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Estate Planning: From A To Z In 60 Days

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I believe we should be able to do 80 percent of the client's estate plan-ning in 20 percent of the time normally required. The three key elements required for achieving outstanding estate planning results in a short time frame are managing expectations, simplifying the plan and setting a target date for completion.

As for managing expectations, clients and advisers need to know and accept the fact that perfection, at least in this life, is unattainable. The "100 percent Plan" would require knowledge of the unknown, such as the precise date when the client will die, what the value of the stock market will be at that time, the financial circumstances and the marital status of the children, and other very important considerations. Since perfect knowledge is impossible, we, as planners, need to focus on doing the best we can, with the information that we have at hand.

A natural corollary to this thinking is that it is essential to build flexibility into the plan. The plan will not be perfect and, therefore, cannot be carved in stone. We must give our clients room to maneuver in the future as life's circumstances change.

The second element is simplifying the plan and making it easy for the client to understand. More often than not, the reason that plans are not implemented is that clients become overwhelmed by the complexity of the recommendations made by their advisers.

The third element is critical. The adviser and client must set a target date for completion of the planning process and implementation of the plan. This is where most advisers stumble. Advisers should ask clients how long they want the estate planning process to take.

Clients do not want to spend their time attending numerous estate planning meetings. If advisers ask clients how long they want the estate planning process to take, the clients will almost always respond by saying 30, 60, or 90 days.

It truly is no more complicated than that. The steps in a successful estate planning process include getting the client's agreement to how the planning process will be managed, assembling the estate planning team, orchestrating the initial meeting, agreeing on the overall direction of the plan, determining insurability, evaluating various planning alternatives, and implementing agreed upon recommendations.

The first step is getting the client's agreement on how the planning process will be managed. Usually, one adviser brings the client to the table, and it is this adviser's responsibility to obtain the client's agreement. The client needs to agree on who the advisers will be. While the client may have retained one or two members of the estate planning team, the client often does not have access to all of the professionals who will be needed and will rely on referrals from trusted advisers. The client needs to know who will attend the initial meeting, what the agenda and goals of the meeting will be, how the advisers will share information and how they will be compensated.

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While no one expects professionals to work for free, it does seem appropriate that the initial meeting can be done without charge to the client. The small amount of time involved in this meeting can be considered an investment on the part of the advisers. If the client is compelled to solve the agreed-upon problems, there will be plenty of billable hours in the execution of the plan. It should only take a few minutes to explain the process and get the client's agreement. Remember, the goal is to get through the process in 60 days.

The second step is the assembling of the estate planning team. This is a very interesting part of the process. The managing adviser will, very likely, make recommendations to the client regarding who the other members of the estate planning team might be. Once agreed upon, the managing adviser can arrange a conference call to introduce the advisers to one another and give a general overview of the case. The planning process and the

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general fact pattern of the case should be outlined for the advisers so there will be no surprises at the initial meeting. The conference call allows the managing adviser to demonstrate to the members of the estate planning team that each of the advisers is credentialed, credible and competent. This telephone meeting goes a long way in explaining everybody's role and getting their agreement, so there are no positioning or control issues at the first meeting when the client is present.

The third step is orchestrating the initial meeting of all of the advisers with the client—everyone should be around the same table at the same time. The managing adviser is usually the person responsible for orchestrating this meeting. It is the managing adviser's responsibility to anticipate what information will be needed and make sure that it is on hand.

Traditionally, we expect the accountant to have the financial information, including the balance sheet, income statement and tax returns. The attorney summarizes the legal documents. The insurance professional attends to life insurance amounts, ownership and beneficiary designations. At the meeting, pension plan and IRA beneficiary designations, business assets, investment assets, and other holdings of the client are discussed at length. Last, family relationships, goals, dreams and desires fill out the picture.

Note that most of the issues discussed at the first meeting have been shared, in advance, with all of the advisors. There should not be many surprises at this stage of the process.

The meeting itself is most interesting. It will normally last 1 1/2 hours to 2 hours. The managing adviser sets the tone and starts the ball rolling. Usually, this entails introducing everyone, setting the objectives of the meeting, and summarizing the facts and the client's objectives. The client usually has a few clarifications and items to add. The process is on the move. The pivotal point of the meeting, and the entire process, comes when the following question is asked: "If we were gathered here today and the client had died last night, what would we be discussing, how would the assets be distributed, how much would the IRS get, and what assets would have to be liquidated to pay the obligations of the estate?"

The answers will help the advisers and the client to determine whether there are problems, and, if so, their severity. More important, the client's reaction to these answers will predict the success of the rest of the planning process. During the initial meeting, two or three strategies should begin to surface.

In my experience, clients don't buy into really sophisticated ideas early in the process. The complex solutions tend to happen much later, often several years down the road. However, 80 percent of the process formulates quickly. In most cases, we know fairly quickly that clients want most of their assets to pass to their families and, perhaps, charity. We know, with some certainty, that our clients would like to pass as little as possible to the government in the form of taxes. The solutions do not involve rocket science. We are all familiar with the basic techniques to accomplish the goals. Wills, trusts and life insurance are often utilized to solve a majority of these problems. More sophisticated techniques can be used as the size and complexity of the estate increase. Good estate planning is nothing more than ensuring that what our clients own will pass to their loved ones and the charities they have designated at the lowest possible cost.

The fourth step occurs when the initial meeting is over, the advisers and clients have usually agreed on the general direction that they are headed. We are not looking for finality or absolute agreement at this stage. We are still at the beginning of the process. What we are looking for is acknowledgement that the direction we are headed makes sense. To be sure, there will be several questions that need to be resolved. There might be valuation issues. There will be drafting issues to deal with special business and family situations. However, the advisers and clients will be able to endorse a direction that is fundamentally and conceptually sound.

The fifth step is determining the client's insurability. Almost always, life insurance will be considered an integral component of the plan. So, while there will be a lot of questions that need to be addressed over the next 45 to 60 days, the insurance professional should move forward to obtain the best life insurance offers for the client. In order to get the underwriting done quickly and efficiently, the client needs to agree to take a physical examination promptly and give authorization for release of the medical records.

If the client cooperates, the insurance professional will submit "trial applications" and be able to have several competitive offers within 30 to 45 days.

As the end of the first meeting approaches, the client and planning team have agreed on how to move forward. Each participant will have particular issues to deal with over the next few weeks. There will be agreement on what each adviser needs to do and the deadlines for completion. The client should, once again, be asked how long the process should take.

Performance is paramount. The insurability process will often serve as the time frame for the completion of the estate plan. It is important for everyone to understand this. The estate planning team, in most cases, can presume that the insurance professional will have gathered the bulk of the offers within 30 to 45 days. When the offers come in, it is time to schedule the second meeting and make some decisions.

The sixth step is evaluating various planning alternatives. When the advisers and clients know the cost and the terms of the life insurance offers, they will be able to discuss the estate planning alternatives with and without the use of life insurance. In some cases, estate plans do not get implemented the way the clients wish because the clients are uninsurable or highly rated, and the cost of life insurance is prohibitively expensive and impractical.

Since the life insurance offers are contingent on continued good health and offers will not stay on the table indefinitely, the client is going to have to make a decision in a timely manner whether to use life insurance in the estate plan. Either way, the direction for the rest of the estate plan will move forward quickly based on that decision.

The seventh step is implementing the agreed upon recommendations. If there are problems to be solved; if the client is disturbed and dissatisfied with the current plan and sees value in the proposed plan; if the advisers perform their duties; if the planning process described above is followed; then the estate plan should be completed and implemented within 60 days. **NU**