes. As technology increases, the topic of virtual assets will certainly play a larger part of those conversations.

You may be reluctant to trust another person with your online-access information. Perhaps you have heard that the golden rule of technology is to never share passwords or write them down. Attorney/client privilege may give you some comfort to provide this information. Another option is to give the list of usernames to one individual while the list of passwords goes to another. Only at your death would the two lists be brought together to access the digital assets.

4. In the interim, back up files and download items that are valuable to you. Get trusted technical instruction as needed. Services like dropbox.com or thedoscave.com allow users to store important files in the cloud. Just understand that you’ll need to track this diligently, since technology, devices, and accounts are all subject to change.

“Our time here on earth is increasingly spent online.”

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**The Tech-Savvy Executor**

What if you are named the executor of an estate and you have to carry out the wishes of a deceased friend or loved one? As with all other estate assets, the time involved in dealing with digital material will depend on the quality of planning the person did prior to death.

Where digital assets are concerned, the main role of the executor is to organize, secure, protect, and preserve these assets, then ultimately distribute or destroy them as specified by the plan. Just getting started is sometimes the most difficult task. If an inventory of the assets is not provided, start by reviewing bank and credit card statements for payments to online services.

High-tech help for this process is available, as well. WebCease (webcease.com) is an online service that will, for a fee, research the digital assets of a deceased person. Fees increase as the search expands, but without proper planning this may be the best way to uncover accounts. Once the list is determined, it will be up to you to request information from each service provider about their policies for handling the account.

Our time here on earth is increasingly spent online. We thus create digital assets that also will increase over time. Preparation for the online afterlife can be as important as other estate planning measures. It will take some time to track your digital assets and determine what should happen to them. Planning is the only way to make your wishes clear. And it might allow you to preserve a precious family heritage.
Deep at Sea

every fisherman has his tale...

it was this
Every fisherman has his tale — the screaming line, the flexing rod, the grinding battle, and the disappointment of the one that got away. It was “this big,” he explains as he spreads out his arms and repeats the story of his ill fated encounter with a fish so large his own wingspan is insufficient to illustrate its size. In almost every instance, the story he tells is rife with exaggeration and invention. However, some of these legends have no need for embellishment. These stories come from the deep.

Deep-sea fishing presents fishermen with the opportunity to encounter, and even catch, fish larger than a man. Even true tales of these fish — even pictures of these fish — are hard to believe. It’s truly an awesome experience to speed out into the open waters and engage your aquatic hosts in something like a blind tug-o-war — each unable to gauge his opponent except by the sheer measure of that opponent’s strength. Some are deeply familiar with this bond, and some have experienced it on a smaller scale. For those craving a cacophonous duet, the following locations offer some of the best fishing on the planet — and a chance to catch monsters.

Costa Rica
Situated close to the Equator, and the benefactor of a stable, warm climate, Costa Rica offers ample fishing opportunities and a unique experience that almost no other country can provide. Its geographic positioning gives travelers the choice of fishing in both the Caribbean Sea and Pacific Ocean, with relatively little travel needed between the two. Off Costa Rica’s eastern shores, where the best fishing experience overall can be found, expect to find ample amounts of tarpon, mackerel, and marlin. A large variety of deep-sea fishing tours for individuals and groups alike can be found all along the coasts, making it a major point of tourism for the country.

Florida, United States
With thousands of miles of coastline, the US state of Florida offers travelers some of the best fishing in all of North America. With the warm waters of the Caribbean and the Gulf Stream pushing directly across its southern tip, the area finds itself awash with dozens of species of fish. The same can be said for the local fishing expeditions. As one of the most frequented deep-sea fishing areas in the United States, the competition among chartered groups results in low, low prices for anyone taking advantage of the warm waters. After your trip, you can even find a local restaurant that will cook and serve your fresh catch.
Alaska, United States

While most people think of deep-sea fishing as a relaxing summer activity, the waters off of Alaska can also prove to be some of the most fertile territory in the world when it comes to a bountiful harvest. One popular deep-sea tourism town is Sitka, where access to halibut and salmon is plentiful. The experience and scope of the style of fishing here is like no other in the entire world. If your goal is to catch a fish that dwarfs the average human, Alaska is your perfect getaway for a deep-sea experience.

Puerto Vallarta, Mexico

Perhaps the most beautiful city on the coast of the Pacific Ocean, Puerto Vallarta serves not only as a great vacation hub, but also an excellent location for deep-sea fishing of epic proportions. With yellow fin tuna (100 to 250 kilos) running throughout the vicinity, you can truly get a workout hauling fish after fish from the saltwater depths. Even the “smaller” fish, such as the dorado, weigh in between 15 to 30 kilos. Even better is that virtually all fish in the waters of Puerto Vallarta are edible and delicious, and you will have no trouble at all taking your haul from ocean to plate with one of many fine restaurants willing and able to serve up your catch for a small price.
One important aspect of estate planning is a properly completed, well-thought-out beneficiary designation for retirement accounts and IRAs. If completed correctly, the beneficiary designation not only indicates who receives the underlying assets of the account upon the plan holder’s death, it also may allow for such assets to avoid probate. What’s more, it can allow the beneficiary to benefit from continued income-tax deferral on the inherited account.

It is painful to witness the troubles that arise when people who don’t work with a knowledgeable provider, such as Trust Point, make some all-too-common mistakes with beneficiary designations. Before we get into those mistakes, however, we’ll need some background on how retirement plans and beneficiary designations work.

A beneficiary designation passes property from one party to another by operation of law. Here’s the significance of that phrase: Provided there is a beneficiary designation on file that identifies individuals or organizations alive (or in existence) at the time of the account holder’s passing, the assets are not subject to probate and just vest immediately to the designated beneficiary.
What could go wrong?

“Probate” refers to court oversight of an estate’s administration. Probate can be expensive, time-consuming, and sometimes unresponsive to the deceased person’s wishes. Therefore, avoiding probate is generally seen as highly desirable.

Now let’s look at a few basics about the taxation of retirement plans and IRAs. For traditional IRAs and non-ROTH components of other retirement plans, the account owner is allowed to reduce taxable income or wages by the amount contributed. During the life of the plan, the account benefits from tax-deferred growth, meaning the owner is not required to report annual interest, dividends, or capital gains on the investments within the plan. However, when distributions are made to the plan holder, those distributions are taxed as ordinary income at the plan holder’s marginal income-tax rate in the year they are received.

For Roth IRAs or Roth components of other retirement plans, the account holder does not benefit from a reduction in taxable income or wages at the time of funding; instead, contributions are made with after-tax dollars. However, during the life of the plan, the annual earnings are not taxable. And, when distributions are made to the plan holder they are not taxed. This is called tax-free growth.

How do these retirement plans deal with beneficiaries? Here is one key point to remember: If an individual is named as a plan beneficiary, and continues to hold the funds in the deceased account holder’s name as an inherited plan, the beneficiary can also continue to benefit from the plan’s tax features: either tax-deferred growth for a traditional IRA or retirement plan, or tax-free growth for a Roth plan. This can have powerful implications, since, it allows named beneficiaries to grow assets in a tax-favorable manner for their own retirements.

Hopefully that all sounded pretty straightforward. So what can go wrong? Firsthand experience tells us that when beneficiary designations are not carefully considered, the answer is: plenty.

Not naming a beneficiary or naming your estate as beneficiary

Naming your estate when you complete the beneficiary designation for the funds in your retirement plan—or not completing the designation at all—most likely will result in the assets being pulled into a probate estate settlement. The drawbacks are many: 1) Probate often is a slow and costly way to distribute assets. 2) State statutes, not you, determine who receives the plan’s assets. 3) Assets from the plan can be used to pay your estate’s creditors. 4) There is a greatly reduced chance that the opportunity for tax-free or tax-deferred growth will pass along to your intended beneficiaries.
Not keeping beneficiary designations up to date

It is essential to revisit your beneficiary designations, especially in connection with life-changing events such as marriage or divorce. The most imperative situation may be divorce. If you don’t complete an updated beneficiary designation, and you originally named your former spouse as beneficiary, that former spouse will receive your plan assets upon your death.

Regardless of whether your designation is updated at the time of marriage, your spouse is deemed your primary beneficiary by law. Ordinarily, this is the desired outcome. But if it is not what you want—due to other estate-planning considerations—your designation must be updated to name a different beneficiary, and your spouse must acknowledge agreement by signing the beneficiary designation.

Failing to name contingent beneficiaries

Generally, a primary beneficiary is named at the time the retirement plan is started. But what happens if your primary beneficiary predeceases you, or if you pass simultaneously? Unless a contingent beneficiary is named, the result is the same as if you had designated no beneficiary at all (see #1).

Naming minors as beneficiaries

Much time and effort often is put into estate plans to establish trusts or to name guardians who can manage the finances of minors who stand to inherit substantial assets. Similar care should be taken when a minor is named as primary or contingent beneficiary of a retirement plan or IRA.

You also may want to consider additional oversight for young-adult beneficiaries. Is your 22-year-old son equipped to manage the assets and make appropriate long-term planning decisions? Remember that at the time of your passing, your IRA fully vests in the beneficiaries. They can use the assets for further education, a first-time home purchase—or to underwrite an unforgettable Spring Break excursion for 20 of their closest friends.

Beneficiary designations for retirement accounts are an extension of your overall estate plan. It is important to review them in conjunction with each other to make sure the outcomes will work as you intended. For example, it probably would occur to you to update your will or revocable trust to make sure that assets covered by those documents provide for your spouse and equally for your three children. But suppose you forget to update the beneficiary designation for your retirement plan, which was completed after your marriage but before your children arrived? It names your spouse as primary beneficiary and your cousin Jack as contingent beneficiary. If your spouse should predecease you, do you really want your plan to pass to cousin Jack and not your children?

Here is the message in a nutshell: The assets in retirement plans form a growing portion of many people’s overall wealth. It is important that beneficiary designations be completed and reviewed with care to ensure that when you pass, those assets go where you wish. Let Trust Point’s credentialed relationship managers assist you with reviewing your beneficiary designations. We can help ensure that the wealth you have worked hard to create is passed to the recipients you actually intend, as tax-efficiently as possible.

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WHY SET UP A FAMILY FOUNDATION?

The answer is simple:

Because establishing a private family foundation allows philanthropically minded families to achieve any number of worthy goals while also providing significant tax benefits. Many donors are surprised to find that they need not be extravagantly wealthy to create their own family foundation. This helps to explain why more than 1,300 private foundations operate in Wisconsin alone. Nationwide, there are more than 90,000 foundations holding more than $600 billion in assets.

Simply stated, a private family foundation is an independent charitable entity organized under Sec. 501(c)(3) of the United States Internal Revenue Code. This entity makes annual grants to one or more public charities. At inception, the foundation usually is funded by a tax-deductible gift of cash or appreciated securities from one individual or family. After a gift is received, the foundation board can sell the gifted asset, paying no capital gains tax, and reinvest the funds to provide future net income. The board then uses the investment income to make annual grants to the charitable organizations of its choice.
Board members are typically part of the extended family that created the foundation. Serving on the board can encourage family collaboration, reinforce important family values, and prove a useful training ground for younger generations. The foundation can help to keep a family together, supporting mutually agreed causes and beliefs. Family members who serve can receive salaries that are reasonable and customary for administrative or board duties. But salaries usually are not large, ranging from a few hundred to a few thousand dollars per year.

The funding of a private foundation offers important income tax and estate tax benefits. Gifts of cash to a family foundation can be deducted from individual income taxes up to 30% of the donor’s adjusted gross income (AGI). Gifts of qualified appreciated stocks (publicly traded stocks or mutual funds) can be deducted at their fair market value, up to 20% of the donor’s AGI per year. These deduction limits are slightly less favorable than those on gifts to public charities, but any unused deduction can be carried forward for a period of five years.

Gifts of closely held company stock are not typically donated to a private foundation because of valuation concerns, business reasons, and unfavorable tax treatment. For example, if you elect to contribute closely held stock to a family foundation, the deduction is limited to the cost basis up to a ceiling of 20% of AGI. In addition, an appraisal of the company stock would be required in order to determine a value for purposes of income tax deduction.

Estate tax benefits also come into play. Upon a funder’s death, a private foundation can receive gifts or bequests free of any federal or state estate tax. The foundation can be a designated beneficiary of an IRA, for instance, or a remainder beneficiary of a charitable remainder trust. Family members frequently make their largest contributions to the private foundation at death, as part of their overall estate planning.

While the benefits are many, the primary advantage of a private foundation versus other charitable alternatives can be stated in one word: control. The founder, together with

“The funding of a private foundation offers important income tax and estate tax benefits.”
selected family members or friends, controls the assets, the investment decisions, and the grant-making process. When a family foundation is properly structured, the founder can guide nearly every aspect of the operation. Unlike direct gifts, which benefit one charity on one occasion, a private family foundation can perpetuate the donor’s generosity by giving to more recipients over a longer period of time.

The IRS imposes a very modest excise tax of only 1% to 2% on the net investment income of foundations. Because they offer so many advantages, however, private foundations are subject to serious oversight and strict operational constraints. Under what is known as the “big tax rule,” the IRS requires a private foundation to distribute at least 5 percent of its total assets to approved charities every year. The tax requirements for establishing and governing private foundations can be challenging, so the creator will need help from a lawyer, CPA, or trust professional with experience in charitable giving. Particularly vital is a competent attorney to advise on foundation structure and prepare the Internal Revenue Service tax-exemption application (Form 1023) at inception.

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How we help

Where does Trust Point come into the picture? A lot of time and energy can be involved in the day-to-day business of foundation charitable giving. Naturally, the scale of the family foundation’s assets, and the number and size of gifts to be awarded, have a direct impact on the management time required. In most cases, family members serving on the Board of Directors maintain control over the funds by making all of the grant decisions, while our experienced professionals assist with functions such as these:

- Developing and clarifying the purpose and legal structure of the foundation
- Recording gifts of cash and securities from family members, and sending tax-acknowledgement letters
- Investing the foundation assets in a diversified portfolio, using both individual securities (stocks and bonds) and institutional mutual funds
- Assisting with the grant-making process, including processing grants, maintaining records, and communicating with charitable organizations
- Meeting minimum annual IRS distribution requirements and assisting with long-term budgets for charitable pledges
- Preparing governmental reports and annual income tax return Form 990-PF
- Overseeing foundation board meetings and communications with the family board

Compliance requirements and other issues can require substantial daily activity, which means that running a family foundation sometimes is an expensive and time-consuming proposition. For more modest contributors, a donor-advised fund (DAF) can be a less expensive and easier way to pursue philanthropy while still maintaining some level of control. A DAF is a named family fund created by a donor who transfers control of the fund’s assets to a public charity while retaining the ability to recommend distributions.

Donors who plan to contribute very significant sums usually find that a family foundation is preferable to a DAF. A well-funded foundation will have the resources to hire the experts necessary to handle investments and management duties, while allowing the family to maintain control over the funds.

In the end, families seeking philanthropic flexibility, family involvement, and control may find a private foundation to be the best charitable option.
American actor Tom Hanks is both talented and versatile, equally at home playing both comedic and dramatic roles. He has worked in both television and on the big screen. This trivia quiz is about some of Hanks’ most memorable movie roles from the 1980s and on. How well do you know the work of one of America’s most gifted actors?

1. A mermaid (Daryl Hannah) saves Tom Hanks twice in this charming movie made in 1984, once when he is a boy and again when he is an adult. What is the title of the movie?

2. In The Money Pit (1986), Tom Hanks and his girlfriend buy a dilapidated mansion that should be torn down instead of repaired. What actress plays his girlfriend, Anna?

3. Tom Hanks played a smart-aleck detective, Pep Streebek, in the 1987 comedy movie Dragnet. Who played his no-nonsense partner, Joe Friday?

4. In The ‘Burbs (1989), Tom Hanks plays the paranoid Ray Peterson. What is he convinced about his strange new neighbors, the Klopeks?

5. In Sleepless in Seattle (1993), what does Tom Hanks’ love interest, Annie Reed (Meg Ryan), do for a living?

6. In the 1990s, Tom Hanks won Oscars for his roles in what two world-renowned movies?

7. What is the title of the 1998 movie in which Tom Hanks plays the captain of a group of Army Rangers in WWII sent behind enemy lines to rescue a fellow soldier?

8. Who plays Tom Hanks’ love interest in Cast Away (2000)?

9. How do Tom Hanks’ character, Professor Dorr, and his nefarious cohorts rob a riverboat casino in The Ladykillers (2004)?

10. Tom Hanks plays renowned symbologist Robert Langdon in Angels & Demons (2009). What is the title of the first movie in which he played this character?

Answers

1. The movie in which a mermaid saves Tom Hanks twice is titled Splash (1984).
4. Ray Peterson is convinced that his new neighbors, the Klopeks, are murderers.
5. Annie Reed is a journalist for a Baltimore newspaper.
7. The title of the 1998 movie in which Tom Hanks and his comrades are sent behind enemy lines during WWII to rescue a fellow soldier is Saving Private Ryan.
8. Helen Hunt plays Kelly Frears, Tom’s love interest in Cast Away.
9. Professor Dorr and his criminal cohorts dig a tunnel into the casino vault.
Investment Accounts

Which Money Will You Spend First?

Sooner or later you will need to start spending the money you’ve been saving and investing during your working years. Hopefully by that time, you will be fortunate enough to have accumulated several potential retirement income sources such as traditional IRAs, 401(k)s, taxable investment accounts, and Roth IRAs.

When it comes time to begin tapping into your portfolio during retirement, most retirees have the goal of generating as much income as possible without paying large amounts of income tax. But not all sources of income are taxed the same as the tax laws vary depending on the source and type of income. And the stage of retirement and your estate planning goals can also make a difference in which account you tap first and also how much. At Trust Point, we believe in spending the time to help our clients develop a realistic plan to achieve their personal goals and objectives.

We believe the first step for retirees is to make a list of all potential sources of retirement income, including tax-deferred 401(k) plans, individual retirement accounts, taxable brokerage accounts, Social Security, and pensions. Then come up with a strategy for drawing on them in the order that will make the nest egg last the longest while minimizing income taxes, if possible.

Taking a middle of the road approach and withdrawing some money from a taxable account and some from a tax-deferred account can be an effective strategy. Taxable accounts are useful because long-term investments and dividends can be taxed at very favorable Federal tax rates for long-term capital gains, which can range from 0% to 24%. In addition, the fixed income portion of the taxable account might be invested in tax-free municipal bonds to reduce the federal income tax bite. By contrast, every dollar withdrawn from a traditional IRA or a 401(k) is taxed as ordinary income, which under current law could be taxed up to 40% Federal tax rate.

However, the “standard rule of thumb” for many retirees has been to take income from taxable accounts first and from tax-deferred traditional IRAs and 401(k)s next, while allowing Roth IRAs to compound tax-free indefinitely. This allows the traditional IRAs and 401(k)s to continue to grow tax deferred until distributions are required to begin at age 70-1/2 and thus reduces the current income tax bill. But there are exceptions to every rule and the timing of withdrawals may depend on several factors such as the size of your tax-deferred accounts, when you claim social security, the age at which you retire, and your estate planning goals. Our professionals believe the best approach is what works best for the client at that particular point in time.

“Taking a middle of the road approach can be an effective strategy.”
“In some cases it might make sense to start drawing down your IRA or 401(k) before the time when minimum distributions begin.”

For example, if you have attained age 70-1/2, you will be required to begin taking a minimum distribution from either a traditional IRA or a 401(k). Thus, at that stage of your retirement it makes sense to take your required minimum distribution (RMD) from your traditional IRA or 401(k) before you withdraw from any taxable investment accounts.

In some cases it might make sense to start drawing down your IRA or 401(k) before the time when minimum distributions begin at age 70-1/2. The RMD amount is determined by your age and account balance and a high balance can be a curse as well as a blessing when it comes to paying taxes on the distributions. For very large tax-deferred accounts, the solution might be to start taking at least some IRA withdrawals before turning 70-1/2 even if it wasn’t needed and putting the funds in a Roth IRA. This might help to avoid much larger RMDs which could force you into higher income tax brackets in later years called the “tax torpedo”.

This strategy of pulling more out of IRAs or 401(k)s might also depend on your estate planning goals. For example, these tax-deferred accounts do not get a step-up in cost basis at death so they can be very “expensive” assets to leave to heirs. On the contrary, hanging on to taxable account investments with a view to getting the step-up in basis at death is a very common and effective estate planning strategy. This is especially true if the taxable investment accounts contain “legacy holdings” of highly appreciated stocks with very large unrealized gains. In this scenario, your heirs will owe capital gains taxes only on the gains that occur after death so you avoid paying tax on the pre-death appreciation.

If the estate plan provides for leaving money to charity, usually the best strategy is leave traditional IRA funds to the tax-exempt charity while bequeathing taxable accounts to heirs. This is especially true if your heirs are in a higher income tax bracket as they will also be required to take RMDs. So it may not be as beneficial tax wise to designate your children as beneficiaries of the pre-tax IRA. It is very clear that the overall estate plan can be a huge factor in deciding which accounts to tap and the extent of those withdrawals. Our team of credentialed staff which includes CPAs, CFPs, and JDs can help with income tax and estate tax planning.

One clear strategy, however, is to leave any withdrawals from a Roth IRA for last or not at all. Withdrawals from Roth IRAs aren’t taxed at all (under current law) provided you are 59-1/2 when you take the withdrawals and you’ve held the account for at least 5 years. By saving the Roth for last, you enjoy the maximum benefit of tax-free growth for as long as possible. This is because contrary to traditional IRA’s and 401(k)s, there are no RMDs at age 70-1/2 from Roth IRA accounts. Thus, holding funds in a Roth IRA gives retirees a lot of flexibility with no required minimum withdrawals and very attractive income tax-free assets to leave to heirs.

In conclusion, turning your nest egg into a paycheck isn’t easy and while there is a standard rule of thumb for retirees, there are also many factors to consider. They key to a successful retirement is to enjoy your money and have a financial advisor who can navigate the tax rules while helping you plan your distributions to achieve your goals and objectives. The professionals at Trust Point can assist you in planning distributions to save income taxes while advising you on strategies that make long term sense for you and your heirs. Our goal is to make your assets last as long as possible and good unbiased advice from a fiduciary like Trust Point can make a world of difference.
The Caribbean island of St. Martin is a well-known destination for international travelers from North America and Europe. The warm climate, sandy beaches, and turquoise waters of the Caribbean draw hundreds of thousands of visitors to the small island each year. St. Martin is known around the globe for a number of reasons. First and foremost, it is the smallest island in the world held administrated by separate nations. The southern half of the island, known as Sint Maarten, is controlled by the Dutch. The slightly larger northern half of the island, known as St. Martin, is controlled by the French. The Dutch capital of Philipsburg is famous around the globe as a cruise destination, with the city’s port laying claim to the title of “second largest cruise port in the world.” Maho Beach offers unbeatable views of wide-body jetliners coming in for a landing at Princess Julianna International, while the nearby villages offer some of the Caribbean’s greatest nightlife and casinos.

Tucked away on the quiet northern shores of St. Martin, the small village of Grand Case holds one of the island’s greatest titles. This village is home to more than half of the 200 restaurants that dot the French side of the island. There is no other place in the whole of the Caribbean that tourists can visit and enjoy such a wide variety of cuisines, from Creole to Indian. Take a quick journey with us through the unique, laid-back environment of Grand Case.

How to Get There

Grand Case is located along the northern shores of St. Martin. Although the village is home to L’Espérance Airport, the small facility is only capable of handling propeller aircraft arriving from neighboring islands in the Caribbean. The average tourist will find it easier, and less expensive, to fly into Princess Julianna International (SXM) in Sint Maarten and rent a car or take a taxi. The ride via taxi to Grand Case from Princess Julianna International lasts roughly 30 to 45 minutes, depending upon traffic on the island.

What You’ll See

When you first arrive in Grand Case, your senses will be inundated with smells, sights, and sounds that leave little doubt that you have just arrived in a small slice of paradise. Visibly, the diverse history of Grand Case is on display in its architecture. Originally inhabited by Arawak people, and then Caribs, European influence has shifted between Spain, France, and the Netherlands. Eventually, the French took control of Grand Case.

The village offers a combination of beachfront “wattle” huts and refined restaurants along quaint streets that are reminiscent of the streets of New Orleans, Louisiana. The wattle huts offer local and international cuisine that can be enjoyed with a beach view, or even taken out to the beach to enjoy with your toes in the sand. In the refined restaurants, you’ll find some of the finest cuisine influenced by French, Italian, Creole, and West Indian cultures.

Get to Know Grand Case

When it comes to touring the culinary delicacies of Grand Case, it helps to know the layout of the village. There are two primary sections of the city to familiarize yourself with: beachfront dining and Grand Case Boulevard. The famous street in Grand Case, labeled Boulevard de Grande Case in French, stretches from the southwest corner of the village to the northeast corner. As the road crosses over Salines Bay, the name changes to Rue de la Petit Plage. On either side of the divide, you’ll find the best dining in Grand Case.
On the inland side of Grand Case Boulevard, you’ll see refined restaurants featuring French, American, Italian, Indian, Creole, and West Indian cuisine. Meanwhile, on the sea-side of the street you’ll find casual, affordable dining that is perfect for breakfast, lunch, and dinner. There are other restaurants located off this main strip, but you’ll find the highest concentration of dining along this road.

**Where to Eat**

Now to the meat of the issue. You know how to get to Grand Case and you know where to go when you get there, so where should you eat? Well, the answer to that question depends on the cuisine you’re in the mood for and the atmosphere you desire in a restaurant. The island of St. Martin is famous for its Lolos, which feature plastic cutlery, wooden communal tables, and the finest seaside barbecue you’ll find in the Caribbean.

Lolo is derived from the French word “lot,” which means “portion.” These outdoor barbecue restaurants trace their history to the island’s history of slavery when food was rationed by colonial powers. Now, these Lolos offers exciting food with a mom-and-pop atmosphere. One of Grand Case’s best Lolos is Sky’s the Limit. The jovial chefs at Sky’s the Limit are not shy in slathering spicy, succulent sauce on their ribs. For about $20, you can enjoy a dinner of chicken, ribs, or lobster with a side and cold beer (or two). As an added benefit, Sky’s the Limit (and many other Grand Case restaurants) accepts US dollars on par with Euros.

For those young, hip travelers out there, visit Le Calmos Café for a cosmopolitan menu that includes everything from Acras du Morue (cod fish fritters) to filets of marinated anchovies. Le Tin Coin Creole is a colorful, quaint restaurant that offers traditional Creole cuisine such as conch, fresh-caught red snapper, and even curried goat. To taste some of the island’s greatest fusion cuisine, visit L’Escapade. The backbone of the menu is fine French cuisine, but there are many dishes with a fusion of Asian and Oriental flavors.

If you aren’t interested in stepping too far outside your comfort zone, you’ll feel at home at either Sunset Café at Grand Case Beach Club or La California. Both restaurants offer traditional French dishes and American cuisine that offers a mild taste of Caribbean spice, with dishes that tourists from North America and Europe are accustomed to at home.

**Gourmet Capital**

The island of St. Martin as a whole is viewed as one of the most diverse culinary destinations in the region. However, for the greatest diversity possible, a visit to Grand Case is a must. No matter what your flavor palette prefers, you’ll find a dish that satisfies your hunger in the Gourmet Capital of the Caribbean.
A twist on traditional beer is gaining popularity in the U.S. in recent years. It’s called ginger beer. Once a homemade beverage, known for its thirst-quenching properties, it is now mass produced. However, the brewing process is similar to the original method. It is a refreshing summer drink and is also used for making zesty cocktails.

**Brief History of Ginger Beer**
The first ginger root plant was brought to Jamaica in the mid-1700s. This plant was used to make a bubbly alcoholic beverage containing about 11 percent alcohol. The tasty beverage soon became a favorite. The agent used to make the brew is a combination of bacteria and yeast and is used to start the fermentation process. In the late 1700s, England began to import ginger beer to the U.S. and Canada. At first families began making small quantities of ginger beer for their own use or to sell to taverns. Soon larger quantities of the beer were produced and taken to markets around the United States. By 1850 laws were passed that reduced the legal alcohol limit of ginger beer to two percent, but it still remained a favorite. Ginger beer in the U.S. never regained its original popularity after Prohibition in the 1920s, but it remained very popular in Canada, England, and Australia.

**How to Make Homemade Ginger Beer**
The first step is to make a ginger “plant.” To do this mix dried yeast, grated ginger from the root, sugar, and water and put in a jar with a piece of muslin on top of the jar secured with a band. Every day for a week, add a bit of sugar and ginger to the mix. Pour the ginger “plant” into a mix of warm water, lemon juice, and sugar. The beer will be ready to drink in about five to ten days, depending on how warm the storage area is. The procedure takes time, but it is well worth it. There is renewed interest in natural ginger beer. There are homemade recipes available on the internet. Many of the recipes are similar to the original recipes from centuries ago. You can grow your own ginger plant in your backyard garden. As you drink the beer, think about the nutritive value of ginger. It helps calm a queasy stomach and nausea.

**Ginger Beer Back in the U.S.**
Consumption of alcoholic ginger beer decreased after Prohibition and didn’t make a comeback in the U.S. until recently. Crabbies Alcoholic Ginger Beer, the top selling ginger beer in the UK, is now available in the U.S. It is made in a similar way to the old original style. It contains 4.8 percent alcohol and tastes great when served on ice with a lemon or lime slice. It’s suitable for a hot afternoon. Ginger beer can also be used for a cocktail. A favorite is the Dark’n Stormy, which is rum mixed with ginger beer.

Popular in the UK, Canada, and Australia, ginger beer is now available in many states in the U.S. Some people use homemade recipes and go through the lengthy process of fermenting and brewing their own beer. It’s also available in retail stores in the U.S. and is becoming more popular.

It’s a refreshing drink in hot weather or anytime.
If you are a conservative investor, you may believe that alternative investments are strictly for other people. The most common misconception about alternative investments is that they are all high-risk/high-reward, useful only to the most aggressive investors. The truth is that alternative investments, when properly employed, may actually help lower the overall volatility in a portfolio. In many cases they are perfectly well suited for investors with lower risk tolerances. To clear up the confusion, let’s start with some basics.
Traditional equity and fixed-income investments — basically, stocks and bonds — are key components of any well-diversified portfolio.

Equity investments are generally referred to as growth assets (capital appreciation) with an income-producing component (dividends). Fixed-income investments are considered income-producing assets (coupons) with a risk-reducing component (capital protection).

Often, during periods when equities perform poorly, fixed-income investments do well, and vice-versa. When both equity and fixed-income investments are included in a portfolio, the uncorrelated nature of the two ultimately leads to lower overall volatility through different market cycles and more stable returns over time.

The primary objective of an equity or fixed-income mutual fund manager is to outperform a “long only” market benchmark, such as the S&P 500, over multiple time periods. Because they seek positive “relative” performance vs. a benchmark, these managers are often constrained by the benchmark they track.

**“Alternative investments target positive ‘absolute’ performance”**

Alternative investments target positive “absolute” performance — a return that is largely independent and uncorrelated with the ups and downs of equity and fixed-income markets. Alternative investments have grown in popularity over the past 20 years, and now are used by both institutional and retail investors.

**WHAT ARE ALTERNATIVE INVESTMENTS?**

At their most basic level, alternative investments (commonly just “alternatives”) are any investments outside of traditional long-only investments in stocks, bonds, or cash. In practice, alternatives can be broken into two categories (see Chart 1: Investment Universe).

The first category includes funds that use alternative strategies — meaning non-common investment techniques such as hedging, short-selling, or derivatives — to invest in traditional financial assets (equities and fixed-income). Examples include long/short equity, unconstrained fixed-income, managed futures, and global macro, to name a few.

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The other category includes funds that invest in real assets. Real assets are tangible assets that have an intrinsic value due to their inherent qualities or properties. Examples include real estate, commodities, timber, and farmland.

**HOW DO YOU INVEST IN ALTERNATIVES?**

There are essentially two ways: private or public funds.

The most popular private funds are hedge funds. For years, they have been the most common way to invest in alternatives. They still account for the biggest chunk of the alternative universe.

Liquid alternatives (also called “alternative mutual funds”) are public mutual funds that specialize in alternative investments. They are relatively new. Often described as “hedge fund strategies in mutual fund wrappers”, they provide the same benefits as hedge funds while alleviating many of the complex investment and operational issues present in private funds. As the title “liquid alternatives” suggests, these investment vehicles aim to eliminate some drawbacks that can arise in hedge funds, such as requirements that investors keep their money in the fund for long periods of time.

Over the past two years, according to Hedge Fund Research Inc., liquid alternatives have gained more net inflows than hedge funds. At Trust Point, we have never had significant interest in hedge funds for reasons listed later in this article. Four years ago, however, as liquid alternatives started to gain some attention, we conducted our own research project. We liked what we found, and wrote about the topic in a 2011 edition of Worth magazine. Today the industry is growing faster than ever.

**ARE LIQUID ALTERNATIVES SAFE?**

Liquid alternatives are registered with the SEC under the Investment Company Act of 1940 (the “40 Act”). The term “liquid” indicates that investors have the ability to buy or sell the funds daily, while “alternative” means that the source of risk and return differs from traditional long-only equity or fixed-income investments.

By law, alternative mutual funds have to follow the same rules as other public mutual funds in the United States. The 40 Act has specific requirements to protect investors by constraining the fund manager on the use of leverage, short-selling, illiquid investments, and diversification.

**WHAT MAKES LIQUID ALTERNATIVES ATTRACTIVE?**

A survey conducted by Deutsche Bank in September 2014 highlighted the main reasons why liquid alternatives have become so popular relative to hedge funds. Increased liquidity topped the list of factors that investors found most attractive, followed by better regulatory oversight, lower fees, and increased transparency. Here is a breakdown:

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**Liquidity (58%):** As herds of investors rushed for the exit door during the 2008-2009 credit crisis, liquidity issues left many hedge fund investors anxious and frustrated. Back then and still today, many hedge funds still use “gates” or “lock-ups” to prevent investors from getting their money back quickly. In contrast, liquid alternatives allow investors to pull their money out at any time, just like normal mutual funds.

**Regulatory Oversight (16%):** Regulation surrounding hedge funds is relatively light. That requires investors to have a high degree of faith in the track record and reputation of the hedge fund manager before risking their money. In contrast, heavier regulations for SEC-registered funds provide investors with additional safety and security.

**Fees (14%):** Most hedge funds still charge “two and twenty,” which equates to 2% management fees on assets under management (regardless of performance) and 20% in performance or incentive fees. Liquid alternatives do not charge performance or incentive fees, and they often carry management fees below the 2% mark.

**Transparency (9%):** Hedge funds generally offer little insight into portfolio holdings and transactions. Liquid alternatives, because of mutual fund regulations, have to meet the highest standard for transparency. A specific set of rules governs the quantity, quality, and timing of information that must be disclosed to investors.
ARE ALL HEDGE FUND STRATEGIES “PACKAGEABLE” IN A MUTUAL FUND STRUCTURE?

The requirements associated with SEC-registered funds make some alternative strategies unsuitable for alternative mutual funds. For example, merger-arbitrage strategies typically short the acquiring company and buy the target company. Based on the perceived probability of the deal closing within the timeframe announced, the manager will often use leverage (borrowed capital) to magnify returns. This strategy typically requires an ability to short and borrow beyond what the SEC allows in alternative mutual funds governed by the 40 Act. However, a number of popular alternative strategies do work well in a liquid format. These include:

Unconstrained fixed-income: This strategy allocates funds to different types of bonds with various degrees of interest-rate risk. The fund manager is not constrained to a market-cap weighted index, which often has large allocations to riskier or less attractive companies or sectors.

Long/Short Equity: The idea is to buy the stock of attractive companies (bet on price going up) and sell short the stock of weak companies (bet on price going down) to generate returns with lower volatility than long-only equity strategies.

Managed Futures: Commodities, currencies, and financial derivatives are traded based on signals from using trend-following models and complex proprietary trading systems.

Global Macro: Based on economic and political shifts in trends, positions are taken in various asset classes globally.

Successful and reputable firms, such as AQR Capital Management, Loomis Sayles, and BlackRock all participate in liquid alternative fund structures. These world-class managers use classic hedge fund strategies to run alternative mutual funds. In fact, many alternative mutual funds today are liquid versions of time-tested hedge fund strategies that have been around for years.

THE INVESTMENT CASE FOR ALTERNATIVES

Regardless of type, the addition of alternative investments may benefit a balanced portfolio through increased diversification, lower correlation to traditional asset classes, and lower volatility.

The concept of diversification is an important one. It is simply described by the adage about not putting all your eggs in one basket. While most investors use a combination of stocks, bonds, and cash to diversify their portfolios, adding alternatives into the mix can provide greater opportunities for differentiated risk/return portfolios.

Given their complex nature and risks, alternative investments are not suitable for all investors. They require a high level of understanding, rigorous due diligence, and constant monitoring. However, when vetted properly and included as a component of an overall asset-allocation plan, many alternatives have the potential to absorb shocks and reduce volatility in a way that can benefit even the most conservative investors.

IS NOW THE TIME TO TRY ALTERNATIVE INVESTMENTS?

Equity markets near all-time highs, interest rates close to generational lows, and very low yields on cash instruments imply that future expected returns from traditional investments may be disappointing compared with recent history. At the same time, the “great moderation” in global stock and fixed-income markets volatility of the last five-plus years may be approaching an end.

Trust Point offers a number of liquid alternative options for its Wealth Management clients. Now may be a good time to revisit your portfolio and ask your advisor about alternative investments.