CREATE A HOLISTIC ESTATE PLAN NOW

For Bigger Payoffs In The Future

FORBES BRAND VOICE 2021

1. What Is Your Lifetime Spending Strategy?
2. How Much Do You Want To Give To Charity?
3. What Are You Leaving To Your Heirs?

No one can predict the future—and navigating that reality is precisely what makes estate planning so complicated. After all, one change to the tax code can disrupt decades of careful planning and leave some people scrambling to ensure that their family won't be burdened with taxes. Unexpected market tumult may require selling off certain assets to hit cash flow expectations during your lifetime. And there may be unanswered questions about how your legacy can leave the most meaningful mark possible when it comes to charitable contributions.

That's why a three-lever perspective can be helpful when considering various scenarios. The three main levers to consider, says William "Bucky" Burge, Vice President and client advisor at Whittier Trust, are lifetime spending, charitable wishes and what you wish to leave to your heirs. "These 'levers' are all affected by taxes, and assessing them as interconnected parts of a whole can help you come up with a strategy that minimizes taxes and amplifies your wealth," says Burge.

Here are the three levers to consider that will help lead you to an effective tax strategy and estate plan that will put the odds in your favor for reaching your financial goals.

Lever One: What Is Your Lifetime Spending Strategy?
A large part of estate planning means assessing your goals and plans, explains Burge. "Where would you like to live? Do you want to travel?" These questions will help you assess your budget during your retirement years. Your retirement budget may require that you tweak your investment strategy to include higher dividend yields and stable payout ratios to ensure ample cash flow.

"At Whittier, we build a budget and stress-test various scenarios so you have an idea of what outcomes may look like in challenging economic environments," says Burge.

Working with a client advisor can also be invaluable in keeping you honest about whether your lifestyle aligns with your estate goals.

"Sometimes we have to have the conversation: If you continue spending at X rate, this is where you'll be," says Burge. In cases like these, a client can consider multiple scenarios, including shifting their budget or modifying their investment strategy. In either case, these are strategic moves to ensure the client has the necessary cash flow.

It's also a time to consider how you want to approach family gifting and inheritances. Right now, the lifetime exemption for gifting is the highest it's ever been—$11.7 million for individuals and a $23.4 million joint exemption for married couples.

"But that could change in 2026. We don't know," says Burge. That's why putting trust vehicles in place now can be essential to your overall estate strategy.

When setting up trusts, it can be helpful to work with a professional who has a holistic view of your assets and goals for your family. For example, a family with real estate holdings or a business may consider a family limited partnership. "We have a number of clients where this is an excellent solution," notes Burge, adding that it can be advantageous for family members to learn the business from the ground up well before they inherit full control.

Lever Two: How Much Do You Want To Give To Charity?

Estate planning can centralize charitable giving and provide a clear road map for how your current gifting can compound and transform into a legacy after you're gone. A clear charitable gifting strategy can also spotlight favorable tax treatments that can minimize estate taxes and maximize your future gifts' value.

For example, a charitable remainder trust can be a smart strategy to provide an income stream during your lifetime and reach gifting goals. A charitable remainder trust allows you to transfer an asset, like highly appreciated stocks or bonds, into an irrevocable trust, removing the asset from your taxable estate. The trustee can then sell the asset at market value and reinvest, creating a lifelong income stream for you or your beneficiary. This strategy can minimize taxes on highly appreciated assets that may not have a practical use for you or your heirs.

Lever Three: What Are You Leaving To Your Heirs?

The last thing you want to leave behind for your beneficiaries is a large estate tax bill. Setting a plan in place now can streamline your legacy and simplify their future.

For example, says Burge, many clients come to him with multiple properties owned outright in their names or in a single LLC. One simple fix is to put each property in a separate LLC, increasing asset protection and opening up potential avenues for tax savings.

Creating an irrevocable life insurance trust is another way to minimize taxes. "Life insurance and death isn't something you want to think about," says Burge, but an irrevocable life insurance trust can be a strategy to protect wealth during the wealth transfer process. That said, it's easier to implement these strategies sooner rather than later.

"If you have a client coming in when they are in their 40s, it's great because they have a long runway," Burge says. "When you have clients coming in their 60s and 70s, it can be more challenging since life insurance may be harder to obtain."

These vehicles take time and knowledge to set up, so having ample time and a trusted advisor to stress-test various scenarios can prove invaluable in preserving your wealth.

You may also wish to take advantage of the historically high lifetime gifting limit but are unsure of how to guarantee the gift has maximum impact on your children. Working with your estate planning attorney, a wealth management advisor can help you set up appropriate, personalized trusts to ensure your children can be effective stewards of your wealth during your lifetime and theirs.

The Bottom Line: A Multilever Perspective Leads To Targeted, Tax-Smart Moves

Estate planning is more than a series of tax-favorable strategies. It's about ensuring that your legacy has meaning to you and your loved ones. That's where a holistic strategy, like the one employed by Whittier Trust, becomes invaluable.

As a client advisor, Burge encourages as much disclosure as clients are comfortable with to ensure that the estate plan not only achieves their financial goals but also ensures their important intangible goals are met as well, such as family harmony and a meaningful legacy.

"When we have a whole picture, we can better execute strategies for clients according to their goals," says Burge.

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