

A photograph of a family gathering at night, overlaid with a blue tint. A group of people, including adults and children, are seated around a long table covered with a white tablecloth. The table is set with various dishes, glasses, and plates. String lights hang above the table, casting a warm glow. In the foreground, a young child is being held by an adult, looking up towards the lights. The background shows more people and foliage, suggesting an outdoor setting.

The Human Dynamics of Estate Planning

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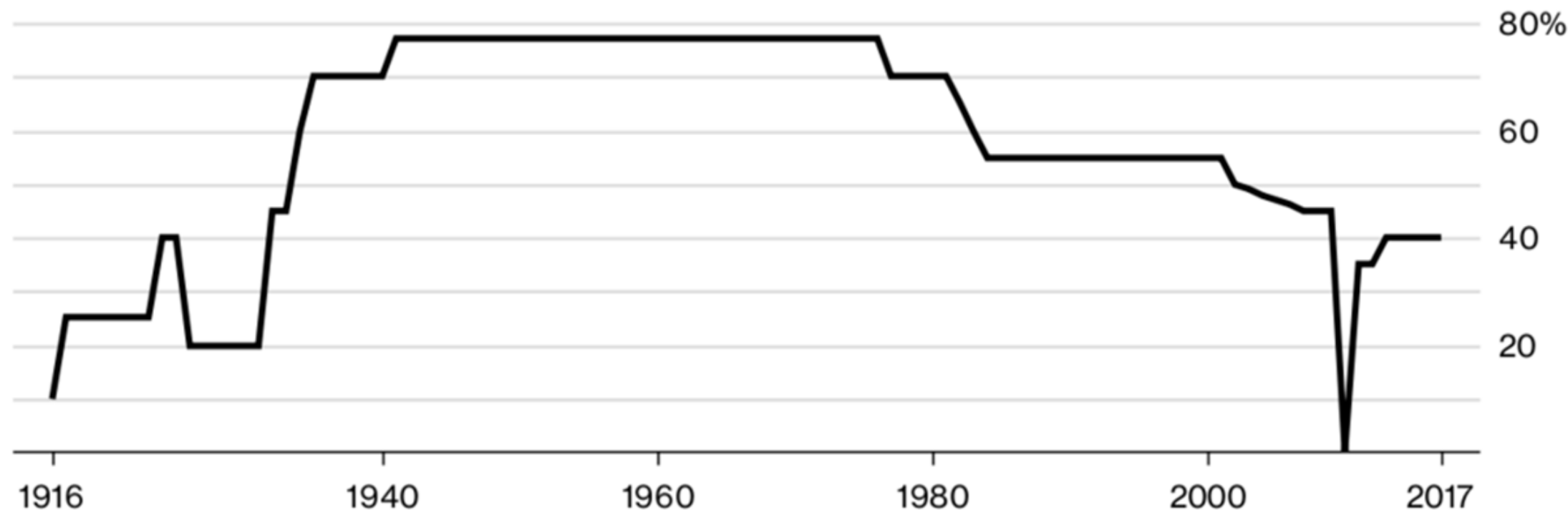
Purposeful Planning Institute

Tax Reform and Estate Taxation

- The first major American tax overhaul since 1986, the Tax Cuts and Jobs Act (TCJA) of 2017 has made significant changes to the estate taxing system.
- Estate tax rates and exemptions have been incredibly volatile over the last 100 years.
- Estate tax rates reached 77% from 1941 – 1976. The current rate is 40%.

A Century of the Estate Tax

Top estate tax rate levied by the U.S. government since the modern tax was introduced in 1916.



*While the estate tax was repealed in 2010, estates had the option of paying a 35 percent rate to avoid other related tax changes.

Source: Tax Foundation

Bloomberg

How have estate tax exemptions and rates changed over the last 40 Years?

EXAMPLE:

With a \$15 million estate a married couple would have paid the following estate tax over the years:

	1980	1990	2000	2010	2020
Net Estate	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Combined Estate Tax Exemptions	\$322,000	\$1,200,000	\$1,350,000	\$10,000,000	\$22,800,000
Taxable Estate per Couple	\$14,678,000	\$13,800,000	\$13,650,000	\$5,000,000	\$0
Estate Tax Maximum Rate	70%	55%	55%	35%	40%
Estate Tax due for Couple	\$9,325,400	\$7,230,800	\$7,148,300	\$1,730,800	\$0

Estate taxation

- The new tax bill did not repeal the estate tax as was proposed in the House version of the bill.
- Instead it doubled the estate, gift and GST tax exemption amounts from the original \$5 million to \$10 million.
- With the inflation adjustment the estate and gift tax exemption for 2018 is \$11.18 million per person or \$22.36 million per couple as of January 1, 2018!



But, wait!

This large exemption sunsets after **December 31, 2025!**

- The estate and gift exemptions are scheduled to revert to the \$5 million amounts, indexed for inflation, on **January 1, 2026.**
- We can't completely ignore planning!

The Prince Rogers Nelson Estate: a cautionary tale

- Better known as “Prince,” the legendary musician died with no estate plan and no will. Over 2½ years later, his estate is still in probate and his heirs have yet to see any of his estimated \$200 million estate.
- Two banks were ultimately named as administrators of the estate.
- Multiple would-be heirs have come forward claiming to be Prince’s previously unknown wife, child, sibling or distant relative.



The Prince Rogers Nelson Estate: a cautionary tale

- In life, Prince was known to carefully guard his music and image.
 - Interestingly, he had a bank vault in his home containing unreleased music.
 - Some estimate there is enough rare, never-heard music in the vault to release a new Prince album every year for the next 100 years.
- About half of Prince's estate will ultimately be owed for Federal and Minnesota estate tax.
- Celebrities are not immune to a lack of planning. And, certainly, his family has suffered in this process.



Estate Taxation

*With our new
large estate tax
exemptions,
most families **will**
not be affected by
estate tax.*



What does today's modern family look like?



- 50% of marriages end by divorce; 50% by death
- In 40% of marriages at least one spouse had been married previously
- 42% of American adults have at least one step-relative – either a stepparent, step/half sibling or a stepchild

What does the estate planning world look like from 30,000 feet?

\$13 Trillion

The Greatest/Silent Generation

- In the process of transferring \$13 trillion to heirs.
- Largest wealth transfer in the history of the world.

\$40 Trillion

Baby boomer generation

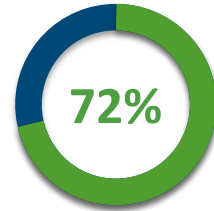
- Over next 25 years, will transfer \$40 trillion to heirs.
- Will eclipse current wealth transfer by factor of more than 3x and will be transferred to roughly ½ the number of beneficiaries.

Forecasts estimate the wealth transfer to take place **before 2050 will exceed \$170 trillion; three times greater** than the estimates made about 15 years earlier.

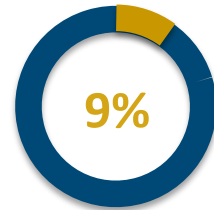
~ Dr. Paul Schervish, Boston College's Center on Wealth & Philanthropy

What Do Boomers Think About Traditional Estate Planning?

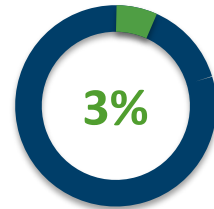
Percentage of
baby boomers
who:



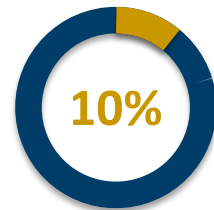
Plan on doing things differently than their parents.



Have begun wealth transfer during life.



Believe they "owe" children an inheritance.



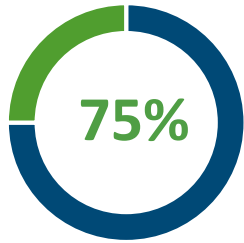
Said that their estate plan dealt with their goals, wants and objectives.

How would you answer these questions?

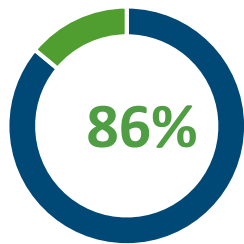
What would you pick? If you could...

- Transfer all your financial wealth **without any tax**, or have children who are **flourishing and thriving**?
- Average a **12% return** on your investments, or have children who are **self-reliant, self-sufficient, productive and mature**?
- Completely “**asset protect**” all your assets, or have children who know **who they are and what they value**?
- Ensure that your assets are preserved and used exactly as you outlined in your will/trust, or ensure that your family is connected with each other in a most positive and meaningful way 50 years from now?

How important is legacy to baby boomers?



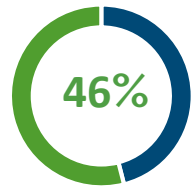
Boomers agree with this statement: “It is extremely important to me that future generations remember my parents and what mattered to them.”



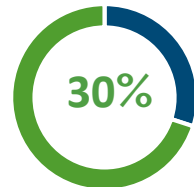
Boomers rank preserving family history and memories more important than the financial assets they will leave

What Parents Are Doing. What Heirs Are Being Told.

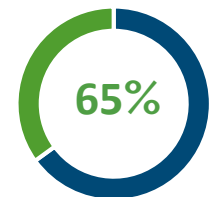
Percentage of HNW parents who:



Have not executed a will

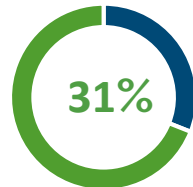


Have done nothing when it comes to wealth transfer

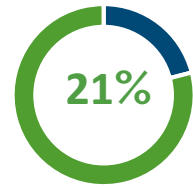


Have yet to begin educating their children about wealth

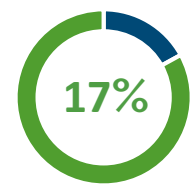
Percentage of children who were:



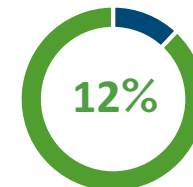
Told how their parents would like them to use the wealth being passed to them



Told how the structures used to transfer wealth worked



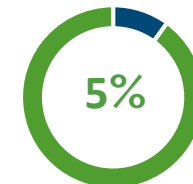
Introduced to individuals who would manage the wealth transfer



Educated about budgeting and financial management



Educated about investing

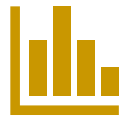


Educated about the broader aspects of wealth

What Advisors Think You Care About



Control



Tax Efficiency



Asset Protection



Investment Returns

What Do You Really Care About?



Communication?



Cohesion?



Identity?



Impact?

RBC 2017 survey summary

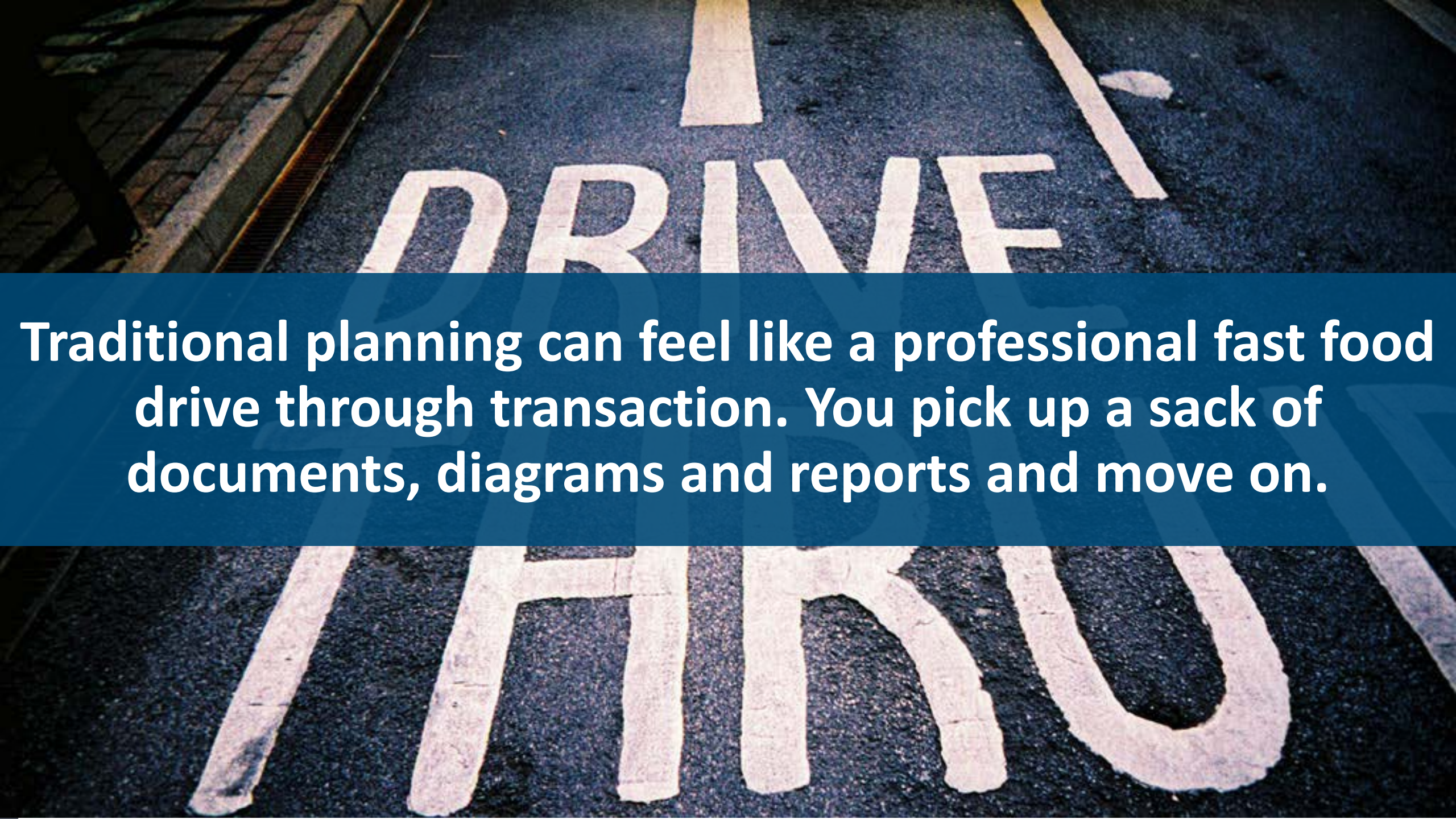
Wealth is being transferred **“non-purposefully”** at historic rates by procrastinating parents, half of whom have no meaningful plan. That wealth is going to **unprepared heirs** who have no idea what is coming or what to do with their parents’ wealth.

Purposeful planning is a huge and vitally important **missed opportunity.** 



Your Estate Planning Dilemma

Traditional or Purposeful?



Traditional planning can feel like a professional fast food drive through transaction. You pick up a sack of documents, diagrams and reports and move on.

What is purposeful planning?

It begins with **why?**

It's centered around
you and your family.

Purposeful plans focus on the family...not just the assets or taxes. A purposeful plan is **your plan**. Purposeful plans have a **heart and soul**.

If you rip the first and last page out of a purposeful plan, your family will still know it as your plan ... and that it is a **gift of love created by you with them in mind**.

What Does Purposeful Planning Encompass?

- Cutting-edge technical planning infused with best practices from the legacy, relational and philanthropic domains.
- Purposeful plans are tailored to the needs of your family and reflect your hopes and dreams, your vision and values.
- Purposeful plans often include purposeful legacies plus:
 - Family mission statements
 - Individual and family philanthropy
 - Education, training and empowerment for the family's rising generations
 - Values exploration and sharing exercises
 - Fun and meaningful family meetings
 - Family constitutions
 - Much, much more

The great news: It can be an AND rather than an OR world!

WHY can't you...

- Avoid or minimize taxes **AND** have children and grandchildren who are flourishing and thriving?
- Have great investment returns **AND** children and grandchildren who are self-reliant, self-sufficient, productive and mature?
- Provide your family with “asset protection” **AND** let your children and grandchildren know your life story, benefit from your life wisdom, and know your hopes and dreams for them?
- Be sure both your financial assets and your family’s relational wealth will be preserved **AND** that each member of your family will have the opportunity to have lives of significance and well-being?

Purposeful plans are the way to **pass more than values** to your children and grandchildren.



A close-up photograph of a butterfly with dark wings and a white patch, perched on a purple lavender flower. The background is a soft-focus field of lavender plants under a bright, hazy sky. Several other butterflies are visible in the background, some in flight and some on flowers.

**Purposeful
legacies**
are tools to help
transform
your estate plan
into a
legacy plan.

Purposeful legacies

- Can be integrated into the estate planning documents.
- But in many cases, they can stand alone.



Purposeful legacies

- Capture your voice, vision, values and life wisdom.
- Expressed as heartfelt, positive and encouraging.
- Often are the gift everyone treasures most.
- Are an antidote to entitlement.
- Vehicle for passing more than money.



The background image shows three classical columns supporting a stone archway. The columns are light-colored and have ornate capitals. The archway is made of dark stone and has a wooden door with metal studs. A large blue circle is overlaid on the left side of the image, containing the text.

The Three Pillars of Purposeful Legacies:

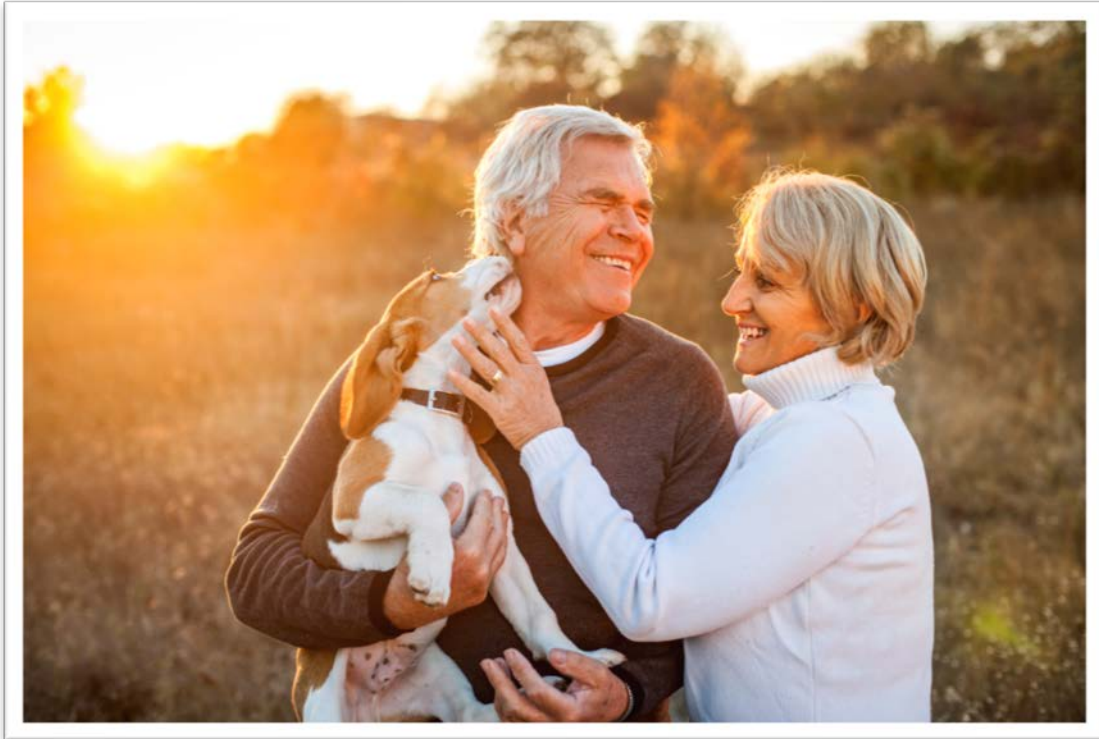
- Guidance and guidelights
- Tributes and affirmations
- Memories and reflections

Guidance and Guidelights



- Includes letter of wishes and ethical wills.
- Guidance is directed to trustees, personal representatives and beneficiaries.
- Guidelights are intended for our loved ones and don't have to have a connection to the financial assets or legal documents.

Guidance and Guidelights



- **Gift of Wisdom:** What I have learned from my own experiences and from the VIPs (Very Influential Persons) in my life.
- **Angels & Heroes:** How to leave more than money to your heirs.
- **ATM vs. Purposeful Distributions**

Guidance and Guidelights

*Reflections of our life wisdom and experiences, encrusted
with expressions of our love, appreciation and faith
in the goodness and potential of our posterity,
are the only riches they cannot squander.*

A Quick Glimpse at a “Gift of Wisdom”

Sample of choices to include in your **Gift of Wisdom**

- **Highs and Lows**
Key successes and failures in life and lessons learned from each.
- **My Formula for Life Success**
Ingredients for a life of happiness & significance.
- **Favorite Quotes/Truisms**
Memorable & valuable family sayings and wisdom quotes to inspire future generations.
- **Turning Points**
Preparation and perspiration that preceded turning points in life. What sustained me when it seemed everything was going against me?

Tributes and Affirmations

A purposeful legacy of encouragement and empowerment

*“The bitterest tears shed over
graves are for words left unsaid
and deeds left undone.”*

—Harriet Beecher Stowe

Tributes and Affirmations

Tributes and affirmations help answer questions like:

After the death of a loved one we all hunger for a special message.

- Were they proud of me?
- Did they see potential in me that I am overlooking?
- What were their most cherished moments with me?
- And includes family love letters & family legacy letters.

Exercises for Tributes and Affirmations

- I won the child lottery.
- I won the grandchild sweepstakes.
- A tribute to my mother/father.
- I just wanted to say I love you.



Sample questions from “I won the child lottery.”

- **Exceptional Child**
What are the strengths and talents that make your child so exceptional?
- **Cosmic Permission**
If you could assimilate one of your child's gifts or special skills into your own life, which one would it be and why?
- **Great Accomplishments**
Describe one of the greatest accomplishments in your child's life. How did you feel about it?

Biology makes us mothers and fathers. But it's how we express our love and encourage our children along their way that makes us Moms and Dads.

Memories and Reflections

“When an old person dies,
it’s like a great library burning.”

—Alex Haley, author of *Roots*

Memories and Reflections

- **Memories are the stuff legacies are made of.** Unfortunately, few of us record or preserve our life stories.
- **Reflections** of our interactions with our children and grandchildren are particularly valuable.

Includes:

- Personal diaries
- Gratitude journals
- Written and recorded memories
- Life and family histories

Memories and Reflections

Reflecting and then recording memories is **one of the greatest gifts we can pass along** to our family. What we overlook, however, is how positive the act of reflection and recording memories can be.

A sample of **personal benefits** for reflecting and recording personal memories, according to the AMA Journal:

- Keeps your mind sharp.
- Allows you to express gratitude for what you have.
- Provides motivation for the future.
- Gives satisfaction in cataloging your achievements.
- Cathartic

Sample Memory and Reflection Tools

- **Birth memories**
Memories of the day you were born.
- **On the road again**
Memories from trips you've taken together.
- **How it all started**
The story of your parents' first date
- **Thank you for the memories**
Reflections on the honor it's been to be your parent, grandparent, aunt or uncle.

A family of four is walking away from the camera through a lush green field. On the left is a man in a light blue long-sleeved shirt and dark pants. In the center are two children: a girl in a red and white checkered dress and a boy in a light blue t-shirt and dark pants. On the right is a woman in a white sleeveless top with small dark polka dots and a long green skirt with a white floral pattern. They are all holding hands. The background is filled with tall grass and out-of-focus green trees. The entire image has a soft blue overlay.

**“Legacy. What is a legacy? It’s planting seeds
in a garden you never get to see.”
- Hamilton**

THANK YOU

Go to **skrco.com** for more on estate planning.

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