WEALTHY & WISE

Wealth Planning Article provided by Jacobi Wealth Advisors

When It's Time To Update Your Estate Plan

KEY TAKEAWAYS:

- Don't "set and forget" your estate plan - revisit it regularly and revise it if necessary.
- Be sure you're getting advice from someone with technical expertise.
- Revise an estate plan around your goals, your values and the results you want to see become reality.

Estate planning—the process for how you transfer your wealth to heirs and others—can be very important for anyone who wants to be certain that their loved ones are adequately provided for and taken care of. When done well, estate planning aims both to allow you to pass on your assets as you see fit and to minimize the state and federal tax bite that often accompanies the transfer of significant wealth.

Chances are, you have an estate plan in place. But if you think that your current plan is up to those tasks, you might want to think again. More than half of the estate plans that affluent individuals have in place are more than three years old, according to AES Nation.

Some reasons why that's a potentially big problem:

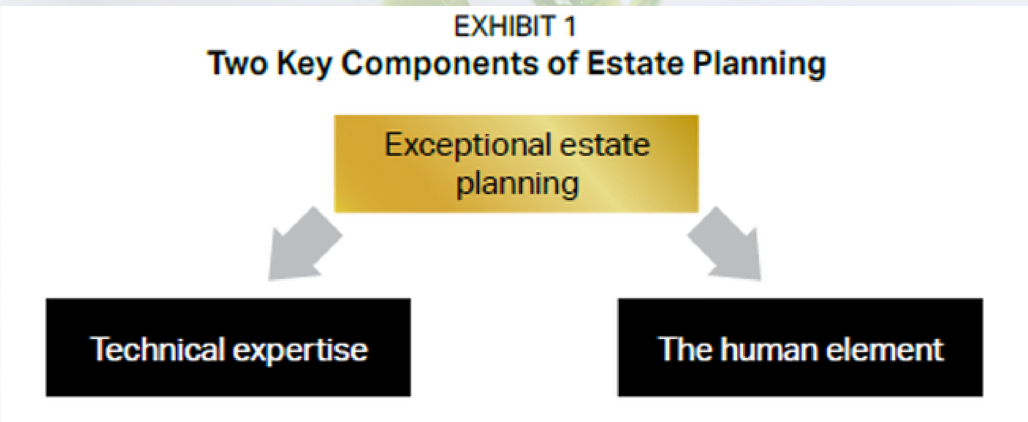
- Continual changes in tax laws mean that older estate plans may not take full advantage of current opportunities to transfer assets optimally.
- Tax law changes also could mean that some aspects of an older estate plan are no longer effective.*
- Changes in your wealth status mean that your estate plan may no longer accurately reflect your financial situation—and your future needs and goals.
- Changes in your personal and family situation may make your estate plan ineffective in accomplishing what you actually want it to do given those changes.

In order to attain the greatest benefits from estate planning, it's a good idea to stay on top of your plan and revise it when appropriate—especially when events occur that could potentially affect your wealth.

Two Components of Strong Estate Plans

We believe that strong estate plans involve two key components:

- Technical expertise consists of the various strategies and tactics—the techniques and methods for structuring your estate.
- The human element comprises the psychological and emotional aspects of estate planning.



Let's take a closer look at each.

Technical Expertise

Exceptional estate planning requires technical expertise about estate planning laws, rules and strategies (some of which can be very complex).

The tools and techniques of exceptional estate planning can range from the basic to the cutting edge. The basics might include the legal strategies and financial products that are readily recognized and generally applicable to many families. More sophisticated solutions could involve discounting and the astute use of financial products in creative ways.

From the technical side, these are two estate planning strategies and tools you might end up considering.

Trusts

In many ways, trusts are often cornerstone solutions for many successful individuals and families. A trust is a means of transferring property using a third party (the trust). Specifically, a trust lets you transfer title of your assets to trustees for the benefit of the people you want to take care of—also known as your designated beneficiaries. The trustee will carry out your wishes on behalf of your beneficiaries.

You can use trusts in all sorts of ways to transfer your wealth and determine how it is to be deployed. Trusts also may be useful in shielding your assets from plaintiffs and creditors. Depending on the kind of trust, there are different tax consequences.

Partnerships

As with trusts, there are many types of partnerships. They can determine how the partners of a business address ownership issues, and they have varying tax benefits. For example, within the business world, disharmony among family members or unrelated business partners can mean a higher tax bill if the owners are forced to divide assets among the partnership's members. Through the use of sophisticated partnership structures, business owners can divide their companies—and possibly reduce taxes.

The Human Element

It's important to recognize that the true goal of estate planning is to transfer your wealth *in accordance with your wishes.* Tax mitigation, while often important and beneficial to individuals and families, should not be the overriding driver of your estate planning decisions. The role of an estate planner—who may be a top lawyer, accountant or wealth manager—is to make it possible for you to achieve your desired agenda and to be as tax efficient as possible in pursuit of that agenda.

That's where the human element comes into play. While technical expertise is absolutely required, it is the human element—understanding your agenda on a deep level and then designing a plan around that agenda—that distinguishes exceptional estate planning from merely good estate planning.

That's because today, most estate planning legal strategies and financial products are available across the board to any high-end estate planner. So a big difference among estate plans and planners—and a plan's outcomes—is the ability to put the pieces together so that you get the results you're seeking.

Clearly, then, an estate planner you work with should have a deep understanding of you—your situation, your values, your goals and your concerns. Without that knowledge, the tools themselves (good as they may be, technically) might not get you what you want because they're not the appropriate ones for the job you want done.

Think of it this way: A band saw is an effective tool—but you wouldn't try to hang a picture with one!

Pro Tip: Don't get so wrapped up in any particular strategy that you overlook what you want to achieve and what strategy is best for that goal. And don't let an estate planner do so either.

A Process to Follow

There is a process you can follow that we believe can potentially increase your chances of ending up with an estate plan that satisfies the technical and human aspects and reflects your latest thinking on your needs and goals (see Exhibit 2).

EXHIBIT 2
The Path to an Exceptional Estate Plan

1. Start with the end in mind. Start by thinking through what you want to have happen—the outcomes you ideally want to see occur. Let's say your family consists of you, your spouse and your children. In that case, there are four scenarios to consider:

- You die.
- Your spouse dies.
- You and your spouse die simultaneously.
- Your whole family is in a disaster and dies.

Envisioning these scenarios is not a cheery exercise—but it's vital that you do it. For each of these possibilities, you need to specify what happens to your assets—life insurance proceeds, property, investments and so on. You'll also need to decide who is in control at different points in time—making decisions such as when your children will have control of the assets.

2.Determine your desired results. Share your desired results in each scenario with an estate planner whom you find to be highly capable. They should be able to come up with ways to enable you to best achieve your preferred results. Your estate planner will also likely be able to provide additional perspective and recommendations, and help you revise and hone your desired outcomes (if necessary).

3. Make a decision. Based on input and insights from the estate planner, choose a course of action.

4. Implement the plan. Once you have made a decision, the estate planner will formalize everything and create the estate plan. This step is actually the easiest part, as all the hard work-thinking through goals and possibilities-has already been done.

Don’t Ignore Your Plan Once It’s Done

Revisiting an estate plan every few years should be part of your agenda. It’s best to think about your estate plan as perpetually being a work in progress.

If you have any doubts about whether your estate plan is likely to achieve your wishes, consider stress testing it—that is, have your wealth manager review the plan and your particular situation to answer two questions:

1. Is the plan likely to deliver the outcomes you currently want?
2. Is the plan missing anything that can make it more effective or efficient?

Ideally, a stress test will reveal your plan is still on track. But if it suggests there are changes that should be made, you can then consider taking steps to realign your plan with your key estate planning goals.

Regardless of the conclusions of the stress test, know that you’ve taken an important step by revisiting your plan instead of letting it gather dust and potentially become outdated and less effective.

Conclusion:

Estate planning should be a part of pursuing the outcomes you want in your financial life and the lives of the people you care about most. What’s more, your existing estate plan needs to be reexamined every so often—and revised if necessary.

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