

Financial Planning: Three Considerations for Attorneys

By Alex Garry,
Certified Investment Management Analyst®
Financial Advisor
Morgan Stanley

A good attorney understands they can't be all things to all people. Just as law firms have Practice Groups consisting of Partners and Associations that specialize in a particular aspect of law, good Financial Advisors understand the types of clients that they are best suited to work with based on their experience and ability to understand the unique circumstances of a particular profession.

With that in mind, one area in which my team and I have extensive experience is working with attorneys and their families to help them achieve all their financial goals. As a result, we wanted to create a resource which highlights three aspects of our financial planning process that we feel are most applicable to individuals working in the legal profession.

Although each of the following wealth management strategies can certainly be applied to individuals in other professions, when considered together these are three parts of the planning process that my team and I pay particularly close attention to when creating a personalized financial plan for a practicing attorney.

It's also important to mention that authentic financial planning is extremely detailed and ongoing. I like to say that having a Financial Plan in place is like having your own personal Constitution – it is a living document that is updated when needed and should be referred to when making all financial decisions on your behalf.

Have a cash management strategy.

Like Financial Services, the legal profession can be cyclical. For Attorneys who own and manage their own firm or for Partners at larger firms, compensation can vary from one year to another (and at times, more frequently based on your monthly draw). As a result, having a cash management strategy in place which can supplement your income and help reduce volatility in your annual or monthly cash-flow can not only help us manage your investment portfolio more effectively but also give you greater confidence.

Morgan Stanley provides a variety of cash management solutions to help clients manage everyday finances and with short interest rates higher today than they have been in recent years, this is one part of the financial planning process that should not go overlooked.

Manage tax liabilities from your portfolio.

It's not what you make, it's what you keep.

Part of our team's process involves creating a personalized investment approach for each client which seeks to manage tax liabilities from their portfolio. From our discussions, we have found that this is particularly important for Equity Partners at law firms who can have complex tax situations.

To help accomplish this, when appropriate, we seek to utilize an investment strategy called Direct Indexing which allows for active management and opportunistic tax-loss harvesting while seeking to maintain the benefits of a diversified index exposure. As an added benefit, Direct Indexing also allows for individuals to customize their stock exposure to express their personal views or

values. The bottom line: it is extremely important to bear in mind that even small reductions in your tax costs today can have a big impact on the amount of wealth you're able to build over time.

Take full advantage of what your firm has to offer.

You might think this last point goes without saying but with a competitive job market, more and more law firms are offering enhanced benefit packages to attract and retain top talent. And ultimately, when building a financial plan for a practicing attorney, if your firm offers one or all of the following benefits, it can make a meaningful difference over time:

- The ability to make 401(k) contributions with both pre-tax & after-tax (*Roth*) dollars
- The ability to make employee after-tax contributions to a 401(k) other than designated Roth contributions
- The ability to participate in Cash Balance Plans
- Student Loan Refinancing
- Flexible Spending Accounts (FSA)
- Health Savings Accounts (HSA)
- Medical, dental, & vision insurance
- Voluntary accident & disability insurance
- Voluntary life insurance
- Discounts for home and/or auto insurance
- Subsidized corporate memberships
- Moving & Relocation Costs
- Annual bar association membership dues

Some law firms also allow employees to participate in Private Placements through their firm sponsored 401(k) Profit-sharing plans. When this is the case, understanding how these investments fit a client's risk profile and what role they play in diversifying their overall portfolio is extremely important when deciding whether a client should ultimately participate in them.

If you would like to discuss any of the points mentioned in this article, or you would like to learn more about the process my team and I have for financial planning, please don't hesitate to reach out.

For Associates in Big Law specifically – your investment strategy should take into consideration that your salary is expected to jump significantly throughout your first 8 years of employment. As your salary potentially doubles from when you are a Year 1 Associate by the time you are a Year 8 Associate, how you invest will need to adjust accordingly. You should pay particular attention to the types of accounts you are contributing to early on, whether it is your firm's 401(k), a Traditional IRA or even a Roth IRA. The sooner you start to consider this, the better off you'll be in the long run.

ABOUT THE AUTHOR

Alex Garry is a Financial Advisor and partner on The Blue Cornerstone Group at Morgan Stanley Wealth Management. He has over a decade of experience working in Financial Services including holding various positions at some of the top investment management firms in the world. The cornerstone of Alex's practice involves working with client's and their families to create a detailed financial plan that helps them prioritize what is most important to them financially. Using that plan as a foundation, he then creates his clients a highly customized investment portfolio designed to help meet their immediate and long-term goals in the most tax efficient manner possible.

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