

New approach factors in your full legacy



Estate-Plan Edge
By CURT FERGUSON

A NEW estate planning phrase is circulating among professionals. Watch for the term “wealth reception planning” which can provide a new dimension of value and meaning to you and your family.

Over the years, estate planning generally focused on wealth accumulation and wealth transfer. Living trusts, for example, have been touted as a good wealth transfer tool. I generally agree. Emphasis has been on avoiding probate as you transfer your assets to your heirs and, with particular types of living trusts for married couples, avoiding transfer taxes (gift taxes and death taxes) on two times the federal tax exemption.

Efficient transfer of your estate is important (yet rarely achieved). I write regularly about the systematic planning process you should follow if you hope to accomplish even the basic transfer goals of avoiding probate and death taxes.

Wealth reception planning* assumes that you are working systematically to assure efficient estate transfer, then

Key Points

- Wealth reception planning is an emerging estate-planning concept.
- Estate plans usually fail to address your full legacy.
- This type of approach considers how the receiver can benefit most.

looks deeper and farther at how your “true wealth” will be received. It is different in two very important ways.

Four legacy pillars

A large financial company recently commissioned a survey of baby boomers and their parents. They found that there are four important elements to a person’s legacy. Not in order of importance, they are:

- end-of-life wishes to be fulfilled
- values and life lessons
- financial wealth and real estate
- personal possessions of emotional value

The survey asked about the importance of each pillar. Of over 2,600 people surveyed, not a single respondent said that if they could have only one it would be the financial wealth and real estate.

The survey also found a significant gap in understanding between generations. Values and life lessons, end-of-life

wishes, and the meaning behind personal possessions are not being effectively communicated.

Wealth reception planning is an approach to estate planning that says, “Your true wealth is much more than money and property, so legacy planning should look at more than just your material estate.”

Much of this type of planning involves enhanced intergenerational communication. This may include everything from scrapbooking to planned dinner conversations. It includes writing, recording or simply telling the heirs about life-defining events or turning points. Stories impart values, wisdom, hopes and dreams. The stories behind an heirloom make it meaningful, and heirlooms become reminders of the stories.

The receiver’s perspective

The second unique aspect of wealth reception planning is the idea of looking from the receiver’s point of view. Whereas traditional estate planning often has an “I worked hard for this, so don’t blow it all in one place” attitude, wealth reception planning asks how the intended heir would best receive the family wealth.

We can apply this thinking to all of your true wealth: the four legacy pillars.

It is quite a different mental exercise to ask how the receiver can benefit most after the transfer. In some cases, this means protecting it from an heir’s indiscretion, but more often it means providing enhanced flexibility and safety.

For example, if you were going to receive an inheritance, would you rather receive it (a) in your individual name and have technical ownership, but divorces, lawsuits and future nursing home costs can take it from you, and estate taxes at your death can take 46%; or (b) in a way that you fully control it and receive income and principal as needed, but the inherited assets remain out of the reach of lawsuits, divorces and nursing homes, and upon your death will pass according to your directions and free of estate tax?

In my experience, thoughtful heirs choose the latter. What an incredible difference can be achieved by asking more than just “How do I transfer it without probate and tax?”

Ferguson is an attorney from Salem who provides estate planning to farm clients in Illinois. E-mail questions to him at curt@tlcplanning.com, or visit his Web site at www.tlcplanning.com.

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