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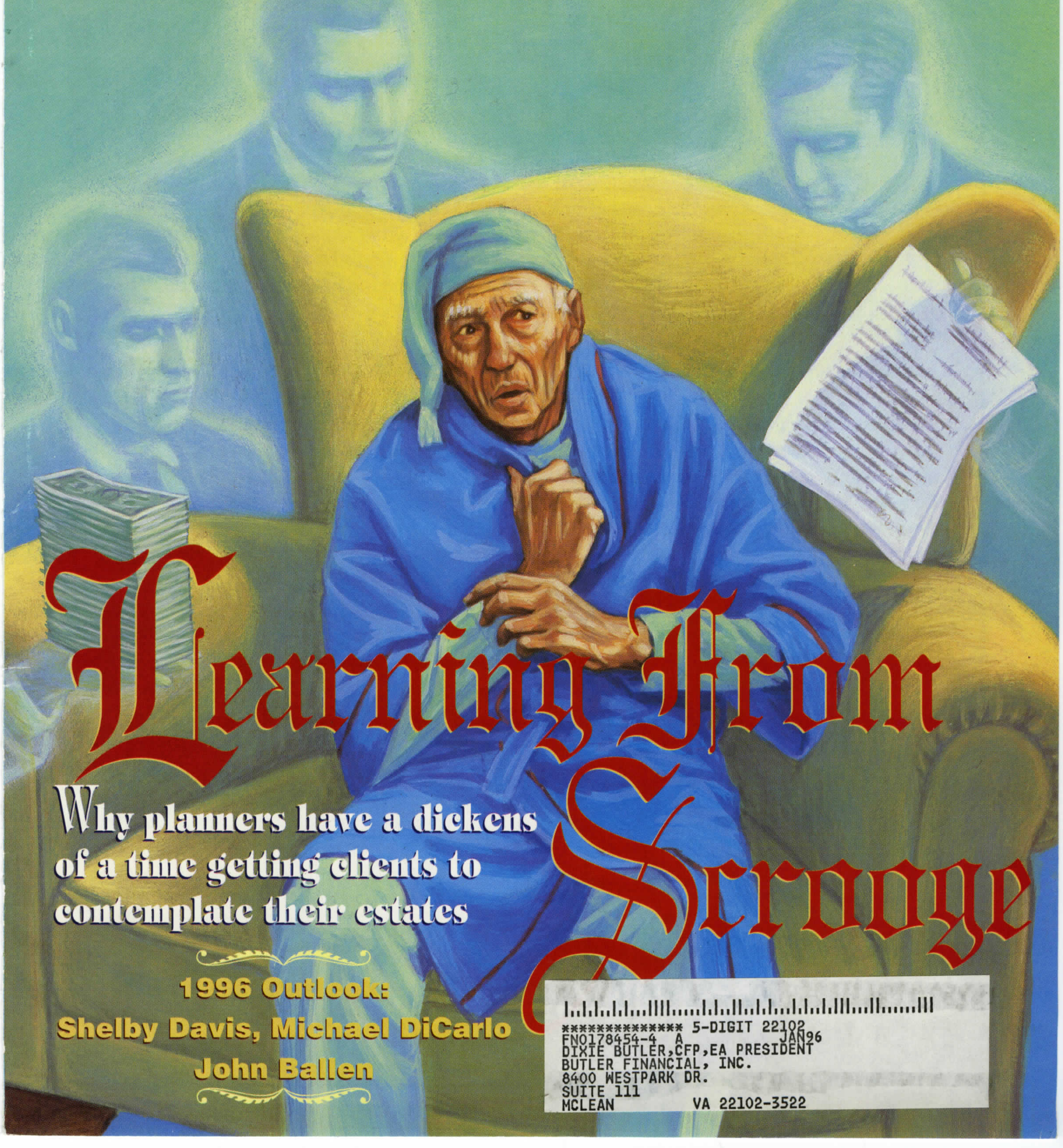


Learning From Scrooge

Why planners have a dickens of a time getting clients to contemplate their estates

1996 Outlook:
Shelby Davis, Michael DiCarlo
John Ballen

Here Comes

A beautiful woman in white dances with her new husband, as her father watches tearfully. The newlyweds cut the cake. The bride tosses the bouquet.

And then comes the bill.

This scenario, from a TV commercial for a major credit card, depicts a father's reaction to the monstrous bill for his daughter's wedding ($200 for *parsnips*?). He pays it, of course, with his gold card.

But judging by the cost of weddings these days—from $15,000 to $30,000 on average—planners may want to take other precautions for clients who anticipate such an event in their family's future. These numbers can approach what clients spend on college tuition, but most parents don't have the luxury of paying for a child's wedding over four years.

Leaving weddings off a planning checklist is understandable; after all, there's no guarantee children will ever marry. When they do, parents often have only a year to invest wedding money—too short a time for planners to have much effect.

However, it is important to anticipate weddings for precisely these reasons, says Dixie Butler, of Butler Financial in McLean, Virginia. Most clients can't pay for a $30,000 affair out of current cash flow, so they need alternatives.

A $60,000 Party

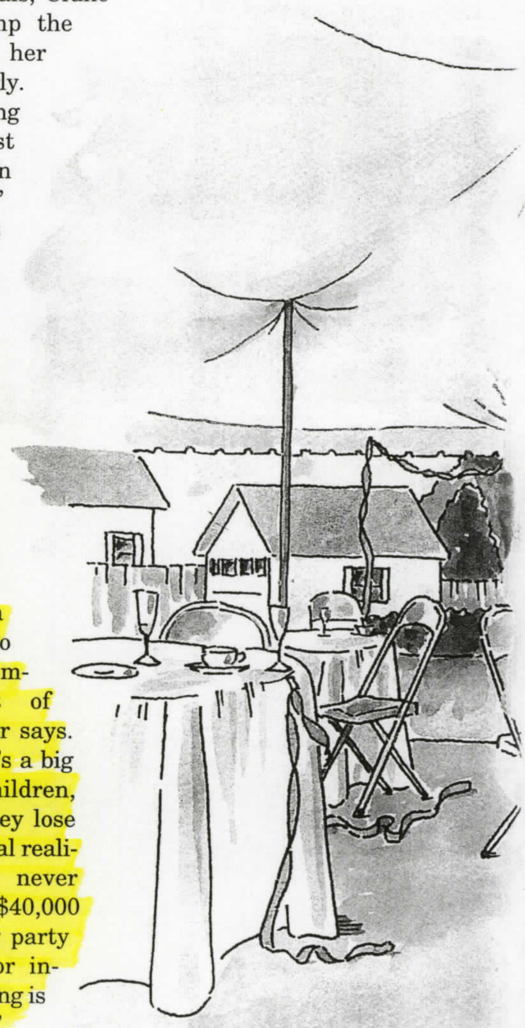
In the past year, Eileen Clune of Clune & Associates in Chicago watched several clients spend big chunks of money on their respective celebrations. One family shelled out $25,000 for their daughter's wedding. Another client plunked down $40,000 for their little girl's nuptials. A couple in their mid-thirties blew $60,000 for their big day.

Clune's clients found different ways to pay for the celebrations. The first family used their current cash flow. The second took out a home equity loan and, to avoid raiding their investment portfolio, cashed in a bond that came due. The third couple funded their $60,000 fête with current cash flow and by selling assets. Their $500 monthly retirement contributions were interrupted for the full year the wedding was in the works.

If planners fail to identify celebrations as financial goals, they may have to deal with the fallout: clients disregarding financial plans to pay for the wedding. Peter DeRosa, a planner with Jost Financial Management in Warren, New Jersey, points out "the spiraling cost of weddings" has shoved what used to be a financially unremarkable event into the planning spotlight.

After realizing the ripple effect weddings can have on other financial goals, Clune decided to revamp the questionnaire her clients update yearly. Instead of expecting clients to list upcoming affairs in the "other expense" category, there is now a question specifically about weddings.

By discussing well before the wedding how much the parents want to spend, planners ensure emotions don't govern the budget. "People often have an idea of what they want to spend from a common-sense point of view," Dixie Butler says. "But a wedding, it's a big deal. It's their children, and sometimes they lose sight of the financial reality. They would never spend $30,000 or $40,000 on an anniversary party for themselves, for instance, but a wedding is something special."



Managing Wedding Funds

While it's customary for the bride's parents to foot the bill, that tradition is changing as wedding costs increase. More and more often the groom's parents—even the couple themselves—are helping to finance the celebration, and often they're turning to financial planners for assistance.

Butler urges these clients to open an account earmarked for that purpose. Without contributing each month to a wed-

ILLUSTRATION: Barry Littmann

The Bill

Planners who overlook wedding expenses in their clients' futures risk raiding retirement accounts to pay for the event. **By Melissa Gitter**

ding account, parents may have a hard time paying for the affair. Moreover, any money not used can be put toward a retirement fund.

Some planners manage wedding accounts for their clients. Kathleen Day of Kathleen Day & Associates in Miami, Florida, recommends using no-load mutual funds with low investment requirements because her clients usually fund the accounts in small increments. DeRosa also favors a mix of growth-oriented and income mutual funds for time horizons of more than three years. Once the event is anticipated to be less than five years away—or when children reach their early twenties—Day moves the assets to certificates of deposit or Treasury bills. Under the three-year mark, DeRosa favors short-term bond funds or growth and income mutual funds, depending on a client's risk tolerance.

Arlene McCarthy, a planner with McCarthy & Associates in Tarrytown, New York, often suggests that clients with a lump sum to invest use zero-coupon Treasury bonds. For additional investments, McCarthy encourages the use of automatic investment plans.

Because many parents are more concerned with funding college tuition than weddings, another option is to overfund education, says Bernard Blum of Blum Shapiro Financial Services in West Hartford, Connecticut. Parents should contribute as if the children will attend an expensive institution, then apply leftover money toward weddings, he says.

Providing A Reality Check

Besides helping clients invest for wedding expenses, planners can provide a reality check for parents swept up in the joy of the occasion. Virginia Abbott of CPC Financial Planning in Blue Bell, Pennsylvania, recently met with clients to discuss how much they will spend on a daughter's wedding this spring. Before going ahead with the figure they had in mind—$15,000—the clients wanted to be sure they'd be able to offer the same amount to their other two daughters. In this case, the couple had started planning for the weddings while the girls were teenagers and had no difficulty contributing the said amount, Abbot says.

What happens to wedding funds if the child doesn't marry? Such situations can be breeding grounds for ugly familial conflicts. Day has an unmarried client in her thirties whose parents set aside money for her wedding. The woman feels the money was earmarked for her benefit and would like the money now.

Her parents, however, feel the money was intended for a wedding, and if it isn't used for that purpose they plan to keep it for retirement. Because the parents paid for their other daughter's wedding, Day's client feels penalized for not marrying.

To avoid such conflicts, Day advises parents to put money into a general account earmarked for the benefit of all children, instead of an account in one child's name or marked for a specific purpose.

Despite a planner's best efforts, many clients won't be able to reach wedding goals without invading accounts intended for other purposes. In these cases, planners can help clients sort out their options. The most obvious is to scale back wedding plans, but Butler says that can be difficult. "You can always spend more, but you can't spend less once you've committed to your children the type of wedding they can have," she says.

When situations become emotionally charged, Butler asks clients to bring the children to a meeting. "Their parents can tell them they can't afford [the kind of wedding promised] until they are blue in the face, but when you can pull in a professional to bring more light to the situation, children understand differently and won't blame the parents," she explains. In one instance, a meeting between Butler, the parents and the children yielded a compromise: The groom's parents, bride's grandparents and the future couple all contributed to the event.

Alternative Funding Sources

Other funding alternatives are available. Parents may pay for a wedding by postponing a vacation or car purchase, for example.

When clients can't sacrifice luxuries or don't want to liquidate assets, they may go into debt. Clients may access money through a home equity credit line. As a rule, most planners don't recommend going into debt for a wedding, but using a home equity credit line is preferable to invading qualified retirement plans.

While invading a qualified plan isn't a good idea, taking a loan against one may be a more viable option for clients, according to McCarthy. If a client's plan allows it, loans are more attractive because clients pay themselves the interest. Another loan option may be to borrow against the cash value of a life insurance policy, adds Joyce Streithorst, a planner with New York–based Joel Isaacson & Co.

If parents' assets are tied up, the planner can find the best places to extract money. Without professional guidance, many clients deplete emergency

The Cost Of A Formal Wedding

Reception (hall, caterer, liquor)*	$6,503
Music	$910
Photographer/Photos	$1,126
Videographer	$544
Flowers	$805
Limousine	$363
Invitations, announcements	$343
Fees for clergy, church or synagogue	$273
Bridal party gifts	$282
Engagement ring	$2,909
Bride's wedding ring	$768
Groom's wedding ring	$391
Bride's shoes	$56
Wedding gown	$776
Headpiece/veil	$144
Groom's formalwear	$141
Bridesmaids' attire (for 5)	$855
Ushers' formalwear rental (for 5)	$445
Total	**$17,634**

* Average cost for all types of receptions, from modest to elaborate. Figures based on an average number of wedding guests (174).

Sources: Modern Bride Research: Consumer Council Survey (June 1995); Engagement Ring & Jewelry Study (April 1995); Fashion Study (March 1995); Wedding Expenses Study (February/March 1995)

> **"People often have an idea of what they want to spend from a common-sense point of view. But a wedding, it's a big deal. Sometimes, they lose sight of the financial reality."**
> **Dixie Butler, Butler Financial**

reserves; financial professionals, on the other hand, can find money that isn't working actively in a portfolio. Clients with a professionally managed account may have uninvested cash to tap.

If she manages the wedding funds directly, Clune examines allocations for overweighted areas and sells those positions. Streithorst believes in layering liquidity so there's always a cash equivalent available. If clients have stocks, she also looks at them to determine whether it's a good time to sell and take a capital gain. Blum looks for accumulated dividend or interest.

Some parents opt to put off retirement to pay for a wedding. However, planners should discuss this choice with clients so they realize the full impact of the decision. Alice Finn, of Kinder Financial Services in Cambridge, Massachusetts, worked with a middle-class couple who planned to spend $25,000 for their daughter's wedding. Because their only available liquid assets were $50,000 in retirement savings, the couple figured they would work an extra year.

After looking at the retirement projections Finn prepared, however, the couple learned spending $25,000 would mean five extra years of work. They compromised by spending $15,000 on the wedding and will work an extra two years if necessary.

Set A Budget Cap

When parents provide the money, planners like to discuss how to disburse it. Butler recommends parents choose an amount and turn it over to the couple getting married.

"When you tackle a wedding and you don't have a cap on it, it can run more than you anticipated," she explains. Giving children the money "is the best route because you know up front what it's going to cost you."

Day also recommends turning over the wedding money to the children, but for different reasons. "It's a really good exercise for a couple getting married in handling money," she says. "It makes them a lot more cognizant of what's being spent."

DeRosa prefers that parents help plan the wedding and choose which expenses they are willing to pay for. That way, parents get to share in the excitement of planning the wedding, something many clients don't want to give up.

After the wedding is over, planners may find the real work begins: repairing the damage to original financial plans. "Sometimes people don't replace the money," Butler says. "If someone pulls $40,000 out of a retirement plan, it can have a tremendous impact on retirement income."

If clients sold short-term bond fund holdings because they were the most liquid, planners may need to reallocate assets. Finn has had new clients come to the firm because their finances were a mess after paying for a wedding. Planners can help parents avoid making such a mess in the first place. If they don't, they may find themselves picking up the pieces of the plans they constructed so carefully for clients. FP