

The Soft Side of Estate Planning.

Presented by:
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Topics to be covered.

- What questions should you ask?
 - Do your clients really understand how wealthy they really are?
 - How have they prepared the next generation to receive that wealth?
 - Work, happiness and how much is enough.
 - What is the level of communications within the family?
 - What are the duties and roles of professional advisors?

What questions should you ask?

- Do they really understand how wealthy they really are?

When you ask your clients what they are worth they often have a pretty good idea, but then ask them what do they want to provide for their children.

Recently I was dealing with a couple who had a net worth of \$40 million with two teenage children. When I asked them what they wanted to provide for their children they stated “a good education and a nice home.”

“A good education and a nice home”

- I then started going through the math:
\$40,000,000 split two ways equals \$20,000,000 each times a 6% after tax rate of return equaled \$1,200,000 per year for the rest of their lives. Assuming they went to Yale for four years of undergraduate and four years of graduate school at \$60,000 per year the total would be \$480,000, say \$500,000 for rounding. We could buy them a nice home for \$700,000 and we have spent the first year's earnings. Their jaw dropped and they asked: “Well what do we do?”

Communications.

- Communications – 68% of baby boomers and 71% of their parents say they have communicated their key elements of inheritance and legacy planning.
but – less than one third have actually done so.

What should we do?

- The answer to this client question is elusive and unfortunately requires a fair amount of work. This is what we are going to start covering today, and what we will finish covering over the next two months.
- In this presentation we are going to assume that your tax lawyer has taken the actions necessary to protect the assets from estate tax, and that you otherwise have good professional advisors.

Staggering statistics.

- There is a world wide (and old) saying that goes like this: “Rags to riches to rags” in three generations. The principal cause of this phenomenon is a lack of planning. Most inheritances are squandered, regardless of the amount inherited, in 18 months. (BTW professional planning negligence by professionals accounts for only 1% of this loss.)
- What can we do as professional advisors to stop this?

How can parents transfer knowledge, experience and values to succeeding generations.

- Wealthy clients are not limited by economics as are most families, they have significantly greater choices.
- What do they think, hope and believe? How have they defined their values?
- What part of their own personal experiences do they wish to pass on to the next generation (i.e., I started this business cleaning the basement floor and now I own it!)?

The balancing act.

- How do you balance the fact that most wealthy clients believe that the struggle of life is what makes it so worthwhile while they have documents that simply ply their children with money year after year?
- Discussion.

Thanks

- Please fill out the evaluation.