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Elements of Financial Planning, Part 3: Survivorship

Timothy S. Callan, CFP®
Callan Capital

A comprehensive, well- constructed financial plan brings clarity and direction to financial choices clients make everyday. Through the financial planning process, specifically within the area of survivorship, clients can determine if they are able to maintain the same lifestyle that they were accustomed to while their spouse was still living. In most cases, clients want to be able to stay in the same home, maintain their current spending levels, and provide for their children.

At Callan Capital, we take clients through a robust financial planning process using multiple financial scenarios and different underlying assumptions with a Monte Carlo Simulation. A Monte Carlo Simulation illustrates possible variations in growth and/or depletion of retirement capital under unpredictable future conditions. The simulation introduces uncertainty by fluctuating annual rates of return on assets. This long-term hypothetical model is used to help show potential effects of market volatility and possible effects on your financial future.

The Monte Carlo Simulation includes all capital assets, both tax advantaged and taxable, all expenses, including education funding if applicable, pension benefits and Social Security benefits. Observing results from these large number of simulations may offer insight into the shape, trends and potential range of future retirement plan outcomes under volatile market conditions. The analysis provides a likelihood of success given thousands of possible market conditions.

Through this analysis, Callan Capital will determine which elements of a client's lifestyle and budget will be able to remain intact, and which elements will need to be adjusted. In addition, we will determine if clients are over or under funded with insurance and make adjustments accordingly. We will make sure that the proper beneficiaries are in place. Additionally, we will determine college expenses and ensure that the proper infrastructure is in place to meet education planning goals.

If a client is part of a small or family owned business, they may want to consider a buy-sell agreement. A buy-sell agreement governs how ownership will change hands if and when something significant, often called a trigger event, happens to one or more of the owners. These agreements are intended to ensure the remaining owners control the outcome during critical transitions. They specify what happens to the ownership interest if a fellow owner who dies or otherwise departs the business, and mandate that a departing owner be paid reasonably for his or her interest in the business. These agreements are typically funded with life insurance so in the event that one of the owners passes away, the company will have guaranteed liquidity to purchase the deceased owners interest in the business.

The peace of mind offered by a well – constructed financial plan is invaluable to help clients navigate uncertainty during emotionally-charged periods. As a surviving spouse, one wants to ensure that the same or similar lifestyle is maintained even with the potential death of a spouse. Through the financial planning process, clients can determine which elements of their lifestyle and budget will be able to remain intact, and which elements will need to be adjusted.

Disclaimer: ** Callan Capital does not provide individual tax or legal advice, nor does it provide financing services. Clients should review planned financial transactions and wealth transfer strategies with their own tax and legal advisors. Callan Capital outsources to lending and financial institutions that directly provide our clients with, securities based financing, residential and commercial financing and cash management services. For more information, please refer to our most recent Form ADV Part 2A which may be found at* ***www.adviserinfo.sec.gov.***

Timothy S. Callan, CFP® is a Managing Partner at Callan Capital in La Jolla, CA. Callan Capital is an independent wealth management firm that provides financial planning and asset management services to affluent families, executives, foundations and endowments. Tim can be reached at **858.551.3800** or **tim@callancapital.com**. For more information on gifting or Callan Capital's services, please visit **www.callancapital.com**.