

ROGER REKATE OF ADVISOR INK TELLS CPAS, ATTORNEYS, AND RETIREMENT PLANNERS: IT'S TIME TO TALK

Think of all the things we could accomplish if lines of communication were open. We might have a budget in the U.S. Government, for one, and a chance at world peace, for another. What we would also have is a cohesive, rock-solid wealth management plan, according to Roger Rekate, CPA and CEO of Advisor Ink in Springfield, Missouri.

“They don’t communicate with each other,” Rekate says of attorneys and tax experts, even when they serve the same client and are key components of a holistic wealth management plan. One client who recently came to Advisor Ink had no less than three different brokerage accounts, and none of her brokers knew what her total assets were. “The government was going to take half of her money,” Rekate says, and he’s still untangling all of the funds. “The CPAs are preparing forms, but not planning; brokers are just managing money and not looking at other strategies,” he says. For Rekate, it’s past time for everyone to start working together.

“I think the team idea started when I played high school basketball – it takes more than one guy to win a game. When I started financial planning in ‘95, I saw a lot of people get greedy with their clients. They wanted to be the only one helping them. But it’s hard for only one person to keep up with everything,” says Rekate. He began splitting fees on his cases with an expert associate and quickly realized he could add value for his clients by teaming up with other people to provide a wider range of services.

He built his firm, Advisor Ink, around an exclusive network of estate planning Attorneys, CPAs and financial professionals throughout the country. Together, they offer a full range of financial products and services and have expertise in multiple areas – but most importantly, they talk to each other. “We believe that tax planning strategies, retirement planning and estate conservation should be top priorities for individuals and families of all ages and income levels,” says Rekate, who has assembled the team to do all three.

His setup isn’t so different from the teams of experts brought together to handle the estates of multi-millionaires – who often have staffs of people devoted to their financial well-being. Rekate’s resources, however, are not limited to the benefit of just one fortunate family; he offers the services of his Wealth Team to any family or individual looking to “preserve their wealth, protect their assets, and save on taxes.” It doesn’t matter whether a client has multi-millions or a modest salary, everyone receives the same level of service. Though he admits that retirees on smaller salaries are usually much less complicated than high net worth clients who have multiple holdings and inch-thick portfolios.

“We can have 20 to 25 people working on one client’s case. We have people working on annuities, life insurance, and under-writing on one side, and we’ve got real estate planning on the other side. We’ve got money managers in some really unique areas who team up with us, and we’ve gotten our clients incredible deductions,” he says. Right now, his main job is to coordinate the CPAs, attorneys, and other experts, acting as conductor to a symphony of super stars.

Finding just the right people for his team has been a slow and careful process. “It’s one day at a time,” he says. Once brought on board, Rekate consults with the team to talk about all the strategies that can be put in place for each client. Attorneys take care of wills, trusts, and the legal matters of estate planning; CPAs ensure optimum tax efficiency; and other team members are brought in as needed, bringing with them ideas including tax deductible investment

strategies and trades that might never have been thought of without them. Rekate, as a CPA and experienced retirement advisor, presides over the team, coordinating and facilitating the discussion.

However, the planning process doesn't start in the meeting room. It starts with two introductory appointments: one in which Rekate gathers the client's pertinent information, and the second in which he shows the potential client his or her personal financial statement and true net worth. "My feeling is, if they have a need and we discover it in the first appointment, we have a good chance of them trusting us once they meet with us," says Rekate.

The financial statement presented in the second appointment includes cash, investments, properties, businesses, and liabilities, bringing together all aspects that affect the client's total financial picture. While this might seem fairly cut and dried, it's here where the biggest surprises can occur, like, say, finding 5 million dollars you didn't know you had. That was the case of one client, who came in believing she only had 6 million dollars, and walked out the door with 11 million. "Her broker was telling her she could only spend 30 thousand dollars a year!" says Rekate, who uses it as a prime example for what can happen when lines of communication between professionals break down.

In this particular case, taxes were a vital issue – as they are with many high net worth clients. Rekate's experience as a CPA gives him a strong foundation in these matters. For each client he does a quick estate planning analysis that shows them their current estate tax, and what it might be ten years from now. If he left it there, new clients might just walk out his door hanging their heads in despair, but he includes advanced strategies to make the future look much brighter. For the client with 11 million dollars, he says the IRS would like to take nearly all of the money they just found – half of the estate – yet through Rekate's strategies of using life insurance and tax-free gifting, the vast majority of the money will end up in the hands of her loved ones.

Rekate calls it "comprehensive planning," which he is uniquely suited to do with a background in tax and real estate planning. He says the three careers he's had in the last 15 years – in public accounting, financial planning, and real estate planning – come in very handy. Income planning for seniors often requires expertise in these areas to protect their assets from depletion by taxes, and to organize effective ways to pass on their estates. After the first appointment, Rekate and his team start pulling together a custom plan.

While each plan is designed specifically to address each clients' individual needs and circumstances, Rekate says anyone can implement the basic strategy:

"We suggest that each client include the following critical elements in their financial game plan:

1. Your investment counselor should have a thorough understanding of your pension and retirement systems.
2. Consultations should occur with a tax counselor instead of a tax preparer when discussing your income tax strategies.
3. All of your financial resources should communicate with each other concerning your situation."

Not surprisingly, Rekate's recommendations revolve around communication. Once you have that, you can begin to discuss issues like what to do with your 401K.

When it comes to the most common form of retirement savings, the 401K, Rekate says retirees should consider moving it into a fixed annuity account in order to get a guaranteed lifetime payout every year. “Most folks who are retiring don’t want to be exposed to market risk. If we can guarantee them a payout and still give them control over their principle – if they have 30k a year with a home care rider and a nursing home rider, they’re protected, even if they need at-home health care,” he says.

Many retirees arrive at the Advisor Ink offices to enroll in similar plans. Annuities are evolving all the time in response to demand, and the Baby Boomer generation demands a lot. “We have a rider that says it pays double your cash flow if you need at-home health care. Basically, if you have a 30 thousand dollar per year income that is guaranteed for your entire life, and you find you need long term at-home health care, that income will crank up to 60 thousand with this annuity,” he says. As an independent advisor, Rekate’s sole responsibility is to look out for the best interests of his clients, which allows him the freedom to design impartial savings, income, and investment plans to allow for circumstances outside retirees’ control.

When handling his clients' money, Rekate and his team use insurance based indexed annuities to preserve wealth while protecting principal and guaranteeing an income stream. But that’s only part of the larger picture, which also includes using separately managed funds and life insurance. Investments subject to market risk are recommended judiciously, for example, investing in gas to offset capital gains taxes. Rekate’s philosophy is mainly one of conservative investing: “If you’re in the investment world, stocks, bonds, mutual funds, variable annuities, you can lose everything in those if there’s another year like 2008. We try to get their money safe in guaranteed pensions. Guaranteed income is the most important thing I can do for retirement and income planning.” He’s right – according to multiple surveys, the top concern of today’s retirees is outliving their wealth. With Rekate’s team, ensuring a lifetime income is top priority.

Life insurance, another key piece of the retirement puzzle, is a frequently misunderstood tool for estate planning. But for high net worth clients in particular, not only can insurance be useful to cover taxes on inheritance later, it can also be used as another source of tax-free income now, and as a way to grow money inside the policy for the future. “One of our clients has a friend who’s agreed to take care of her when she’s older. She wanted to leave her money, so we decided to put 500 thousand into a life policy. You can put money in life insurance and lower the death benefit to use the policy to grow your money, and pull out money that doesn’t show up on your tax returns. She’s only going to pull out a small amount – 20,000 to 25,000 dollars of interest every year,” says Rekate, illustrating how insurance can be used to do far more than pay funeral costs.

Rekate says that while planning for any retiree is similar, the team really needs to come together for the more complicated accounts of high net worth clients. He brings in experts in tax deductible investments to offset capital gains, which requires the most knowledgeable of advisors, and personally consults on in-depth tax planning. Working together, the team has succeeded in one of the toughest decades to hit the market. Rekate says, “My clients haven’t lost money – I come at it from answering the questions: What are their needs in this marketplace? How do we get away from those risks? Preserving the wealth they’ve accumulated and saving on taxes are top priorities.” With the extreme volatility of the market and quickly changing tax laws, everyone needs a team of experts to plan their retirements. “Believe me,” says Rekate, “I’ve been staring at the fiscal cliff since 2007-2008. It’s a tough situation overall for most folks to make decisions.”

Advisor Ink may have an entire team of experts who cover a wide variety of disciplines, but they all come together to focus on just three things: preserving wealth, protecting assets, and saving on taxes. “The one thing I’ve figured out – I can’t give clients ten recommendations in the same meeting,” says Rekate, tempting as it is to impress them with the wealth of knowledge and input that goes into their financial plans. “We take it one step at a time, based on what is most important,” he says. And, what is most important throughout the process, at all times, to all people, is: communication.