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A \$41 Trillion Market – Why Legacy Planning Matters, and What it Takes

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Written by Christina Pellett, Managing Editor

When advising clients on what will happen to their estate after their death, the natural inclination is to talk strictly finance: trusts, wills, life insurance, and inheritance. But while these factors are essential components of estate planning, there is another aspect, and that revolves around the notion of legacy planning.

Coined by Dr. Ken Dychtwald, president of Age Wave, the term "legacy planning" involves four components of a client's life that they would like to pass along to their heirs: values and life lessons, instructions and wishes to be fulfilled, personal possessions of emotional value, and financial assets and real estate.

You may think you know which is most important to your clients and their heirs — money — but when Age Wave asked 2,657 boomers and elders how important, in percentages, it was to receive or provide financial assets or real estate as an inheritance, the truth came out a bit differently.

While the average response from elders was 39 percent, finances ranked just 10 percent on the scale for baby boomers — and values and life lessons came in at 77 percent for both groups.

"It became obvious that those in the field of trusts and inheritance transfer and insurance largely go about their business with the belief that people are primarily focused on finances and real estate, but stories about life lessons, instructions, and wishes to be fulfilled are actually more important to these people," said Dychtwald.

So indicate the results of the Allianz American Legacies Study, conducted in partnership with Age Wave and Harris Interactive. When crafting the study, said Dychtwald, focus groups were extremely turned off by the use of the word "inheritance," which conjured up for them visions of greed and familial debate. Simply replacing "inheritance" with "legacy," however, completely changed the tone of the study. And while finances should never be neglected in a legacy plan, neither should the more emotional layers of a client's estate.

Getting into this field, said Tom Burns, chief distribution officer for Allianz Life, is a perfect way for agents to set themselves apart, especially in the increasingly crowded estate planning market.

"It's such a competitive environment out there for the advisor, and people are looking for ways to deepen their relationships with current clients and get new ones," Burns said. "These introductions are the best way to build your practice."

The financial side
One way to help clients express their values to their heirs does involve their financial assets — charitable remainder trusts (CRTs) created with the proceeds of a liquidity event such as the sale of a building, land, or business. In this case, the trust provide a lifetime income to the client. Then, once they pass, the trust goes to a named charity or foundation.

On the other hand, charitable lead trusts (CLTs) distribute payments to a charity *during* the trustees' lifetime, then provide an income stream to any beneficiaries after the owner's death.

According to Gary Altman, founder of the Maryland-based estate planning law firm Altman & Associates and chairman of the National Capital Area Financial Planning Association, this can be an excellent way for clients to illustrate to children and grandchildren what is most important to them.

"One thing I always suggest is, when there is a large liquidity event, why not take \$30 million or \$40 million of it and put it into charitable lead trust so the income can fund a private foundation which, at their death, the children control so they can learn there are other people in the world who are less fortunate than them?" said Altman. "Then, the money goes to grandchildren after a number of years, so you've created a legacy in terms of the foundation and a legacy in terms of your grandchildren."

Those clients worth at least \$20 million are good candidates for CLTs, said Altman, but any client who has gone through a financial liquidity event will benefit from this type of financial legacy planning.

Unless a client already has a strong charitable inclination, however, he said, it can be difficult to get them to irrevocably part with their money. Advisors looking to involve themselves with financial legacy planning, then, should be aware that this is not a quick sale — it takes time and much relationship-building before it can bear fruit.


The benefit for agents is not only a strong client-advisor relationship, but also the great sense of accomplishment that comes along with it. One advisor, for example, has pledged to help



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"It may not lead to anything for him, but in the long run, it leads to a very strong relationship because you're helping the client to achieve their goals," Altman said.

The emotional side

Krooks has had clients who survived the Holocaust, came to the U.S., and started a successful family business. He's known people who have spent years in prison and, upon their release, have made good lives for themselves and their families. And some of his clients have themselves been engaged in financial disputes with their own family members when dealing with the estate of a loved one.

"These people want to impart upon their kids the lessons and values they learned so their kids won't make the same mistakes," said Krooks.

A common way to pass along these values and life lessons is through the use of ethical wills. While not legally binding, such documents can be extremely satisfying for clients, beneficiaries, and agents alike.

When helping clients create an ethical will, said Krooks, he uses a list of questions to help them along but otherwise does not direct them in any way — these wills should come straight from the client, in their manner of speaking and writing.

"There will be some agents — not all — who will really care a lot about this and they'll get satisfaction out of helping the client walk through the process," he said. Just start talking, and if you see interest, probe further and see what happens."

What does it take?

According to Dychtwald, Age Wave asked boomers and elders to choose the celebrity who best engenders the ideal characteristics of the perfect legacy advisor. Included on the list were Billy Graham, Sandra Day O'Connor, Suze Orman, and Oprah Winfrey. And who did they choose? Hands down, Oprah Winfrey.

Then, they were asked to list qualities they look for in such an advisor. While a good understanding of taxation, investment, and the financial marketplace were on the list, these fell far behind honesty, trustworthiness, and good listening and explaining skills.

"They wanted people with not only financial acumen, but as or more important is someone who could deal with the emotional, experiential, and more holistic dimensions of a person's life," Dychtwald said. "It's not the kind of things many financial advisors are good at. People want a person with a good bedside manner and good communication and mediation skills."

Because this is not an immediately lucrative niche, added Krooks, it may turn off many planners and attorneys.

"This is not for somebody who wants to be at the top of the sales charts every year — it's for somebody who wants to go beyond the X's and O's," he said. "I don't know if there are any qualifications or requirements, but you have to care about it. You can't be motivated by financial concerns."

The legacy planning market is huge. According to the Boston College Center on Wealth and Philanthropy, about \$41 trillion is set to be passed down from generation to generation over the next 50 years, with some estimates as high as \$136 trillion. And often, said Dychtwald, when the money passes, the advisor does not get passed onto relatives along with it — 80 percent of the time, in fact. Legacy planning is a satisfying and effective way to make sure you not only hold onto your client base but also gain new clients in the generations to come.

"At the end of the day, you will be compensated on the financial transaction," said Dychtwald, "but allowing people to talk about what matters and how they want to be remembered, you can make a friend and have an enormous impact on a family. This is a tremendous opportunity for business building."

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The Essentials of Legacy Planning

When conducting the American Legacies study with Allianz and Harris Interactive, Age Wave asked participants for any advice they could give advisors looking to bridge the legacy gap with their clients. Following are six of those tips.

1. Be prepared to discuss all four pillars of legacy in your conversation — values and life lessons, instructions and wishes to be fulfilled, personal possessions of emotional value, and financial assets and real estate.
2. Begin the legacy planning conversation before an illness or health scare.
3. Rather than talking about money and property, come in the side door and talk about values and life lessons. "This is an area where people want to be heard and share what matters," said Age Wave President Dr. Ken Dychtwald.
4. Help the family talk about their legacy priorities — you might be surprised by how different these priorities are.
5. Include children and grandchildren in legacy discussions.
6. Use whatever means possible to capture the values and life lessons your clients want to pass along to their heirs, including videos, journals, old letters, and photo albums.

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