

# LEGACY PLANNING AND WEALTH TRANSFER



Poodiack  
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How To Successfully Communicate



*“Communication is key”* is an old phrase, but when it comes to your wealth transfer and legacy planning process, it couldn't be more accurate. The conversations you have with your family before, during, and after this process can go a long way toward avoiding aggravation, the expense of settling matters in court, and potential infighting.

These concerns are not just hypothetical. In one study, 37% of Baby Boomers said they anticipated disputes among their beneficiaries, and only half said they planned to make the wealth transfer easier for their beneficiaries.<sup>1</sup> Perhaps the most telling is the number one reason cited for this breakdown: a lack of communication between those inheriting assets.

An open dialogue with your family early on, and including those you care about the most in the wealth transfer and legacy planning process, may help avoid these potential conflicts. The control and sense of security among you and your family early and often in this process can go a long way toward avoiding asset loss and strife.

Everyone's legacy plan and family will be very different and there are no 'one size fits all' rules, but having a basic outline of your goals and the issues that you want to address can be helpful.

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## WHY ARE YOU HAVING THIS CONVERSATION? WHAT'S MOST IMPORTANT TO YOU AND YOUR FAMILY?

It might be helpful to first explain why you have begun the legacy and estate planning process in the first place, both to yourself and others. Was there a life event or personal experience that prompted it?

Figuring out and explaining your motivations, objectives, and process at the outset is an important first step in the legacy transfer process so that you can clearly communicate your intentions and values. It's important not to let your family presume what you might have had in mind.

Speaking to your family about what goals, concerns, and ideas they might have as part of the wealth transfer process is a good way of "clearing the air" and getting everyone's thoughts and opinions out front.

If you own a business, are you going to divide it evenly? Is one member of your family more interested in taking on the responsibilities of a business than another? Are there certain family heirlooms that might be more important to one person than they might be to another?

Getting everyone's opinions and thoughts organized may not only help them feel more secure during this process but might also help you create the best possible legacy plan for everyone in your family.

Every family has different needs and circumstances, so planning how to best meet everyone's considerations and requirements is of the utmost importance. Perhaps you have a loved one with an illness or a disability that requires special, long-term care. Discussing how caring for these people in your legacy plan can help to protect those most vulnerable.

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## DO YOU EXPECT TO FACE CONTROVERSIES OR ARGUMENTS?

Ask yourself if there are aspects of your plan that might potentially cause a rift between family members, such as the allocation of items that may hold sentimental value, like jewelry and other family heirlooms. Are there unequal parts of the plan that might cause hard feelings? Does the plan include support of other individuals or entities other than direct descendants, such as stepchildren or charities?

Overlooking these important questions can and has led to controversy amongst families, so addressing any possible conflicts or controversies early can, at the very least, clear up any possible confusion over your ultimate wishes.

It's important to put yourself in another's shoes and try to see things from their perspective. These can be emotionally driven conversations and seeing things from the perspective of another can help you determine your most effective response to these potential conflicts. By preparing for these issues, you can respond rather than react.

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## WHO WILL BE THE KEY PLAYERS IN YOUR ESTATE PLAN?

When planning your estate, it might be necessary to appoint a fiduciary, such as an executor, trustee, or agent under a power of attorney. Often, there will be more than one leading role in your plan, and some of these positions may be held jointly. It's also possible that instead of having a member of your family act in one or more of these functions, you might choose a professional, such as an attorney or trust company.

No matter who you decide will be the important players in your plan, it's important to convey these decisions and your reasoning behind them to your family early on. Explaining why you chose who you did for their role, and your expectations for them, can take some of the guesswork and potential conflict out of the process.

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## DO YOU HAVE A FAMILY BUSINESS?

If you own a business, it's important to consider whether you'd like to keep the business in the family via your estate plan, or if it would make more sense to sell the business and use the proceeds as part of your plan. If your loved ones share your passion and vision for your business, or are already involved in its operations, it may make the most sense to pass your share of the business down as a sort of living extension of your legacy. Owning and running a business is no small task, however, and if members of your family are unprepared or unwilling to continue with the business as you'd like to see it run, making a plan to sell might be your best option.

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## WILL A LIFETIME GIVING STRATEGY BE A PART OF YOUR PLAN?

Distributing your wealth while you're still here can not only help you see firsthand the effects of your giving, but it can also be an effective tax strategy. The annual gift-tax exemption, for example, can help you contribute to more urgent or time-sensitive matters, such as medical or tuition bills. Real estate and stocks can also benefit from transfer during your lifetime. If a lifetime giving strategy is going to be a part of your plan, it's important to convey these decisions and your rationale behind them.

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## **WILL YOU BE USING A TRUST?**

If you're considering using a trust, rather than an outright, one-time distribution of your wealth, explain to your family why you've made that decision and your aim and expectations in using one.

Secrets and mystery will only harbor ill will and distrust, so it's important to clearly explain how exactly the trust will work. When will they be able to access money in the trust? How will they gain access to it? How is it structured? Are there any requirements that must be fulfilled before they will gain access to the trust? Clearly answering and explaining your rationale to these likely inevitable questions now can clear up any confusion and possible hard feelings in the future.

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## **WILL CHARITABLE GIVING BE A PART OF YOUR PLAN?**

If philanthropy will be a part of your estate plan, it's wise to convey how and why the wealth you leave behind will support those causes and charities that you value most. Leaving a fund or an endowment for a charitable cause or institution can leave a lasting legacy for you and your family, and explaining why you've decided to support these organizations can not only head off any future questions, but can lay the groundwork for charitable giving and family values for generations to come.

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# PREPARING FOR YOUR LEGACY CONVERSION

**Here's the reality:** We live in a fast-moving world of instant gratification. We're busy, we're working, we're going about our lives, and we feel like we're going to live forever. Legacy planning issues probably don't come to mind on a daily basis. But as we all know, we're not going to live forever and creating an estate plan is one of the most loving and responsible things you can do for your family. It can be uncomfortable to face your own mortality and having a conversation about personal financial matters is something you're likely not used to, even with your own family. Involving them early and often will not only help you gather insights and feelings from all the members of your family and build familial harmony, but it may also be therapeutic to all involved.

First, it's important to accept that a legacy planning conversation is not going to be comfortable. It's a unique conversation in which you probably have little to no point of reference; no conversation you have with your loved ones is anything like this one.

**Here are some tips to help you get ready to have this sometimes uncomfortable, but crucially important conversation.**



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## WHAT TO KNOW BEFORE YOU HAVE THE LEGACY CONVERSATION WITH YOUR FAMILY

One of the first steps in preparing for your legacy conversation is to **determine what you hope to achieve** through having it. Setting goals can ensure that the conversation is productive for both you and your family.

You've given consideration to your own questions, now is the time to begin to consider your reasoning behind them so that you can **prepare to explain your thinking clearly and honestly**. Making sure everyone is on the same page and comprehends your decisions and why you made them will relieve stress and bring peace of mind to your loved ones, especially dependents.

If final decisions have not been made regarding every aspect of your plan, listening to and considering input from your family can also help them feel involved in the process, and may help bring them closer together. Promoting this kind of openness and trust may offset any potential conflicts later down the road.

After identifying what you hope to accomplish in the meeting and how you can meet those goals, it's important to coordinate the conversation itself. Consider **who** you will invite, and **where** and **when** the conversation will take place.



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## WHO | WHERE | WHEN

**WHO** you invite to the conversation will determine right away who will feel involved in the process and who might feel left out, so consider your “guest list” carefully. It’s also important to recognize that not everyone may be able to attend at the time and place you’ve decided on, so make sure to convey the details to them personally so they don’t receive information second-hand.

**WHERE** the conversation takes place is easy to overlook but the location of your discussion is also an essential, if subtle, part of the conversation. Pick a comfortable environment for all involved that limits distractions. Consider the family home or a private space rather than a restaurant.

**WHEN** to have the conversation should also be considered carefully. As stated earlier, it’s recommended that you discuss your legacy planning before executing your plan so all feel involved, but it’s also important to speak in a time free of stress and strife in people’s lives so that they can focus on the discussion at hand.

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It may even be helpful to **practice what you'd like to say**. Some might also feel more comfortable having a moderator lead the discussion, such as an attorney.

In preparation for your conversation, be sure to **organize your important documents** so that you're prepared to visually explain what you're talking about, if need be. Make copies of relevant documents so that you can distribute them to those involved. There's no need to overwhelm your audience in paperwork but using the documents as visual guides can be helpful.

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## WHAT TO KNOW DURING THE CONVERSATION

This conversation with your family is your chance to communicate your legacy plans clearly and hear the input and opinions of your loved ones in a transparent and safe fashion. Even so, getting the conversation started can often be the hardest part.

First, **begin with brief but honest opening remarks** so that everyone understands exactly the matter at hand. Don't sugarcoat why you're all there: You're planning for a future without you in it and you want to make sure everyone understands the preparations you're making for when that time comes, and you're inviting them to be a part of that process. A long, emotional preamble is not necessary, but how you present the conversation at the outset can help make your family relaxed and ready to have the conversation.

While it's important to make sure everyone understands why they're there and that there is important business to attend to, understand that it can also be very emotional for those who love you to envision a future without you. There's no reason to be overly emotional, but **be heartfelt and clear** that the reason you're having the discussion is to reassure everyone involved that you are planning for the benefit of the entire family. Let them know that you're involving them because it's important to you that everyone understands everything going on in the legacy planning process so that there is no confusion later on.

In order to make the best decisions for you and your family, make sure questions are answered, be heard, and allow everyone to have a voice. It's important to listen to everyone's concerns. Letting everyone get their thoughts and opinions out in the open now can help avoid conflicts and hard feelings later on.

Though you want to be honest and open to everyone's views, remember that opinions are just that: **opinions**.

**Remember that you have the final say in the decisions you make in your legacy plan. Express your thoughts and feelings, and let others express theirs, but if you've made a decision on something, unless someone has thoughtfully convinced you otherwise, stick to it.**



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## WHAT TO KNOW AFTER YOUR CONVERSATION

Now that you've had your legacy planning conversation with your family and those most affected by it, there are a few steps you can take to ensure everyone is on the same page.

It might be helpful to recap the conversation with everyone, especially with those who might not have been able to join the discussion. Though it might not be necessary for everyone, a written summary, perhaps in the form of an email, can help provide clarity and should also include any tasks that might need to be completed by others.

Organizing, securing, and sharing the location of important documents, such as wills, trusts, insurance policies, bank accounts, tax returns, and other financial statements and records is one of the most crucial steps you can take, both before and after your legacy conversation. You may want to consider using a secure electronic documents storage service, as these are highly confidential documents.

Depending on timing, your comfort level, and your family's circumstances, it might make the most sense to share locations and how to access these important documents from the start or at a later date.

**Finally, keep everyone aware of any major changes to your plan.** While the first discussion with your loved ones about your legacy plan is important, it's equally important to keep them informed of any changes or revisions to your plan, as legacy plans are rarely set in stone on the first go-around. Sharing your progress on your ever-evolving plan will ensure everyone feels informed and included, key emotions in avoiding any potential family disharmony.





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