Estate Planning Tips for HNWI During a Recession

Tom Rapp
Founder of Greenberg & Rapp Financial Group

To hear about his top Estate Planning tips for high-net-worth individuals (HNWI), Finance Monthly reached out to Tom Rapp - the Founder of Greenberg & Rapp Financial Group and Eagle Rock Wealth Management. Over his 33-year career, he's grown his practice from a specialty insurance firm in New Jersey into a holistic financial planning practice with over $1B under management and locations across the US. Greenberg and Rapp Financial Group is a one-stop-shop for all the financial needs of their clients - from investment management to Estate Planning, Insurance, and everything in between. Tom specialises in tax-advantaged solutions for high-net-worth individuals and his favourite part of the job is crafting unique strategies for closely-held business owners to maximise their business and legacy.

Is there a strategy or product that your clients are most excited about right now?

A lot of our clients are always looking to add alternative investments like Private Equity to their investment mix. Many offerings in these alternative asset classes are not registered products and they are also extremely tax-inefficient. These two considerations make these asset classes unsuitable for many investors. Private Placement Life Insurance (PPLI) and Private Placement Variable Annuities (PPVA) are the perfect solutions for an accredited investor/ qualified purchaser in this situation. PPLI and PPVAs mix the income tax and estate tax advantages of an insurance product with the flexibility of a taxable brokerage account. PPLI and PPVAs also give investors access to Private Equity and Hedge Funds without the tax inefficiencies that usually come with those asset classes. Insurance is also a crucial piece of estate planning which is more important now than ever.

What are some estate planning mistakes you've seen high-net-worth individuals make?

The biggest mistake I have seen is that high-net-worth individuals do not start planning early enough. Many people believe estate planning is too complicated or only for the elderly. They are generally extremely focused on their business ventures in the present that they do not think about their legacy. By the time they realise the importance of planning their legacy, it is often too late to maximise what we can do. I believe that estate taxes, also known as death taxes, are almost entirely voluntary if you work with the right team and start early enough. Research recently done by the Williams Group found that 70% of family wealth is depleted by the end of the third generation. Proper planning can ensure your family does not fall into that 70%. Not having a plan is planning to fail and failure with respect to estate planning can be crushing for your loved ones.

Why is estate planning more important than ever for high-net-worth individuals in the current financial environment?

COVID has changed the world in many ways, investing and estate planning for wealthy individuals is no different. Government spending has increased, unemployment has risen, and US GDP has dropped significantly. Ask yourself who is likely to foot the bill for this? Over 40% of Americans already pay no federal income tax. Wealthy Americans pay the lion's share of taxes and that burden is only increasing. The current lifetime gift tax exemption is over $11M. It is set to drop significantly in 2026 and regulators may act sooner. This alone would cost some families millions of dollars. Tax elimination strategies are constantly changing and the best time to act is now.

Each year, more and more investors are migrating away from large financial institutions and choosing to work with independent, holistic financial planners. Why are these types of firms more attractive to the modern investor?

Today, investors have more choices than ever when it comes to both investments and advisers. They also have access to information on commissions and fees. These investors value their relationship with their adviser. When doing business with an adviser who is associated with a major wirehouse, there is a third partner in the relationship and the client has no choice but to pay for the name brand of the wirehouse or bank. There is no guaranteed performance increase associated with the extra cost, so we have seen investors flocking to lower-cost independent advisers. The investors we talk to every day would rather save a significant percentage of their fees rather than pay for the name. Holistic financial planners also become the "go-to guy" for all the financial needs of their clients and do not manage investment assets in a vacuum.