

Trust Connection

Building Lasting Relationships for the Benefit of our Mutual Clients

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Welcome to *Trust Connection*,
a regular communication from
Valley National Trust Services.



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Effective Estate Planning Beyond Tax

Let's face it, most people will not owe estate tax in the current estate tax environment. With an estate tax free amount of \$12 million for individuals, less than two-tenths of one percent of Americans will owe estate tax. This brings estate planning for most people back to the most critical issues, and often the most ignored: family dynamics. On the tax front, income tax issues, including cost basis step up, have risen to the forefront of the tax planning spectrum. Nonetheless, some of the decisions are more complex than ever, partially because of the unknowns of what a person's estate will be at the time of their death, and what the law will be at that time.

Planning for family's transfer of their wealth, plans for incapacity, and executing on those plans can be a significant challenge for both clients and their trusted advisor(s). Clients look to their trusted advisors for guidance when it comes to defining and executing their estate plans for future generations. It is critical that a trustee or directed fiduciary understand each of these variables and how they align with one another. What's even more difficult is that there no clear, repeatable rule when developing an estate plan. Trusted advisors must rely on broad guiding principles to accomplish one's most important family responsibilities. Careful planning and expertise are necessary to find the appropriate balance between a family's financial needs during and after life. After all, each family member is unique and has unique life circumstances.

So, how can a trusted advisor craft an effective estate plan with so many moving parts?

Take time to understand the family dynamics. This topic during estate planning is often underexplored because it is more difficult than showing that an idea saves taxes. We must talk about the real essence of estate planning which has to do with your comfort level with the heirs. This can be both negative and positive. Unfortunately, people tend to use examples of fear of reckless spending by heirs "wasting" the inheritance and ways of controlling that, which is an important issue when it applies. But more often people think their children "hung the moon" which means the negative approach will not apply. Better to discuss relationships, with each other, heirs, and their relationship with money. If you experience positive responses, discuss those positives. If this raises negatives, explore the negatives. Wealthy successful children may require as much or more planning than spendthrift children

Facilitate an environment such that one can have open and honest dialogue. In order to construct a solid estate plan, one must obtain information that goes far beyond what's contained within a personal financial statement. It is common for clients to neglect personal and relational issues in estate planning or to assume that these issues will take care of themselves. Yet, in reality, not addressing these family dynamics often leads to emotional stress, miscommunication, and ongoing family conflict. Many times, advisors will take much information to craft an estate plan from one family member and the other spouse or other family member remain predominately silent. It is important to

build relationships with other key family members to help you ensure they participate when planning for the transfer of family wealth.

A successful estate plan occurs when a trusted advisor facilitates a comfortable conversation with family members so that family topics rarely get discussed with others surface and factored into the plan. By acting as a facilitator, the trusted advisor can clarify objectives, building an estate plan that accurately depicts one's wishes and prepares a family for when one's time on earth expires. The result of an effective estate plan brings "peace of mind" knowing that there is a clear plan in place, one that hopefully provide order for the family.

Tips for facilitating a successful estate planning meeting

- See the entire family as the "client"
- Prepare the family ahead of time with pre-work (basic information needed) and thought-provoking planning questions that will be discussed during the meeting.
- Host the meeting in a comfortable setting
- Avoid having a set agenda. Successful discovery meetings are designed to have a flow.
- Establish the meeting as a conversation.
- Encourage equal input and participation by all family member during the meeting
- Listen for what isn't being said
- Observe body language. Take breaks when necessary.
- Ask open-ended questions to encourage open dialogue
- Get agreement among family members
- Respect privacy
- Avoid a marathon meeting. More than one meeting is often necessary.
- Summarize the discussion

Here are some Common Estate Planning Questions to share prior to the meeting

1. What are your goals/wishes for your estate plan?
2. What's most important to you?
3. Have you ever done any estate planning?
4. What are your thoughts/plans for incapacity regarding you and other family members?
5. What roles, if any, do you want family members to play regarding your estate?
6. Do you have a healthcare directive and durable POA?
7. How are all of your assets titled today, including insurance policies?
8. Do you have specific current and future concerns about family members?
9. Any special needs and/or family illnesses that should be considered?
10. Are your parents still alive? And, if so, is there any wealth you most likely will inherit that should be considered?

Setting the tone of the meeting by defining the purpose of the meeting, how the meeting will work, and what is the desired meeting goal are critical to get started. Additionally, getting agreement is an important step that lays the groundwork for a successful meeting. Conversations regarding death and money can be difficult. For all involved, confronting the notion of one another's death can be uncomfortable. An excellent facilitator will approach the conversation confidently, talk about it freely, and not make the conversation any more uncomfortable. After all, a successful estate plan considers both the emotional (EQ) and rational (IQ) sides of a family's equation

While meeting virtually has become a necessary way of life today, family estate planning has taken on even greater importance. As they say, "the show must go on" and the same meeting guiding principles mentioned above apply virtually. Responding effectively to external challenges can also help ease tensions heightened by the stress of the pandemic. Whether meeting in person or virtually, the tips and suggestions above, can aid in gaining insights and information, discuss important financial matters and make what is generally uncomfortable conversations more comfortable. Remember, the goal for developing and implementing a successful estate plan is obtaining open, honest, and agreed upon during and after life family wishes and desires.

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