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THOUGHT LEADER ROUNDTABLE

WEALTH MANAGEMENT



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Wealth management is on the minds of many folks today — the challenges, the outlook and how businesses can navigate. The Portland Business Journal asked Glen Goland, senior wealth strategist at Arnerich Massena, and Brent Berselli, partner with Holland & Knight law firm, to weigh in on this important topic. Lisa Massena, principal at Massena Associates, moderated the discussion.

LISA MASSENA: Let's start with an introduction and highlights about your company.

BRENT BERSELLI: I'm a partner at Holland and Knight in our Portland office. It's a full-service global law firm, and I sit within our private wealth services practice group serving as outside general counsel to high-net-worth and ultra high-net-worth families. We handle everything from estate planning to family business succession. Our practice has started to branch out into working with private equity and hedge fund principals on various wealth-transfer planning techniques.

GLEN GOLAND: We are an investment advisory firm in Portland, advising families, foundations and endowments in the wealth management space specializing on the private side. Most of the families I work with have somewhere north of \$2 million to \$3 million or more of assets invested with us. I am the primary adviser for around 80 families for whom I make all of the investment trades and decisions. And I serve as the senior wealth strategist for the team handling any financial planning or estate or tax questions that come up for our clients.

MASSENA: I'm here as a member of the board of the CFA Society of Portland. I work with retirement savings programs sponsored by states to cover workers whose employers don't offer retirement plans. Prior to that I was the inaugural executive director of the OregonSaves program. As an aside, I helped found the company Arnerich Massena in 1991. Despite a great deal of affection for the organization's people and alumni,

we are independent of each other and do not have a business connection. It seems important to mention that!

Gentlemen, we are transitioning through the pandemic and two different administrations with two different ways of thinking about wealth, taxation and related policies. What's new in the wealth management space in 2021?

GOLAND: Widespread acceptance of video conferencing is making collaboration and getting people to the table easier. We're also getting an increased push from our clients to have their values line up with their assets. We're also talking about taxes.

Finally, on the investment side, people have seen the meme stocks and ask us about AMC or GameStop. We've seen similar activity around SPACs, Special Purpose Acquisition Companies. There has been a profound shift starting last fall. For a long time, there were high-flying growth stocks and companies with really high valuations, and they have been stopped in their tracks. For the last six months we've seen dramatic performance from what's called value areas — the kind of stuff Warren Buffet invests in. The driver of performance has been these long-neglected companies finally having their day in the sun.

BERSELLI: This pandemic really made our clients come to terms with their own mortality. People who were eager to undertake planning knew they had to get some things done and the prospect of this pandemic, coupled with potential tax changes over 2021 into 2022, served as a significant motivating factor for them to come on board with their other advisers to formulate the plan to help marshal their assets through the next generation. It was eye-opening how quickly the circumstances over the past 15-plus months motivated clients to take action that for prior years had largely languished.

MASSENA: Talk about client concerns you're seeing.

BERSELLI: The No. 1 comment from clients is largely frustration,

BRENT BERSELLI | Partner, Holland and Knight



Brent Berselli is a partner in Holland & Knight's Portland office and is a member of the firm's Private Wealth Services Practice Group. Mr. Berselli serves as general counsel to wealthy individuals, their families and their businesses throughout the United States to design and implement sophisticated strategies integral to family wealth planning. High-net-worth individuals, including principals of private equity, venture capital and hedge fund firms, private and public company executives, real estate developers, entrepreneurs and business owners, turn to Mr. Berselli for advice and counsel in all aspects of wealth transfer strategies, income and transfer tax planning, philanthropy and business succession.

GLEN GOLAND, JD, CFP® | Senior Wealth Strategist & Investment Advisor, Arnerich Massena



Glen Goland's investment industry experience spans more than 20 years as a wealth and investment advisor and estate planning attorney. In addition to investment advisory work, he advises Arnerich Massena clients in financial planning and specialty areas, including estate, wealth transfer, tax, and financial planning. He earned his J.D. from Suffolk University Law School, cum laude. He is a Certified Financial Planner and has been licensed to practice law in the states of Oregon and Massachusetts. Mr. Goland is an Eagle Scout, serves on the Endowment Committee of the International School, and volunteers with the Oregon Council on Economic Education.

LISA MASSENA, CFA | Massena Associates LLC and Board Member, CFA Society Portland



Lisa A. Massena, CFA, is a retirement leader partnering with governments, service providers and policy organizations to develop savings programs focused on increasing private sector retirement coverage. Lisa founded Massena Associates to help clients successfully navigate new spaces, achieving on-budget implementation, state of the art operations, happy users, and good policy. Prior to establishing Massena Associates, Lisa served on the Government Savings team at Ascensus, the nation's largest independent recordkeeper, and as the founding Executive Director of the OregonSaves program. She has also held executive positions at State Street and mPower. Lisa is a Chartered Financial Analyst, a Municipal Securities Advisor, and a graduate of Portland State University.

not knowing what the tax picture will look like tomorrow, whether it's doubling the capital gain rate or slashing the lifetime gift and estate tax exemptions, or other changes. When laws are in flux, it almost creates a paralysis and this fear of, if I do X, Y and Z, and then the laws don't change, then I'm stuck with what we've put in place trying to plan for this eventuality.

So, I'm seeing clients who understand laws can change and want to account for that possibility, but they don't want to create a structure that will limit their ability to have access to capital to fund their investments.

One thing that seems to be in vogue is spousal lifetime access trusts where a client wishes to

undertake some planning, take advantage of their increased gift tax exemption, make a gift of assets outside the estate, but still wants to access some liquidity. Often that can be accomplished by creating an irrevocable trust that names a spouse as a potential beneficiary. Many people have advocated for both spouses creating similar trusts like this for the benefit of the other.

I've seen that go wrong in the event of divorce. For example, 80% of a family business was gifted into trusts for the benefit of each spouse and then their children. When those spouses divorced, they were resistant to the concept that the ex-spouse is still a potential beneficiary. You see a lot of people with very valid

ideas for some potential planning opportunities, but fewer take the time to explore the eventualities. We try to limit these surprises.

MASSENA: I heard a rumor that in 2021, there could be tax changes made that would be retroactive. Are you hearing that?

BERSELLI: I am, and I believe the Biden Family Plan Act, which proposed to double capital gain rates upon reaching a certain income, is proposed to be retroactive to late April this year. There have been prior tax laws that were changed retroactively, back to the date the legislation was first introduced. That seems a little bit more acceptable than just picking Jan. 1 as the cutoff because if you undertake a substantial sale of an asset Jan. 1 in expectation and reliance on the law as it exists at the time of sale, it seems somewhat unconscionable to then change course and penalize someone for working within the current confines of the law.

I hope if we do see tax law changes— whether income, gift or estate – that they become effective Jan. 1, 2022, so that clients are afforded the opportunity to undertake whatever planning they deemed necessary in reliance on the law today.

GOLAND: The pandemic brought mortality to the forefront. For us, that showed up in a couple of ways. The first is clients who are retiring this year, who were otherwise planning on working a few more years. We've been running a lot of cash-flow projections for folks and here's how much it changes if you work two or three more years. Post-pandemic, people have a better sense of what those two or three years are worth to them.

So we've seen an increase in folks looking at retirement and end of life planning. There are questions that involve communication with the kids and helping them get up to speed and understand what their folks have built and are leaving to them.

We've built a handful of calculators to look at the capital gains tax stuff. Our firm has largely been built on the ethos

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GLEN GOLAND

that we make investment decisions based on the investments, not the taxes. So we have not bought or sold a single security ahead of a potential capital gain change. Our eyes are on the capital gains thing, but we don't think it's as important as the estate structure. Should that change it has the potential to upend a lot of planning.

MASSENA: What have you seen as best practices for family engagement, getting ready for generational wealth transfer, or executing that?

GOLAND: It starts with uncomfortable dialogue. We try to have that conversation about how much do the kids know, how much do you want them to know, and how can we help you bridge that gap? The best practice is to always be asking the question, "Have we done everything we can do thus far to prepare the kids or whomever the beneficiaries are?"

We probably talk with them more than their accountants or lawyers do and try to provide as many tools as we can. Last year we put together a family preparedness document folks could use as a checklist, like where is the safe deposit box? Where is the will? Sometimes it's just providing the tools or the structure.

MASSENA: How are you seeing your relationships evolve, and how are you thinking about best practices from a generational transition perspective?

BERSELLI: As the attorney, we have to be very clear who we represent. We have a lot of clients who want to include their children or fiduciaries in the discussion. I think that's great. I encourage clients to loop in their family and the next generation, because I would rather have the principal communicate these

decisions to the family.

There are sticky issues. If there's more than one child who worked in the business, control becomes very touchy. You can have the potential for two siblings to not see eye-to-eye. That creates a real problem not only for the business operation, but morale and long-term employees. So I try to encourage clients to loop in their family and the next generation, because I'd rather have the principal making these decisions. That usually goes a long way toward limiting hurt feelings.

Our allegiance is first, foremost and solely to our client, not our client's children. But there needs

to be a set of procedures or parameters in place to address that eventuality.

GOLAND: This gets super complicated when there's some question about mental capacity. That's really the stickiest area – getting the kids involved when the client is physically sitting there but can't make decisions anymore. The sharing of data gets super sensitive when issues of capacity come up because it becomes challenging to know exactly where the lines are. Our loyalty is always first and foremost to our clients.

MASSENA: What can people as principals or as parents with assets do to put themselves in a better position for an unknown future?

BERSELLI: Oftentimes our clients are going to have a revocable trust that will provide a clear succession of the trusteeship. We spend a lot of time with clients drafting their revocable trust to troubleshoot these issues, so we're at least



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getting the client to think about who should have full read-through privileges cut if they no longer have capacity.

I might be the last person to be aware informed of a potential change in a client's capacity. We try to tailor a document specific to the client needs, but it has to be monitored on a regular basis, particularly as those clients age.

GOLAND: Freeze your credit is the most important advice I can give about long-term cash flow planning. There's so much fraud targeted at seniors and folks with disability and unemployment.

Get a team around you that is competent. Sometimes that's an individual or a professional trustee organization, but there ought to be an ongoing conversation. We try to talk with our clients' accountants at least once or twice a year and wrap the attorneys into those conversations also to talk about what's changed with the family, with the assets, with tax planning.

"I encourage clients to loop in their family and the next generation, because I would rather have the principal communicate these decisions to the family!"

BRENT BERSELLI

MASSENA: You talked about values-aligned investments and investing. What else are you seeing from a thematic perspective?

GOLAND: I've had a handful of clients lately where their top-performing investment is in water and water scarcity. Areas of the environmental social space are attracting a lot of attention. We're asking diversity and inclusion questions of the fund managers we're investing with. We're also seeing interest in investing in community development, affordable housing. There's enough data out there now that you can put together an investment portfolio any way you want.

In 1998, there were maybe 7,500 publicly traded companies in the U.S. Today there are under 4,000. So we're looking in more places that are not in the public markets –private equity, alternative income streams, diversification in more eclectic stuff.

MASSENA: What feels particularly valuable or productive in the wealth management space going forward?

GOLAND: The overall direction of fintech services that's more user-friendly for the client and more efficient for me as their adviser. One of the cooler things we've added in the last year was AI software. We plug in

information about their net worth and who they are, and it spits out recommendations to talk to their accountant or attorney about.

The marrying of technology and financial services can help the attorney by better informing them and we can get down to business and have a better conversation. But a robot is not going to be as good as I am at getting to know the kids, understanding the structure and, when the client passes, understanding the cash flow ups and downs.

BERSELLI: One of the things I'm seeing is the continued gravitation of clients toward more sophisticated or long-term transfer tax planning. Our clients will continue to grow their net worth. If they have an opportunity to transition an asset to the next generation now, while still having some degree of control, that seems to be what a lot of clients care about.

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Holland & Knight is setting the pace in Portland. Our office is home to renowned *Chambers*-ranked* litigation and corporate/M&A teams with national credentials and the publication's highest ranking** for private wealth services. In 2020, we ranked No. 5 in the Top 25 Most Diverse Large Law Firms by the *Portland Business Journal*.

While our focus is local, our reach is global with the support of **more than 1,400 lawyers in 27 offices** around the world.

* *Chambers USA: America's Leading Business Lawyers* 2021 guide ranked office attorneys for Litigation: General Commercial and Corporate/M&A

** Ranked Band 1 in Oregon by 2020 *Chambers High Net Worth* guide

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