

# ADAPT, CHANGE OR DISAPPEAR

The shifting market place for estate planning and what  
you can do to adapt and change

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## SHIFTING GENERATIONAL VIEWS ON ESTATE PLANNING

- For hundreds of years, the views and perspectives on estate planning and inheritance went virtually unchanged.
- Wealth transfer was primarily done in the form of passing on skills/trades or land. Both were a transfer of opportunity.
- Parents saw inheritance as an obligation and they typically sacrificed their own lifestyle and standard of living to transfer additional assets to successive generations.
- Beginning with the Baby Boomer generation, these views have begun to fundamentally shift.

## Defining the Terms

### Greatest/Silent/Mature Generation

- Those born between 1927 and 1945
- In general, they married for life, avoided debt, wife/mother stayed at home, and they lived below their means.
- Had on average 3.6 children
- Experienced at least some of the Great Depression and WWII

## Defining the Terms

### Baby Boomer Generation

- Those born between 1946-1964
- Fall into two general categories. The first half of the generation was marked by the change the World “hippies” of the 60s and 70’s and second half was marked by the “yuppies” of the 80s.
- They tend to view life much less conservatively than the prior generation. Divorce, debt and working mothers became much more mainstream and acceptable.
- Had on average 2.1 children

## Review of Surveys

- The following survey findings are combined from the following:
  - The 2015 U.S. Trust Insights on Wealth and Worth® survey of HNW individuals and families
  - Allianz American Legacies Pulse Survey from 2012
  - Forbes Magazine, 3/22/16, "Why the Wealthy Do Not Implement Their Estate Plans"
  - CNBC Millionaire Survey, 7/22/2015
  - UBS Wealth Management Survey, Fall 2014

## Greatest/Silent/Mature Generation and Estate Planning



75% consider wealth transfer important



34% have already begun the process of wealth transfer during life



22% believe that they “owe” their children an inheritance



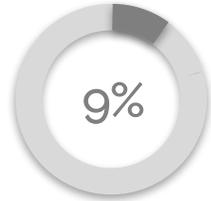
Only 60% say they have had in-depth discussions with their children on wealth transfer.

In the process of transferring \$12 trillion

## Baby Boomer Generation and Estate Planning



49% consider wealth transfer important



9% have already begun the process of wealth transfer during life



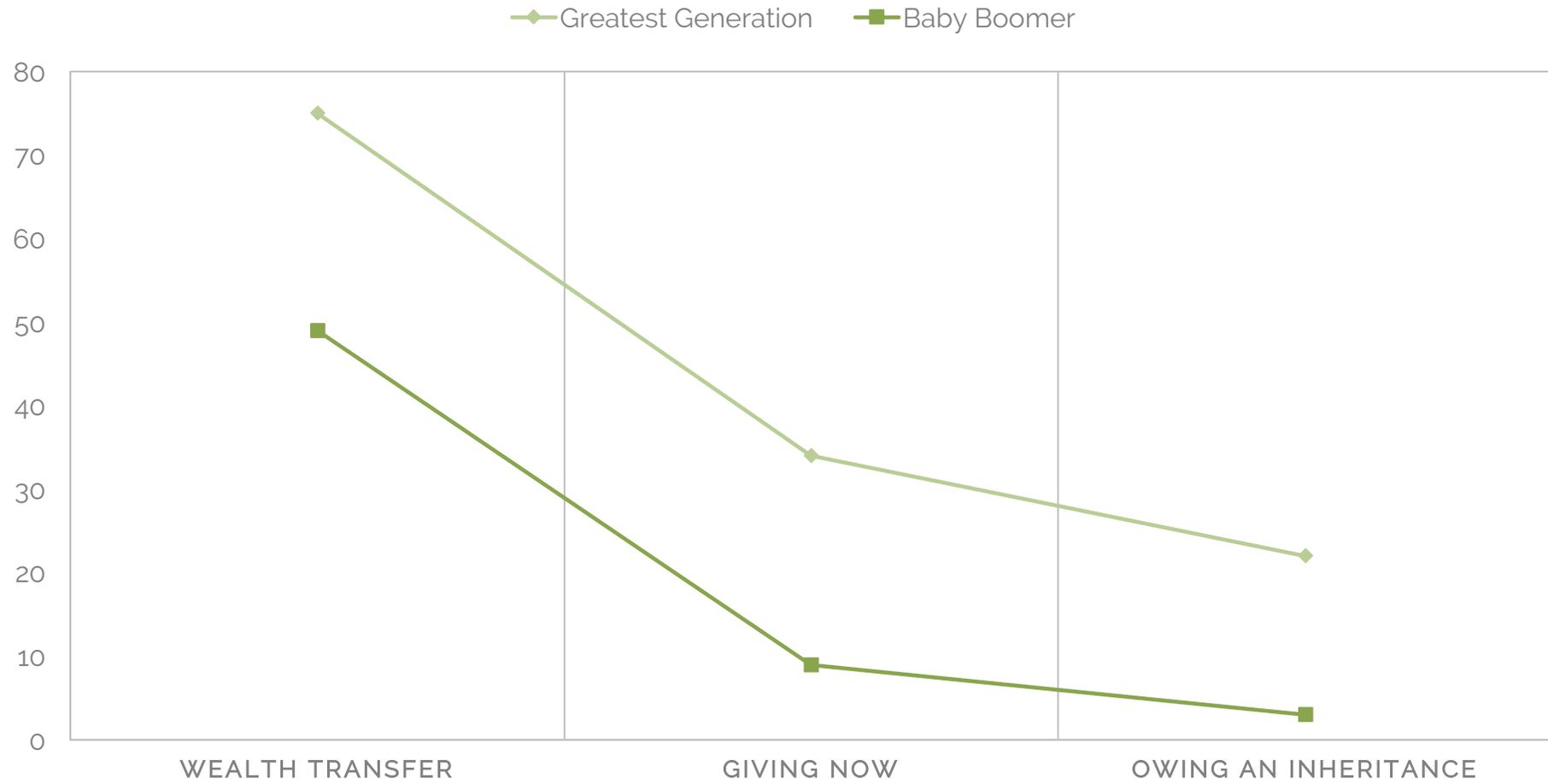
3% believe that they "owe" their children an inheritance



72% plan on doing their estate planning differently than their parents

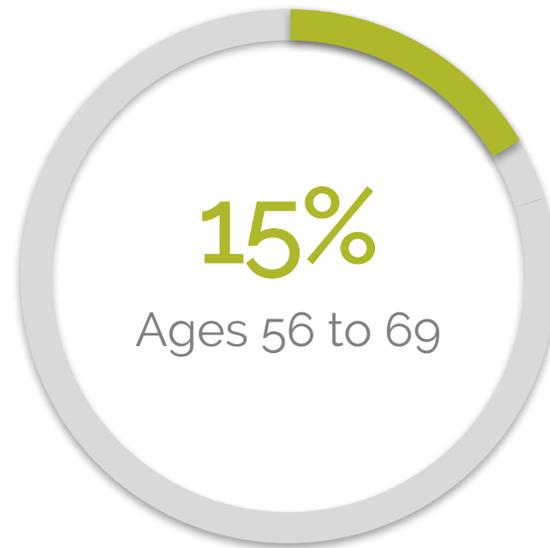
Will ultimately transfer \$41 trillion in assets

# WHAT BABY BOOMERS CARE LESS ABOUT



## Strings Attached

Percent of parents who plan on specifying what their children should or can use their inheritance for by age:



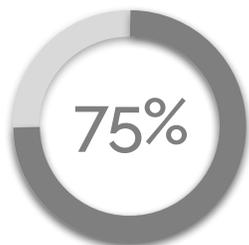
## The Importance of Legacy



(49%) of Baby Boomers said that talking about Legacy made the prospect of death less scary.



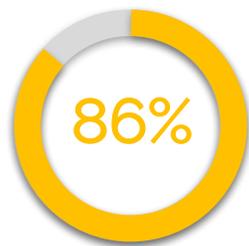
57% of Greatest/Silent Generation agreed with that statement



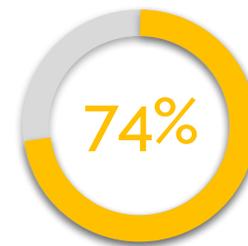
75% of Baby Boomers agreed with the following statement: "It is extremely important to me that future generations remember my parents and what mattered to them."



(53%) of the Greatest Generation agreed with that statement.

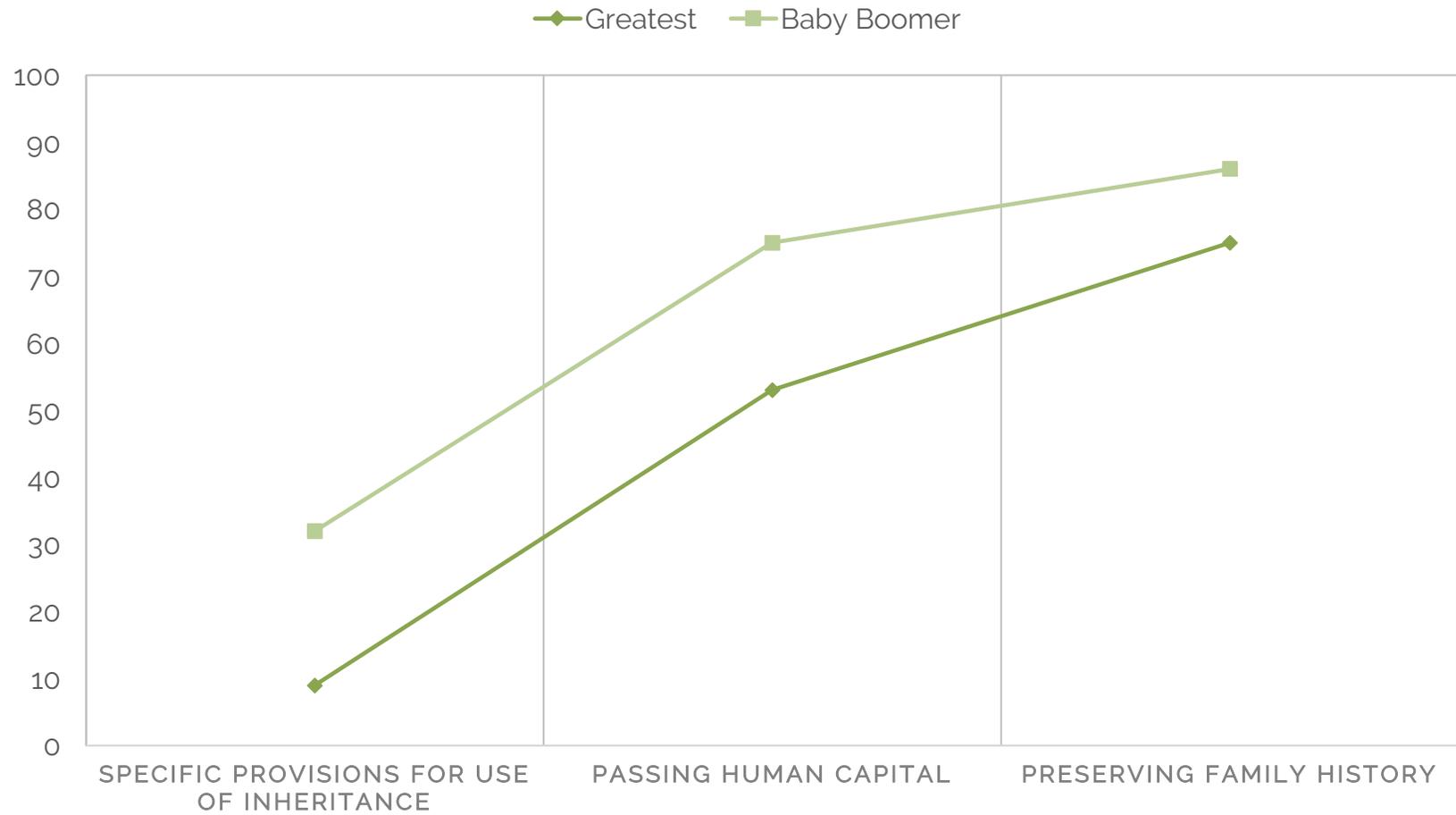


(86%) of Boomers ranked preserving family history and memories as more important than financial wealth transfer.



(74%) of Greatest Generation agreed with that statement.

## WHAT BABY BOOMERS CARE MORE ABOUT





## Google Ngram Viewer

- When you enter phrases into the Google Books Ngram Viewer, it displays a graph showing how those phrases have occurred in a corpus of books (e.g., "British English", "English Fiction", "French") over the selected years.
- Results are shown based on the percent of time a particular word or phrase is used in a book, so it takes into account increases in the number of published books.



Google Ngram Viewer  
Term: America





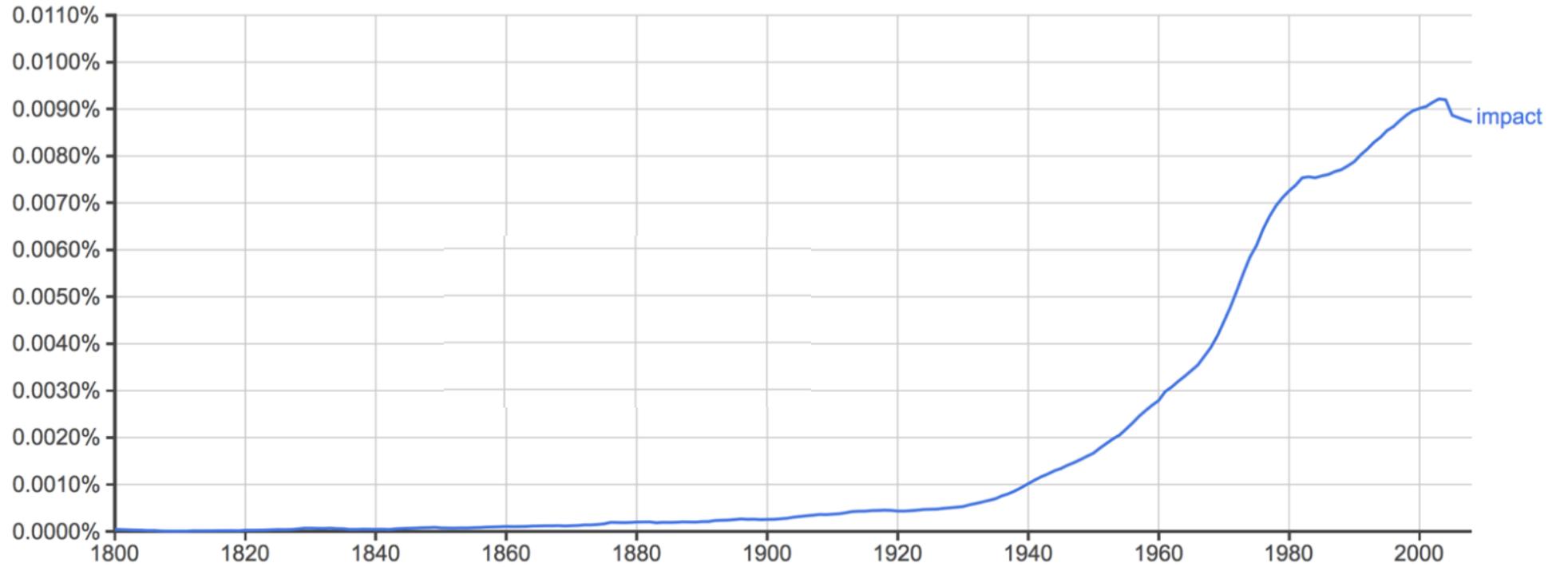
# Google Ngram Viewer

Term: Legacy





Google Ngram Viewer  
Term: Impact





Google Ngram Viewer  
Term: Inheritance



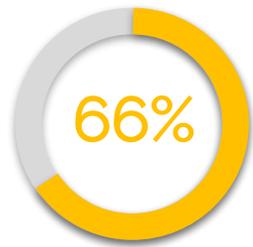
## Other Survey Findings



While **seventy five percent (75%)** of wealthy parents say it is important to leave an inheritance to the next generation, only **twenty percent (20%)** agree strongly that their children will be prepared to handle the wealth they receive.



Although **fifty four percent (54%)** of the wealthy believe their family would benefit from developing a formal set of principles to guide the purpose and meaning of their wealth, only **ten percent (10%)** has done so.



Nearly **two-thirds (66%)** of wealthy parents have disclosed little or nothing about family wealth to their children, largely because of concern that it will affect their work ethic and family privacy.

## Views on Relevance and Planning



**Nine out of ten (90%)** of affluent families surveyed said that their estate plan did not deal with their goals, wants, and objectives.



**One-half (50%)** of affluent families think that their estate plan is too complicated.

## Survey Summary



Baby Boomers are substantially less interested in transferring assets multi-generationally and outright than their parents.



In general, Baby Boomers do not see inheritance as an obligation they have towards their children.

**4x**

The Baby Boomer Generation will ultimately transfer four times more assets than the Generation before them.

## Survey Summary

- Baby Boomers are far more concerned than the prior Generation with:
  - “Legacy”
  - Their own current lifestyle
  - The potential negative effect that inherited wealth will have on the next generation
- Although family cohesion and family satisfaction is greatly improved when parents discuss their planning with the next generation, there is great reluctance to do so.
- Clients do not see their estate planning as a tool for advancing their goals, values, or beliefs.

# How to Retool Your Practice

## 1. Recognize that Estate Planning is Life Planning

- While the estate planning process has traditionally been an interaction between a client and attorney focused on tax efficient transfer of wealth the process can be used to accomplish much more. We hope to help clients transfer values along with wealth.
- Client values can serve as a framework for the planning process yet surfacing values can be a challenging process. Be willing to ask about these values.
- For some clients opening the door to a discussion of values with children may be difficult. The estate planning process can help. The health care directive and living will are life planning documents – they outline the type and degree of care a client would like to receive. They can also serve as a great tool to open a discussion of personal values with children and grandchildren.

# How to Retool Your Practice

## 1. Recognize that Estate Planning is Life Planning (continued)

- Trusts and Powers of Attorney are life planning documents – they may outline the financial priorities of the client and can serve as a discussion document for sharing values relating to money with children and grandchildren.
- Discussing values as expressed through estate planning documents provides color and texture to client families. Clients may also benefit from bringing their children into the conversation with trusted advisors. These advisors may have decades long relationships and can offer the children a unique perspective on their parents. \*\*Of course such interactions must not violate client confidentiality requirements.

# How to Retool Your Practice

## 2. Break the Silence.

- Although attorney-client privilege is one of the hallmarks of a client relationship with their estate planner, that confidentiality and accompanying silence often extends to the beneficiaries and too frequently causes significant problems.
- Not dealing with sticky issues during life leads to a lack of family cohesion, broken relationships, and even litigation.
- It's critical that families address these issues while parents are still living as opposed to waiting until death. This is another area where a professional family consultant or coach could provide invaluable assistance.

## The Sound of Silence

Percentage of survey respondents who:



Had Planning



Discussed the planning with their heirs



Discussed the planning in detail

## The Cost of Silence



**Eighty nine percent (89%)** of beneficiaries who knew the estate plan details report that they were very or extremely satisfied with the process of distribution versus **sixty five percent (65%)** of those who did not know.



**Eighty five percent (85%)** of families with no unresolved issues at parents death reported being very or extremely satisfied with their parents estate planning versus **thirty seven percent (37%)** in families with one or more unresolved issues.



## The Reasons for Silence



- It doesn't feel like a pressing issue (43%)
- I don't want my offspring to count on the inheritance (32%)
- I don't want my children to feel entitled to wealth (27%)

## The Reasons for Silence



The family doesn't talk openly about financial issues (46%)

It does not feel like a pressing issue (31%)

I do not want to appear greedy (23%)

## How to Retool Your Practice

### 3. Importance of Credibility – Be Ready and Willing to say No/Get out of the way

- There is never a right time to stop financial support for a child.
- Their hardships and challenges will trigger a desire to help. But setting the expectation that “no” will happen and then following through is essential if we hope to help form fully functioning financially independent adults.
- Learning comes from experience. Experience comes from making mistakes and resolving them. Children need a chance to gain experience.

## How to Retool Your Practice

### 3. Importance of Credibility – Be Ready and Willing to say No/Get out of the way (continued)

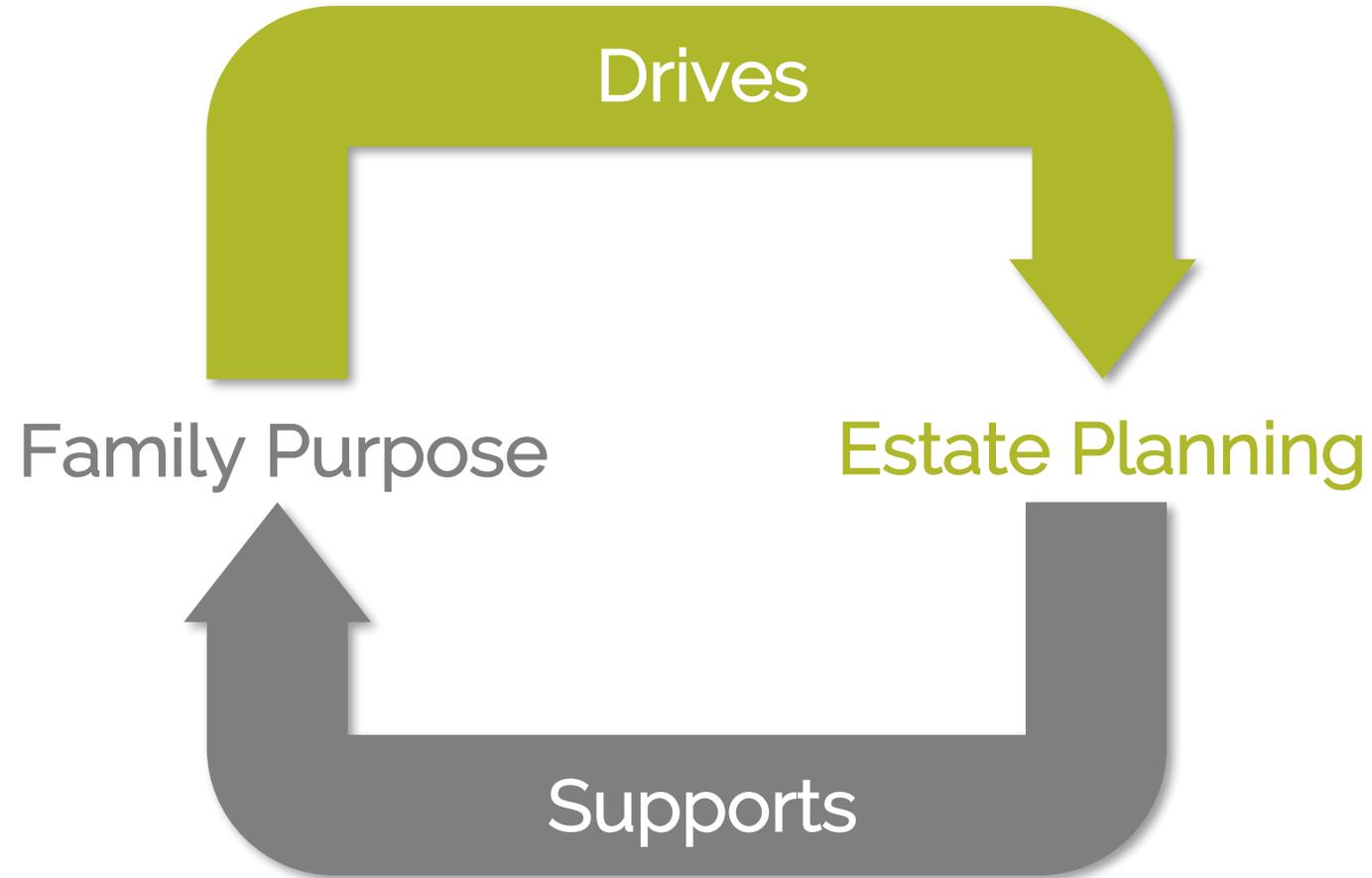
- We want them to lead their own lives yet they can't do that as long as parents are engaged in their significant decisions.
- They will plot a different course than what their parents would choose for them. It is essential to give them the freedom to make their own way.
- No one ever became a good driver exclusively through observing from the passenger seat.

# How to Retool Your Practice

## 4. Add Purpose to the Planning

- Nine out of ten (90%) affluent families surveyed said that their estate plan did not deal with their goals, wants, and objectives.
- Before starting to draft any estate planning documents, consider helping your client and their family draft a vision statement and a mission statement.
- If the collective can understand the shared core values, establish a vision and mission, not only can that help to drive the estate plan but it will also add to the ability to make a positive multi-generational impact.
- A motto and mission statement can be incorporated into a purpose of trust provision that gives guidance and direction to future trustees and beneficiaries.

## Entrusted Planning - When Planning is Aligned with Purpose



# How to Retool Your Practice

## 5. Inheritors Benefit From Skin in the Game

- Family legacies are more likely to be perpetuated if the focus is on creating a next generation of Stewards of Wealth rather than just passing along assets.
- We tend to value those things we work for more than those things we are given. Seek out appropriate benchmarks for inheritors to meet – clearly these need to be matched to each individual and families need to be acutely aware of potential unintended consequences.
- Create opportunities for inheritors to learn the ropes with less significant dollar amounts where the consequences of inevitable mistakes will not be devastating.

## How to Retool Your Practice

### 5. Inheritors Benefit From Skin in the Game (continued)

- Build clear expectations into family wealth transfer and where possible create a situation where beneficiaries earn ownership of family assets.
- Help clients understand that the complex business they own and operate was not always that way. They likely started small and their skill set grew as the business grew. It is not rational to expect their child to know on day one (or year one) what has taken them a lifetime to learn.

# How to Retool Your Practice

## 6. Ask Technicolor Questions

- When interviewing a client about their estate planning objectives, start by getting a flavor for who they are, what they believe, and the details of their family.
- These questions could include asking the following: Describe your children and their passions, interests, struggles, and triumphs. What does money mean to you? If you could pass on one piece of advice to your heirs, what would it be? If you could leave one thing as a lasting legacy to the next generation, what would it be? If you could see into the future to a family gathering 30 years from now, what would you want it to look like?



**QUESTIONS?**