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## The Wilson Group at Morgan Stanley

Eric S. Wilson, CIMC®, Family Wealth Director

# "What do I need to consider when financially assisting my parents?"

By Eric S. Wilson

We grow up to be like our parents—or so the adage goes. Many of us have been graced with economics that far outweighs that of our parents…and potentially that of our children. We know that our economics will potentially be called upon to support not just our generation, but perhaps the generations above and one or two below our own.

While this is true in many respects, it is often not the case when it comes to wealth. If your resources exceed the resources of your parents, you may find yourself with the flexibility to help them meet some of their needs. Conventional multi-generational planning has traditionally progressed from the oldest generation down to the youngest. However, as life expectancy increases and clients find their parents facing financial challenges, upstream planning will become increasingly important.

Glenn Kurlander, Managing Director and head of family governance at Morgan Stanley Wealth Management, recently shared several important observations on this topic with me and other Family Wealth Directors:

First, as a general matter, clients want to keep the property out of the senior generation family member's estate: Once it's downstream, in the hands of a younger family member, typically it's not productive to send it back upstream to be taxed in the estate of a more senior family member.

Second, often clients will want to avoid making a taxable gift, even one that is sheltered from gift tax by the applicable exclusion, because the consumption of the exclusion reduces the amount for future downstream transfers during life or at death. If clients think of descendants as their principal beneficiaries, they often will want to preserve as much of the exclusion as possible to shelter transfers to younger generation family members.

Third, clients often will want to avoid disqualifying senior generation family members for any governmental benefits for which they might otherwise qualify, such as Medicare, Medicaid and Supplemental Security Income.

Keeping the above three principles in mind, the following strategies may come to the fore:

- **Direct Payments.** Paying healthcare providers directly effectively deals with many of the issues. Such payments are excluded from the taxable gifts provision under Section 2503 of the Internal Revenue Code.
- **Annual Exclusion Gifts.** While such gifts have no gift tax consequences, they may disqualify the senior generation family member for governmental benefits. Thus, they need to be considered carefully where qualification for such benefits is a concern.
- **IntraFamily Loans.** Because the interest rates that apply to intrafamily loans are currently extremely low, such loans can be an effective strategy for many families. Because the transfer is not a gift (so long as it is treated as a legitimate loan), it avoids the tax and other issues discussed above. And many senior generation family members may be able to accept a loan more readily from an emotional/psychological perspective than they can a gift.
- **Upstream Trusts.** Just as clients can create trusts for descendants, they can also create trusts for parents. This strategy, if properly designed and executed, will keep property out of the senior generation's estate for estate tax purposes. And it is possible to structure the trust as a supplemental needs trust so as to prevent disqualification with respect to governmental benefits.

Many of us may never have to provide support for our parents, but if we do, it should be an honor and not a burden. Keeping Glenn's guidance in mind will help make sure our support comes with minimal ancillary complications.

*Eric S. Wilson is a Wealth Advisor with the Wealth Management division of Morgan Stanley in Macon, GA. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC, member SIPC: www.sipc.org. Morgan Stanley Financial Advisor(s) engage* Worth *to feature this profile. Eric S. Wilson may only transact business in states where he is registered or excluded or exempted from registration: www.morganstanleyfa.com/ericwilson. Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where Eric S. Wilson is not registered or excluded or exempt from registration. Morgan Stanley Financial Advisors do not provide tax or legal advice.*

*"Our economics will potentially be called upon to support not just our generation but potentially the generations above and one or two below."*

—Eric S. Wilson

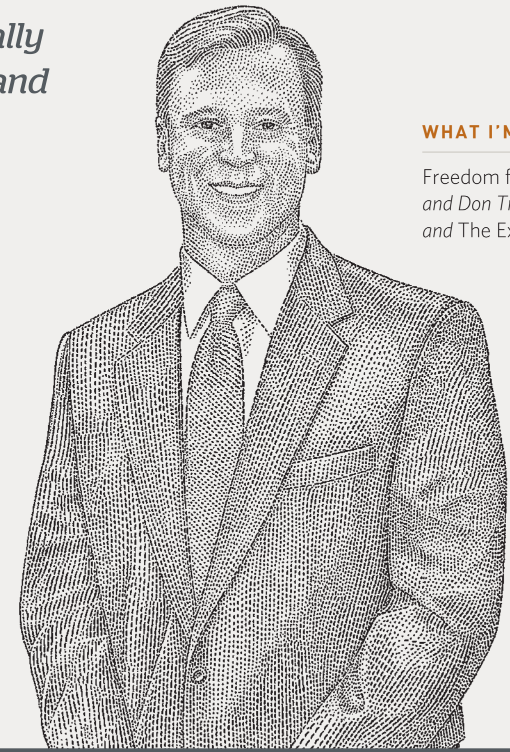

ILLUSTRATION BY KEVIN SPROULS

### How to reach Eric S. Wilson

*Interested families may reach me with questions or with interest at* 877.442.5445 *or* eric.s.wilson@morganstanley.com.

**WHAT I'M READING NOW…**

Freedom from Wealth, *by Charles Lowenhaupt and Don Trone;* Howard's Gift, *by Eric Sinoway; and* The Explicit Gospel, *by Matt Chandler*

**WHAT MAKES A GOOD CLIENT…**

*A family that knows where it wants to go and is looking for someone to help them steward the product of their life's work.*

**MY HOBBIES ARE…**

*Teaching my sons about life through sports, playing tennis, reading and gardening*

### About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 18 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants' lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with specialized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management Consultant℠ (CIMC®) and an Accredited Investment Fiduciary Analyst (AIFA®). He proudly serves on the advisory boards of the Community Foundation of Central Georgia and Children's Hospital of Central Georgia and is a member of the Macon Estate Planning Council. He and his wife, Cindy, are proud parents of four sons, ages 11, 11, 11 and 4.

Assets Under Management
$1.6 trillion (Morgan Stanley Wealth Management, as of 12/31/12)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
$5 million (planning services); $2 million in investable assets (investment services)

Largest Client Net Worth $25 million+ (as of 12/31/12)

Financial Services Experience
18 years

Compensation Method
Asset-based fees and commissions (investment and insurance products)

Primary Custodian for Investor Assets
Morgan Stanley Smith Barney LLC

Professional Services Provided
Planning, investment advisory and money management services, advanced wealth transfer planning and liability management

Association Memberships
IMCA, Fiduciary 360 (www.fi360.com)

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