

WEALTH MATTERS

Need Help With Your Estate Plan? Go With the Flow, Advisers Say

As older adults face mortality during the pandemic, lawyers and wealth advisers are using color-coded documents and flowcharts to help them understand estate planning.

By Paul Sullivan

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Andrew D. Hendry rose through the corporate ranks to become the vice chairman and general counsel for Colgate-Palmolive, the global consumer products company. As a lawyer, he understood complicated legal documents and how they guided the inner workings of a large corporation.

But when it came to his estate plan, Mr. Hendry, like many others, was not terribly interested in digging through hundreds of pages of legal papers.

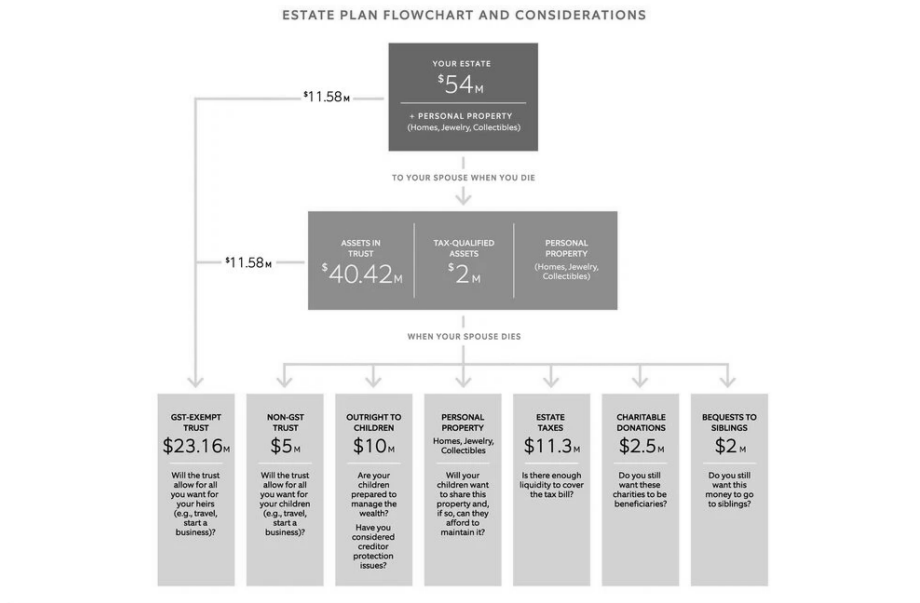
An estate plan is intended to distribute our assets after our death. The task can sometimes be too mundane or too macabre for many, and it is often put off.

When the coronavirus crisis put mortality front and center, Mr. Hendry, 72, felt it was time to revisit his plan. He found comfort in what his wealth adviser had created: a series of color-coded documents that laid out exactly who got what, when and why.

“The flowchart is the guiding document,” said Mr. Hendry, who lives in Pinehurst, N.C., with his wife, Mary. “I’m a lawyer, and I understand estate planning documents have to be pretty heavy for the estate plan to work. But they’re really not useful to make a decision.”

Neatly diagramed flow charts and color-coded spreadsheets are not what most people think of when they envision the densely worded documents that will carry out their last wishes. But the mortality risk for older adults who contract the coronavirus has pushed many people to call their lawyers and wealth advisers to make sure their affairs are in order. Charts are much easier to comprehend than legal jargon.

“More people are looking to review their estate plans if something happens, but it’s hard to keep track of everything without a schedule like this,” said John J. Voltaggio, a managing wealth adviser at Northern Trust who creates color-coded charts and simple spreadsheets for his clients, including Mr. Hendry. “We have that on one page. And then we can ask, ‘Should we update any of it?’”



A sample of a flowchart used by Northern Trust to help clients with their estate planning. Northern Trust

Typical color-coded plans come in several sections. A flowchart can be a single page. It starts with the total assets, or estate value, at the top. When one spouse dies, if the estate is large enough, some amount flows into a trust — the maximum tax-free amount is \$11.58 million per person — and the rest flows to the surviving spouse.

When the second spouse dies, the flowchart can present options, with more money flowing into a tax-exempt trust for heirs or going to children outright, to charities, to estate taxes or to friends and family as bequests.

A more detailed spreadsheet allows people to tweak how much is going to each heir, and to see what the estate tax ramifications are depending on what assets are transferred, how they’re transferred and when they’re transferred.

Mr. Hendry has a son but no grandchildren. He has a second home in Amelia Island, Fla., and has various charitable interests. What he finds helpful with the spreadsheet are the detailed financial values before and after taxes. Playing with the values in the spreadsheet, like adjusting risk versus return preferences in an investment plan, allows him to see the consequences of his decisions.

“Putting it together like that allows you to make a reasonable judgment,” he said. “You can stress test it and understand who benefits and what happens when you make your decisions.”

Mr. Hendry said he and his wife used the flow chart to discuss with Mr. Voltaggio what would happen if they put their houses in trust. They are still mulling the consequences to their estate plan.

Mr. Voltaggio said the charts might simplify things for each client, but they are not easy to put together. Each one is created from the stack of documents and financial statements that his clients bring.

For people who are not trained lawyers, the charts can help them understand the plan and can serve as verification that their desires will be fulfilled.

“Our process is we summarize it, we visualize it, and we talk through it,” said Joseph C. Kellogg, head of wealth planning at WE Family Offices, which manages money for affluent families.

The color coding serves as a way to make certain points stand out. “If we spot it, we make sure families spot it, too,” he said.

With investments, for example, highlighting certain areas can draw a person's attention to who will be in charge of making investment and distribution decisions for the estate.

The Coronavirus Outbreak ›

Frequently Asked Questions

Updated July 23, 2020

What is school going to look like in September?

It is unlikely that many schools will return to a normal schedule this fall, requiring the grind of online learning, makeshift child care and stunted workdays to continue. California's two largest public school districts — Los Angeles and San Diego — said on July 13, that instruction will be remote-only in the fall, citing concerns that surging coronavirus infections in their areas pose too dire a risk for students and teachers. Together, the two districts enroll some 825,000 students. They are the largest in the country so far to abandon plans for even a partial physical return to classrooms when they reopen in August. For other districts, the solution won't be an all-or-nothing approach. Many systems,

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“Oftentimes, the person connected with the succession planning of the investments is not the person they thought it was,” Mr. Kellogg said. “If there is a trustee, they want to make sure it’s the right person.”

Yet a pretty picture can be just that if people don't know what to look for. They need to make sure the right managers are in charge of their assets, their health care and their children, either young and in need of care or older and awaiting an inheritance.

Different assets are transferred through different legal mechanisms. Retirement accounts, for example, are governed by the beneficiary designation forms. Property and collections are transferred through the will. In certain states, not putting assets in trusts means those assets have to go through a long and sometimes costly probate process. All of this can be highlighted in a flowchart.

The “if/then” clauses that populate estate documents can be more complicated. They're meant to trigger an action if a set of criteria is met. One example would be more money going to someone if the value of a certain asset rose.

Pay attention to these clauses to make sure you understand what you are doing, said Ivan Hernandez, a co-founder of Omnia Family Wealth. Diagramming them can be complex.

“The dream is to have everything on one page,” he said.

For that reason, some trust and estate lawyers stick to long memos to summarize estate plans and point-by-point conversations with their clients. James I. Dougherty, a partner at the law firm Withersworldwide, said that he had been sending illustrations to clients for phone conferences, but that he always came back to memos to lay everything out.

“If you have something where the parents' estate plan overweighs a distribution of money to one child over another — say because one child got a down payment on a house — we talk about it and we put it in a memo,” he said.

But with large estates, litigation is always a concern. “Down the road, you don't want to be on the witness stand and say, ‘The stuff in green is going to go here,’” Mr. Dougherty said. “You want to have that lengthy memo.”

You can tweak things in the chart, but your lawyer has to put the changes into your estate documents for them to be effective. (This is where the exercise differs from making adjustments to investments; your adviser can make those changes on the spot.)

At the end of the day, Mr. Hendry said, he, like any one else, just wanted the plan to work, both on paper now and in practice later.

“If I didn’t have this flowchart, I’m not sure what I would do,” he said. “I’m not going to sit down and read 500 pages of documents. By doing this, it gives my wife and me a sense of security that we have control of this situation and have it laid out as best we can.”