INSIGHTS

BUILDING AND PRESERVING YOUR WEALTH

LOOKING AHEAD: INVESTING IN 2016

WINTER ISSUE 2016

REGIONS
PRIVATE WEALTH MANAGEMENT

MAKING PLANS FOR 2016

After a volatile 2015, now is a great time to re-evaluate your financial plan and make sure it's still aligned with your risk tolerance and long-term goals.

It's natural to worry about the markets, economy and other daily headlines, but don't let all the "noise" scare you into making rash decisions with your money. It's best to focus on building a plan that meets your long-term financial objectives and stick with it. Having a well-designed plan makes it easier to tune out the noise and feel more confident.

Regions Private Wealth Management is here to guide you. Your Wealth Advisor can help you evaluate your short- and long-term goals and develop a wealth allocation strategy. Regions Wealth Planning Group — working closely with the Private Wealth Management team — can then design a holistic wealth plan with recommended steps aimed at meeting your goals. This plan serves as a map that keeps you focused and on track.

This issue of *Insights* provides valuable information on what the markets and economy may bring in 2016. Of course, don't hesitate to contact your Wealth Advisor about any concern or need you may have. Now is a great time to check in.

As always, we look forward to helping you achieve your financial goals for both 2016 and the years ahead.

Sincerely,

ANNE D. COPELAND
EXECUTIVE VICE PRESIDENT
REGIONS PRIVATE WEALTH MANAGEMENT

For continuous coverage, follow us on Twitter @RegionsNews

Launched! Read more on our new website: regions.com/wealthinsights

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DIVERSIFIED STRATEGIES

Will 2016 be a big year for alternative funds and strategies?

SOME ANALYSTS PREDICT asset classes beyond the big three — stocks, bonds and cash — will thrive this year because of continued stock and bond market volatility and uncertainty. Funds that take nontraditional approaches to investing in stocks may also thrive in such an environment. Here are three diversified strategies that investors might consider in 2016:

LONG/SHORT EQUITY HEDGE FUNDS. Long/short equity funds invest in a combination of long and short equity positions. The goal of these strategies is to generate returns in rising markets while also protecting investors when markets decline. Some "multi-strategy" funds use a long/short strategy along with other diversified strategies to try and achieve better returns in flat or down markets.

MANAGED FUTURES. These funds use derivatives such as futures and options to take positions on the direction of a broad swath of markets, such as commodities, interest rates and currencies. Because these strategies typically employ a trend-following process, they often experience low correlations to either fixed-income or equity investments.

REAL ESTATE AND LAND. Investment properties can provide an income stream and tax breaks, providing diversification beyond stocks and bonds. On the other hand, agricultural crops, timber, livestock and mineral rights are four opportunities to generate income from land ownership beyond capital appreciation. Land can be a good way to diversify holdings, since its value and income potential often act independently from stocks and bonds. Professional land managers can help owners maximize the value and income stream generated from their land. ▲

ALTERNATIVE INVESTMENTS AND FUNDS THAT EMPLOY DIVERSIFIED STRATEGIES OFTEN COME WITH COMPLEX RULES AND TAX REQUIREMENTS AND THUS MAY NOT BE RIGHT FOR EVERY INVESTOR. TALK WITH YOUR REGIONS WEALTH ADVISOR ABOUT SUCH OPPORTUNITIES IN THE MARKET TODAY AND WHETHER IT MAKES SENSE TO ADD THEM TO YOUR PORTFOLIO.

WISE INVESTOR

A NEW YEAR is a great time to evaluate the market and economic climate — and your portfolio. It's also a good chance to talk with your Wealth Advisor about opportunities to improve your financial situation for the year ahead.

HERE ARE SOME QUESTIONS TO ASK YOUR WEALTH ADVISOR AS YOU LOOK TO 2016:

1 What economic or current events are likely to affect my investments in the year ahead?

2 Should I re-evaluate my current asset allocation and investments given market expectations for 2016?

3 Do I need to rebalance my portfolio and return my asset allocations to their target percentages?

4 Am I on track to meet my retirement savings goals or should I consider contributing more to my retirement accounts?

5 Am I taking full advantage of tax-advantaged accounts and investments available to help lower my tax obligations in the year ahead?

Your Wealth Advisor can also help you prepare for 2016 by conducting a Regions Wealth Assessment™ — a powerful tool that gives you a snapshot of your assets and liabilities and can spark valuable conversations about planning for the future. ▲

ILLUSTRATIONS: ISTOCK

Nothing herein should be considered to be a recommendation of any particular investment or investment strategy or offer to sell any particular investment.

WOMEN & WEALTH

Investing Priorities

The **2015 Regions Women and Wealth Study** looked at what matters most to women when building an investment portfolio. Similar to men, women said they cared most about an investment's past financial performance and least about its social and political impact.

Here's how women ranked their priorities **on average** when selecting new investments on a 1 to 4 scale, with 1 being **most important** and 4 being **least important**.

▶ Read more **2015 Regions Women and Wealth Study** results at **Regions.com/WomenandWealth**.

1.6 FINANCIAL PERFORMANCE

2.4 STOCK OR COMPANY REPUTATION

2.5 DIVERSIFICATION

3.5 SOCIAL / POLITICAL IMPACT

PHOTO: ISTOCK

GOOD LIFE

What's That Heirloom Worth?

MANY PEOPLE hold on to prized family heirlooms, antiques and other collectibles but have little sense of their true market value. How do you figure out what that old vase or clock you inherited from your grandmother is actually worth?

You might be surprised to discover certain heirlooms you cherish are worth thousands of dollars — while others are worth little beyond their sentimental value.

CHECK ONLINE MARKETPLACES. The Internet is filled with people trying to sell antiques and collectibles, which makes it a natural place to figure out the going price of specific items. Especially if you know exactly what you have, you can often type specific information into a search engine and find comparable items for sale. Beware, however, that unless you find the exact same item you have, the price of any similar item may not reflect your item's true value. There's also the risk, of course, that an online seller doesn't realize the true value of the item he or she is trying to sell — so avoid basing your assessment purely on online information.

Here are some tips for figuring out the value of an heirloom:

KNOW WHAT YOU HAVE. It's impossible to figure out the value of something without knowing what person or company made it, as well as when and where. One porcelain figurine may be worth $5,000 because it was hand-painted by a well-known artisan in 18th-century Italy while another may be worth only $10. Look for markings on the object or its original storage container (assuming you have it) that indicate the manufacturer of the piece and the approximate year and place in which it was made. If you can't identify the item yourself, ask a collector of similar items for help.

CHECK PRICE GUIDES. Certain types of collectibles — such as antique jewelry and stamps — have professional price guides available. Many such guides are now available online, but may charge a fee.

PHOTOS: ISTOCK

GET A PROFESSIONAL APPRAISAL. A certified appraiser can provide an estimate of how much an heirloom is worth and should include a written report with a full description of your item that explains the procedure used to estimate its current value. You can find certified appraisers through the websites of various professional associations, such as the American Society of Appraisers (Appraisers.org). Look for appraisers who specialize in your particular item, whether gems or antique furniture. And keep in mind that a professional appraisal isn't cheap, costing anywhere from $200 or more. So you'll probably want to feel confident your heirloom has significant value before spending that kind of money. Several websites offer low-cost, quick online appraisals by professionals for as little as $15. You upload a photo and often receive your appraisal in less than 48 hours. ▲

PARTNERING UP

How private practices can effectively bring on new partners

AS A PROFESSIONAL PRACTICE grows, a common way to facilitate that growth is to take on new partners. A physician's practice, for example, may add new doctors, while a law firm may acquire another law firm — with each naming those firms' top associates as partners.

But the decision to add partners shouldn't be taken lightly. Beyond making sure any new partner is a good cultural fit for the firm and upholds his or her expected duties, it's important to structure the partnership agreement carefully and include the right provisions. Here are a few best practices:

BE SELECTIVE

A partner will have an ownership stake in the practice and directly affect the firm's reputation and success. Before adding anyone as partner — even if that person is distinguished in the industry — it's important to ensure they deserve the title and will uphold their end of the deal. Keep in mind there are alternatives to making someone a partner: They could be named a "junior partner," for example, meaning they don't receive equity in the firm yet can still use the partner title. Junior partners typically have fewer responsibilities and less stress than senior partners — which some associates may actually appreciate. Generous compensation models can also be designed that give associates incentive to work hard and stay with a firm without naming them as partner. Many practices expect an associate to have a certain number of years' industry experience and meet specific professional benchmarks and goals before being made full partner.

They could be named a "junior partner," for example, meaning they don't receive equity in the firm.

CLARIFY ROLES

The partnership agreement should describe each partner's role and responsibilities — to avoid confusion and create accountability. One partner may be responsible for overseeing the practice's administrative staff, while another may be responsible for marketing or selecting technology. Spelling out roles helps the partnership run smoothly and prevents miscommunication. The partnership agreement should also explain how decisions are made: Do the partners vote on major decisions affecting the practice and, if so, does every partner's vote receive equal weight?

SET RULES FOR DEPARTURE

What happens if one partner wants out, retires or even passes away? Practices must consider how they will deal with such situations — as they're not uncommon — and structure their agreement to ensure a smooth transition. For example, how will that departing partner (or his or her estate, in case of death) be paid out? Some partnership agreements also require that partners retire by a specific age.

It's important to work with experienced, qualified financial and legal professionals as your practice grows, especially if you are entering into any sort of formal agreement. Your Wealth Advisor can connect you with Business Bankers at Regions who can guide you through the financial considerations to help ensure you have the resources you need. ▲

PHOTO: ISTOCK

GIVING TRENDS

GuideStar CEO Jacob Harold explains how philanthropy is evolving

HOW AMERICANS GIVE MONEY to charity is changing — albeit slowly — thanks to technology and generational shifts.

Jacob Harold, President and CEO of GuideStar, a charity research organization, recently spoke with *Insights* about trends he's seeing in philanthropy and how individuals and families can make a greater impact with their charitable gifts.

Q: HOW HAS CHARITABLE GIVING CHANGED OVER THE LAST 10 YEARS?

HAROLD: Thanks to technology, consumers have gotten used to having large amounts of information at their fingertips. We're seeing those expectations show up in philanthropic giving. People want to make highly informed decisions through an interface they're familiar with. We're also seeing different giving behaviors among millennials compared to their parents: They're a bit less loyal to big, brand-name nonprofits and more interested in deep engagements with causes they support. More Americans are giving to global causes today than in the past, as well.

Q: COMPARED TO THEIR INCOME, ARE PEOPLE GIVING AS MUCH TO NONPROFITS TODAY AS THEY DID BEFORE THE GREAT RECESSION?

HAROLD: Going back to 1974, the percentage of disposable income that goes to philanthropy has stayed between 1.8% and 2.3%. It was about 2% in 2008 and dropped to 1.8% in 2009, and since then it's climbed back up to 2%. A lot of people would like to drive that up to 3% or 4%. It's worth noting, however, that Americans are systematically more generous than people in other countries in terms of the proportion of disposable income that goes to philanthropy. However, philanthropy takes many different forms in countries around the world, so it's not perfectly comparable.

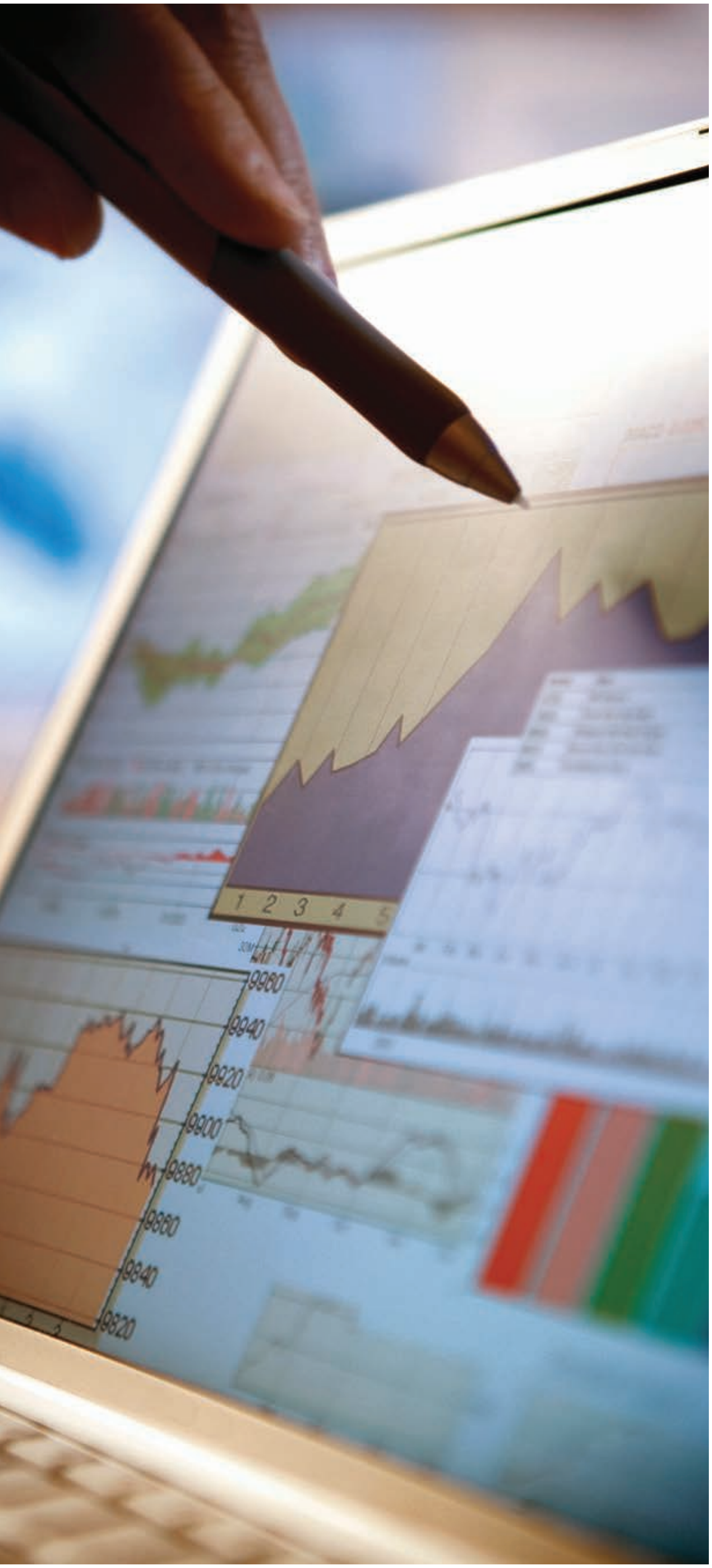
Q: ARE FAMILIES INCORPORATING CHARITABLE GIVING INTO THEIR LEGACIES/ESTATE PLANNING DIFFERENTLY THAN THEY DID BEFORE?

HAROLD: Today, you might have four generations of a family engaged in that family's philanthropic decision-making. It can really bring families together, but it can also be hard if there are differences in politics and perspectives. Also, there's a clear trend toward giving while living — the idea that more wealthy people today want to give while they're alive instead of waiting until they've passed on. There are many reasons for this. One is that a lot of donors just find giving really interesting. It's a fun process, it's intellectually engaging and it's a great way to spend time and energy. Second is that sometimes they're worried about generational differences and want to make sure their money goes where they want it to. Third — and I think this is most important — there are a lot of urgent problems in the world, and money spent today can make a bigger impact than money spent tomorrow.

Q: WHAT CAN AFFLUENT INDIVIDUALS AND FAMILIES DO TO IMPROVE THEIR GIVING AND ENSURE THEY ARE MAKING THE BIGGEST IMPACT WITH THEIR CHARITABLE DOLLARS?

HAROLD: They should aim to be more proactive and step away from thinking about giving as just responding to donation requests. Instead, they should determine in advance how much they can realistically give and decide what causes they care about most and what organizations best support those causes. Being proactive rather than responsive is far more rewarding. ▲

PHOTO: ISTOCK; SARI GOODFRIEND



INVESTING IN 2016

Regions Wealth Management's CIO highlights his outlook and opportunities for the year ahead

The year 2015 saw an end to the sustained bull market, volatile domestic and international markets and continued slow growth in the U.S. economy. So what's in store for 2016? **Alan McKnight,** Chief Investment Officer of Regions Wealth Management, recently offered his economic and investing outlook for 2016 and provided insights on how investors can prepare their portfolio for the year ahead.

Q: STOCK INVESTORS HAD A PRETTY BUMPY RIDE LAST YEAR. WHAT ARE YOU EXPECTING FOR THE U.S. MARKETS THIS YEAR?

McKNIGHT: We had anticipated the volatility we saw in 2015, and we expect a similar experience in 2016. We've had a virtually unprecedented run in the stock market over the past six years, and that recovery is getting long in the tooth. We think there will be additional volatility as global growth begins to slow. When events occur like what happened in August 2015 — when China lowered its growth forecasts — they will have a major impact on the markets.

Q: THE U.S. ECONOMY AND LABOR MARKET GREW SLOWLY BUT STEADILY IN 2015. WHERE DO YOU SEE THE ECONOMY GOING IN 2016?

McKNIGHT: We think the economy will continue on a low-growth course, somewhere in the mid-2% range for the year. The economy will continue to benefit from a decline in commodity prices, particularly oil. Consumers have effectively received a tax rebate over the past year, thanks to lower prices at the pump and lower natural gas and electricity prices. If that continues, it will help boost consumer spending. The energy price decline will hurt job growth in energy-producing states, but the impact on gross domestic product (GDP) is outweighed by lower energy prices that benefit everyone.

The energy price decline will hurt job growth in energy-producing states, but the impact on gross domestic product (GDP) is outweighed by lower energy prices that benefit everyone.

We are keeping a watch on the labor side. Historically, an unemployment rate below 5% has put pressure on wages. As of late 2015, unemployment was sitting at 5%. Upward pressure on wages would put downward pressure on corporate profit margins and earnings and may spur inflation more broadly. Right now, companies still have a lot of levers to pull, utilizing temporary and consulting workforces to increase or reduce their staff. And the sentiment gauges suggest that the labor force itself is still a little uncertain about the future; they don't really feel there's been a recovery. So we're not quite at the place yet where workers across all sectors feel like they have the leverage to demand higher wages.

Q: THE ECONOMY CAN INFLUENCE PRESIDENTIAL ELECTIONS. WE'RE STILL 10 MONTHS AWAY, BUT DO YOU HAVE A SENSE OF WHERE THE ECONOMY MIGHT BE ON ELECTION DAY?

McKNIGHT: We anticipate the economy will still be in a low-growth state in November. As a result, it may have little impact on the election either way. But the election may influence the Federal Reserve's interest rate strategy, even as early as this spring. The Fed never wants to be seen as playing a hand in politics, so it may be hesitant to make any major moves that could become part of the political dialogue.

Q: WHAT DO YOU SEE THE FED DOING WITH INTEREST RATES IN 2016?

McKNIGHT: Economic data has been marginally less positive than we had hoped, which is why the Fed delayed rate hikes until December. They didn't want to rock the boat. With the modest 25 basis point increase, the Fed has effectively stated that the economy is on firm footing. More importantly, they will be prudent and gradual with any additional rate hikes in 2016.

Q: WHAT IS YOUR PREDICTION FOR THE BOND MARKET?

McKNIGHT: We're concerned that prices are too high, and we're not being paid as much for taking on risk. At this point, we favor shorter-term, investment-grade, higher-quality credit until we get a better sense of what will happen with interest rates.

Q: WHAT'S THE IMPACT OF THE GLOBAL ECONOMIC SLOWDOWN ON THE U.S.?

McKNIGHT: Global economic integration is increasing by the day, so the impact of the global economy on the U.S. will continue to grow. Take China and its lowered growth forecasts, for example. With 7% growth, it's still well ahead of the developed world. But it's a massive economy, and it will face a challenge transitioning to a more consumer-driven model. China's slowdown will create volatility, and the Chinese government will not be able to just push a button and engineer a soft landing. But the long-term hope is that major emerging markets like China, India and Brazil can evolve into more consumption-driven environments, and that will create opportunities for U.S. companies.

Q: THE INVESTMENT PERFORMANCE OF EMERGING MARKETS HAS BEEN DISAPPOINTING FOR A FEW YEARS. SHOULD EMERGING MARKETS STILL PLAY A ROLE IN INVESTORS' PORTFOLIOS?

McKNIGHT: We believe in the benefits of the long-term demographic trends in emerging markets. But our investment management team has under-weighted emerging markets because we felt like we weren't getting strong enough returns given the amount of volatility we were experiencing.

PHOTOS: ISTOCK

Q: GIVEN THE EXPECTED VOLATILITY IN STOCKS AND BONDS IN THE YEAR AHEAD, SHOULD INVESTORS BE LOOKING AT ALTERNATIVE INVESTMENTS?

McKNIGHT: We've shied away from hard-asset alternatives like real estate investment trusts (REITs) and master limited partnerships (MLPs) because we sensed that people were chasing yield. In late summer 2015, our fears proved to be well-grounded, and there was a considerable sell-off. These assets still aren't inexpensive enough to generate much opportunity.

We are, however, interested in diversified strategies, given the challenges of generating returns in both bonds and stocks. One example of a diversified strategy is managed futures, which involves buying into markets that are trending higher. We're also interested in equity long/short funds, which attempt to capture the upside of stocks but also hedge against the volatility with a short-selling component. In both areas, the goal is to generate returns while being mindful of risk.

When considering any fund that offers these strategies, it's important to closely examine the function they are meant to play in a portfolio and not just compare them to a benchmark. For example, you would not necessarily expect a long/short equity fund to outperform the Standard and Poor's 500 Index in a boom year. Its goal is to generate excess returns over a multiyear period with a meaningfully lower risk ratio.

In Brief

AN OVERVIEW OF ALAN McKNIGHT'S OUTLOOK FOR 2016

U.S. Economy

Expect slow growth in the mid-2% range. Low energy prices may help boost consumer spending.

U.S. Stocks

Expect low- to mid-single digit percentage growth in the major indices and considerable volatility as investors absorb new information about the slowing global economy.

Bonds

Volatility will continue, and prices may decline as the Federal Reserve moves rates modestly higher.

International Markets

China's transition will spur volatility, but in the long term, developing markets in particular present opportunities for U.S. companies. ▲

Q: HOW SHOULD INVESTORS POSITION THEIR PORTFOLIO IN 2016?

McKNIGHT: Investors should expect relatively low returns and more volatility. This environment makes it tempting to chase performance — to sell what appears to be an underperformer and buy a fund that has done well over the last six, 12 or 18 months. But market-beating performance is very hard to replicate. That fund manager has a low likelihood of achieving that high outperformance over the next 24 months.

It's better to take a more holistic approach. The beginning of the year is a good time to sit down with your advisor to take a hard look at your investment goals. What level of assets do you hope to accumulate? What is your desired cash flow? In this environment, is your current investment program likely to allow you to reach those goals? If not, then you may need to make an adjustment. Perhaps you need to save or invest more each month, or withdraw less each month. Or you may want to consider changing your risk level.

All too often, investors "set it and forget it." But that approach rarely works well, because the investing decisions you made five or 10 years ago may no longer be appropriate for the current investing environment. ▲

PUTTING A PLAN INTO ACTION

How Regions Wealth Planning can help you prepare for 2016 and the years ahead

BY BILL SCOFIELD

DIRECTOR
REGIONS WEALTH PLANNING GROUP

PHOTO: ISTOCK

THEY SAY THE BEST OFFENSE is a good defense. With the prospect of another year of economic uncertainty and market volatility, it may be time to rethink your financial plan.

Working closely with you and your Wealth Advisor, the Regions Wealth Planning Group can help you identify and prioritize your personal and financial goals — factoring in everything from your retirement and investing goals to your estate and business planning to your child's or grandchild's education funding. We find out what's important to you and create an action plan with specific steps to meet your objectives.

TOTAL VIEW

We begin with a strong relationship with your Wealth Advisor — the foundation of every successful team. First, we get a full picture of your financial situation, including your investments and accounts, insurance policies and any key legal documents.

Next, we guide you through a thoughtful process that identifies the goals that inspire and motivate you — and the fears that keep you up at night. What do you want your money to do for you in the future? What kind of legacy do you wish to leave for your children and grandchildren? Once we've gathered all this data and insight, we start crunching the numbers.

The result is a multipage report that provides a clear assessment of where you are today and offers specific recommendations to help you achieve your goals. You decide which recommended actions you want to take, and we can work with your Wealth Advisor and any outside advisors, such as your attorney or accountant, to ensure a seamless process. Finally, you and your Wealth Advisor will monitor your progress, making any necessary adjustments along the way.

REAPING RESULTS

Using this framework, you and your Wealth Advisor have a blueprint to follow that is flexible enough to absorb fluctuations in the securities markets. For example, during a market downturn, you may decide which goal is more important in the short term, whether that's fully funding your children's education or sticking to your retirement savings schedule.

With all of the advance planning you've done, you know what your priorities are and have a strategy in place to deal with these types of contingencies. This not only helps take the emotion out of investing and gives you more confidence, but you can also feel good knowing that every piece of your financial life is working in concert toward a common future.

GETTING STARTED

Ask your Wealth Advisor if a wealth plan is right for you. He or she can answer all your questions and walk you through your options, including the fee schedule. Rest assured you're under no obligation to implement any part of the plan.At Regions, our wealth professionals adhere to a strict fiduciary duty, meaning they are committed to serving your best interests. Our goal is to help you and your family achieve your financial goals today and into the future. ▲

The Fed is expected to raise interest rates very slowly.

JANET YELLEN
THE CURRENT FEDERAL RESERVE BOARD CHAIR REPLACED BEN BERNANKE IN 2014.

THE BORROWING CLIMATE

How business owners can navigate the current interest rate environment

WITH THE U.S. FEDERAL RESERVE promising to raise interest rates as the economy strengthens, some business owners are wondering how higher rates could impact their borrowing costs and their ability to access credit. **Daniel Van,** Executive Vice President and Business Banking Performance Executive for Regions Business Banking, recently offered his insights and guidance on navigating the current lending environment — and what could lie ahead in 2016.

Q: THE FED IS EXPECTED TO RAISE INTEREST RATES VERY SLOWLY. SHOULD SMALL BUSINESSES BE CONCERNED?

VAN: I don’t think so. It’s never a good idea to try to outguess the Fed on monetary policy, and this environment is no exception. It’s more important to focus on sound financial management practices irrespective of any immediate expectations around changing interest rates.

Q: HOW WILL A RATE HIKE IMPACT BUSINESS OWNERS AND ENTREPRENEURS TRYING TO RAISE CAPITAL THIS YEAR?

VAN: An increase in short-term rates won’t necessarily trigger an increase in longer-term rates, which is what a lot of small-business owners use to finance expansions or acquisitions. As always, though, planning for these types of events is very important, so getting your banker involved in the early stages is a great idea. He or she can walk you through a variety of financing options you may not have considered, based on your current debt load, asset base and cash flow, as well as your specific plans.

WANT TO DISCUSS HOW YOUR BUSINESS SHOULD PROCEED IN TODAY'S LENDING ENVIRONMENT? YOUR WEALTH ADVISOR CAN CONNECT YOU WITH A REGIONS BUSINESS BANKER.

Q: WHAT ABOUT BUSINESSES WITH OUTSTANDING LOANS? HOW WILL A RATE HIKE IMPACT THEIR BOTTOM LINE?

VAN: That depends on what type of loan it is. If it's a fixed-rate loan, a rate hike may not affect the business at all. A lot of clients, though, have amortizing fixed-rate loans with balloon payments, and in those situations it's never too early to think about how those loans are going to be renewed or restructured. If they have to be refinanced in a higher-rate environment, that could impact your business, so, again, early engagement with your banker is a good idea.

Q: BUSINESSES WITH VARIABLE-RATE LOANS ARE LIKELY TO SEE THEIR MONTHLY EXPENSES GO UP AS INTEREST RATES RISE. COULD HIGHER DEBT COSTS LIMIT THEIR ABILITY TO GROW?

VAN: It's possible, but we typically associate rising rates with a healthy, growing economy. So if a business is growing and making more money, rising profitability could offset higher loan costs. But when we think about growth and working capital needs in a rising-rate scenario, cash flow management becomes critical. We have many tools that can help clients use their working capital more efficiently, which might mean they wouldn't be affected by higher interest rates at all.

Q: IS THIS A GOOD TIME TO CONSIDER SWITCHING FROM A VARIABLE-RATE TO A FIXED-RATE LOAN?

VAN: Every situation is different. You have to look at your entire debt structure, the mix of variable and fixed loans, the amortization of your loans and how that debt is collateralized. Getting just the right debt structure can be tricky, which is why we like to work with clients on an ongoing basis. That way we're not just responding to short-term credit issues but also designing a comprehensive set of credit solutions for their specific needs.

Q: ARE THERE OPPORTUNITIES BUSINESSES SHOULD CONSIDER IN A RISING-RATE ENVIRONMENT?

VAN: Yes. Now is a good time to explore opportunities. Rising interest rates don't just imply higher borrowing costs; they also mean that you may see higher returns on your cash and short-term investments. Many businesses are sitting on a lot of cash right now, so this is a good time to re-evaluate what to do with that excess cash and look at some opportunities on the asset side of your balance sheet.

Q: THE CREDIT MARKET FOR SMALL- AND MID-SIZED BUSINESSES HAS BEEN IMPROVING OVER THE LAST COUPLE OF YEARS. DO YOU EXPECT IT TO KEEP EXPANDING THROUGH 2016?

VAN: I do. I think we'll continue to see economic expansion, especially on the small-business side. There is going to be an ample supply of credit, and we also expect to see concurrent improvement in credit demand.

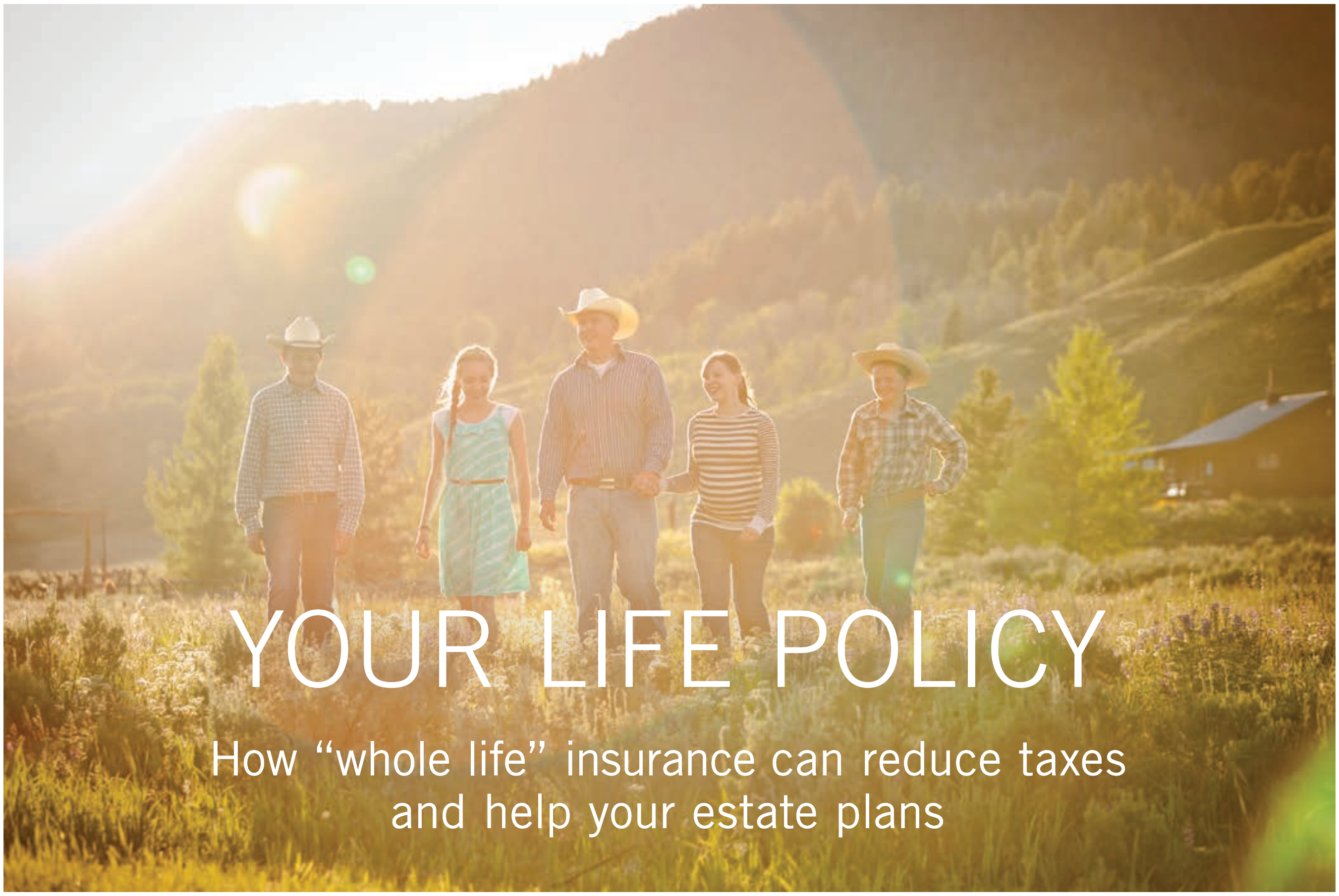
Q: THE FED HAS SAID THAT IT PLANS TO RAISE RATES SLOWLY. HOW CAN BUSINESS OWNERS BEST PREPARE FOR A PROLONGED PERIOD OF RISING INTEREST RATES?

VAN: It all comes down to sound financial management, which includes a comprehensive approach to debt structure, interest rate risk management, cash flow optimization and working capital management. If we take it as a given that there is going to be a prolonged period of rising rates, then there is a real premium on making sure you have the appropriate debt structure and the right capital management plan.

Q: WHAT QUESTIONS SHOULD BUSINESS OWNERS BE ASKING THEIR BANKERS TODAY?

VAN: Think of your banker as your strategic partner. Ask him or her, "How can you and your bank align with me to help me achieve my long-term business objectives?" The conversations that can result from that question alone can add value in any economic environment. ▲

PHOTO: GETTY IMAGES



YOUR LIFE POLICY

How "whole life" insurance can reduce taxes and help your estate plans

"WHOLE LIFE" INSURANCE — life insurance coverage that pays a benefit upon the death of the policyholder while also accumulating cash value — can be a useful estate-planning tool. The death benefit of a whole life policy can be used to cover estate taxes or help with business succession planning. When structured properly, the proceeds from the policy can also be free of estate taxes.

For example, a family that owns a business or property and has designated one child to take ownership can use a whole life policy to provide an inheritance to the other siblings. "One child might inherit the ranch in Colorado, and the others would get cash proceeds from the insurance policy," says **Charles Bosch**, Vice President and Senior Trust Advisor for Regions Private Wealth Management. Insurance can alleviate the need to sell the ranch and split the proceeds between the children or divide ownership among the siblings, some of whom may not be interested in the property.

"One child might inherit the ranch in Colorado, and the others would get cash proceeds from the insurance policy."

— CHARLES BOSCH

FINDING THE RIGHT POLICY

Several different types of whole life coverage are available, each with its own uses and considerations:

- TRADITIONAL: Premium and death benefit are generally fixed
- UNIVERSAL: Premium and death benefit can fluctuate
- VARIABLE: Owners can invest the cash value
- SURVIVORSHIP: Death benefit is paid when the second insured (usually a spouse) dies

Because most people keep whole life insurance policies for years or even decades, they'll want to know the insurer remains financially sound. One way to assess this is by regularly reviewing the carrier's ratings from an independent rating agency and ensuring the rating remains investment grade, Bosch says.

PHOTOS: ISTOCK

STRUCTURING OWNERSHIP

"No matter the type of whole life insurance used within an estate plan, correctly structuring ownership of the policy is key to making sure you don't inflict a significant burden on your heirs," Bosch says. If an individual has what's known as an "incident of ownership" in a policy, such as the right to change the beneficiary, he or she is considered the owner. That typically means the death benefit will be included in his or her estate, unless state law says otherwise.

One way to avoid that is to transfer ownership to a spouse or adult child. The downside? The new owner could simply cash in the policy and spend the proceeds. Transferring ownership to a trust can help protect against this. "For as long as the trust is in effect, the death benefit will be governed according to the terms of the trust," Bosch says.

A type of trust often used to significantly reduce the estate taxes owed on benefits is an irrevocable life insurance trust, or ILIT. As the name implies, ILITs are permanent, and once established, they typically can't be changed or revoked.

Because the transfer will count against the owner's annual gift exclusion, and then against his or her lifetime exemption, it's usually best to make the transfer early in the policy's life, when the cash value is usually lower. "The smaller the cash value of the policy, the less of the exemption you use," Bosch says.

Another caveat: If the initial owner of a whole life policy passes away within three years of transferring ownership to another individual or trust, the value of the policy typically is included in his or her estate for federal estate tax purposes. One way to avoid this is for the owner to surrender the policy, purchase a new one and name a trust or another individual as the owner.

CHOOSING BENEFICIARIES

Along with structuring ownership of a policy, choosing an appropriate beneficiary is key. If no beneficiary is designated, the owner's estate may become the default beneficiary. The proceeds could be used to pay creditors and would count against the estate-tax exemption limit.

It's also critical to regularly update the designated beneficiary. For instance, if a child remains a beneficiary even after pre-deceasing a parent, that child's children — the insured's grandchildren — might not be entitled to a share of the death benefit. Instead, the money that would have gone to that child could be divided among the surviving adult children. While they may give these funds to their deceased sibling's offspring, this can generate gift-tax issues.

Whole life insurance policies can be important components of an estate plan. At the same time, the regulations surrounding them are complicated. A Regions Wealth Advisor can help you identify the right policy and navigate the rules to ensure your policy provides the benefits you intend it to. And, as always, you will want to consult a qualified legal professional regarding the effect that a policy may have on your estate plans.

"No matter the type of whole life insurance used within an estate plan, correctly structuring ownership of the policy is key to making sure you don't inflict a significant burden on your heirs."

— CHARLES BOSCH

When a Policy Matures...

Some whole life insurance policies will mature before the insured person passes away. When that happens, the insurer typically must pay the maturity value, rather than a death benefit. This means that the payout could be subject to income tax, Bosch says.

To avoid this, it may be possible to extend the policy until the insured's date of death. The payout would then be classified as a death benefit, and typically not subject to income taxes. Another option is to roll the proceeds into an annuity to spread the income tax impact over several years. The proceeds or the policy could also be given to charity, thus avoiding taxation.

While the most appropriate option will vary from one insured person to another, it's always worth reviewing your insurance policies periodically to check that they still make sense. "A regular review of your insurance coverage includes the soundness of the carrier, the soundness of the policy and a determination of your actual insurance needs," Bosch adds.

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