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Estate Planning Re-Imagined – A New Paradigm

Many, perhaps most, estate plans fail. No, this is not a condemnation of estate planners or attorneys. Generally, wills and trusts successfully distribute assets in accordance with their terms and achieve the intended estate tax savings where appropriate. Important? Yes, but not sufficient. An estate plan succeeds only when its effect on heirs is positive and empowering, rather than divisive or debilitating.

People spend a lifetime creating an estate; yet spend little time planning it. Some never plan at all, whether out of neglect or frustration because they see no way for any plan to solve troubling family or business issues. Others spend thousands with estate planners and attorneys to create elaborate tax savings, charitable and distribution strategies, all of which usually takes less than 10 of their own hours. They end up with a thick book of documents, which they may not fully understand, that sits on a shelf to be forgotten for years at a time. Either approach is likely to fail.

Planning for the distribution a family's financial wealth *is* important (our planning has saved clients millions in estate taxes, benefitted charities, and preserved wealth), but we've learned that money is not the heart and soul, of estate planning. The problem lies in equating family wealth with dollars. Money is not the most important thing to most of us. Our "True Wealth" is made up of things we wouldn't sell for any price: values, family, health, relationships, traditions, wisdom and experiences (both good and bad), etc. Traditional planning pays little or no heed to these most important things that ultimately shape and frame our legacy, which encompasses far more than the money we leave behind.

The classic estate plan for a wealthy family is about the distribution of financial wealth based on the principles of Defer (taxes), Divide (among heirs), Dump (assets on an unprepared generation) and Dissipate ("Shirtsleeves to shirtsleeves in three generations."). The wealth is distributed without a plan for stewardship, accountability and responsibility. The result engenders wastefulness, or worse, entitlement. The (avoidable) dissipation of family wealth is not the worst consequence, the effect on heirs may be. A few common examples: Conflict among children, often to the extent of not speaking to each other, a failed transfer of a family business, children

brought up to feel entitled only to become embittered upon discovering that their parents left them little, or “entitled” children left with great wealth that destroys initiative and self worth. We’re sure you can think of other examples.

It is not surprising then, that the number one reason given by respondents to a recent survey cited in a national estate planning magazine as to why they planned their estates was: “To avoid chaos among children.”

John Ruskin thought of Legacy this way: “When we build, let us think that we build forever. Let it not be for present delight nor for present use alone. Let it be such work as our descendents will thank us for and let us think, as we lay stone on stone, that a time is to come when those stones will be held sacred because our hands have touched them, and that men will say, as they look upon the labor and the rock substance of them, see that is what our father and mother did for us.”

Ruskin’s notion of building a legacy by the “laying of stone on stone” is a metaphor for continuous effort applied to the creation of a foundation that lasts “forever”, empowering “descendents” not just children, to live productive, meaningful lives; truly something to be “held sacred”. Viewed in that light, most plans fail. What we leave behind is often far different than Ruskin’s vision.

So, estate planning is not just about saving taxes, though important, or charitable giving or, as some would say, “turning success into significance” (An approach that implies that your life has significance only if you leave a lot to charity!), or dumping money and other assets on heirs.

Estate, or legacy, planning is, in its highest and best form, family leadership. As Ruskin understood, it takes time to build a legacy that can empower our children and encourage them to lead successful, productive lives in harmony with each other. A process that enables a family to collectively discover its true wealth philosophy creates clarity, focus, balance and, if not harmony, understanding, all of which leads to a lasting legacy that can, in combination with estate documents developed in concert with that philosophy, perpetuate the family’s financial and true wealth for generations to come.

Finally, no matter a family’s current situation, it is never too late to begin building a lasting family legacy.