Wealth Management

2022 Midyear Outlook

The World of Estate Planning Has Changed

Have advisors adjusted their client questions to reflect those changes?

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The estate planning process often begins with clients and advisors developing a comprehensive list of assets, discussing potential tax planning opportunities, minimizing transfer logistics and determining desired beneficiaries.

But think about how different those discussions were 50 years ago. At that time, many clients were married once and forever, had children and considered themselves lucky to live long enough to see their grandchildren graduate high school. Their balance sheets were relatively brief and likely to include debt-free real estate. Almost everything passed through the formal probate process according to their last will and testament. Many retirement assets came in the form of fixed pension benefits. And with an estate tax exclusion of only $60,000 (and no unlimited marital deduction), federal estate taxes were often on the agenda.

Today, it's clear these assumptions have changed. The definition of family continues to evolve, clients are living longer, assets can be passed through a variety of non-probate vehicles, qualified plans require thoughtful tax planning, and multi-million-dollar exemptions make estate taxes an issue for a diminishing number of people. Despite these changes, many estate plans still share a similar design to those of decades past. Consider how many clients are talked into distribution ages of 25, 30 and 35 for no meaningful reason other than the trust template is already in place.

One reason for the lack of innovation may come from the way advisors approach the initial intake conversation. **Imagine how today's plans might be different if advisors developed a fresh, modern methodology when guiding clients through the estate planning process:**

- **Are we taking the time to define a client's support group?** Today, many people choose to spend holidays with friends, not family. This is one example of a growing movement for people of all ages to develop a support system outside of the traditional family structure. What if we unpacked who is in that support structure and what roles they should serve in the planning process? For example, a close friend who lives in the same community may make a better health care surrogate over a sibling who is both geographically and emotionally distant.
- **Are spouses or children always the best fiduciaries?** The role of fiduciary continues to grow in complexity. Many states have put in place formal rules—and associated penalties—for individuals who act as executor, trustee and power of attorney. Not surprisingly, those statutory strictures have triggered litigation. Despite this complexity and liability, many planners reflexively push clients to name their surviving spouse as the sole fiduciary. What if advisors educated clients on the full menu of fiduciary arrangements? A surviving spouse or child may not be comfortable signing a tax return or directing investments, especially if critical stepchildren are involved.
- **Are we asking clients about their broader purpose?** Most estate planning discussions begin and end with the stated goal of moving assets from one place to another while minimizing logistics. What if we began by asking clients how they want to make a difference with their assets? When clients think about building a legacy or being good stewards of their funds, they may be open to more creative solutions.

These are just a few examples of how a different kind of conversation can lead to the development of better plans through a more fulfilling experience. ■

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