PWM Estate Planning: Family Engagement

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TRANSCRIPT

SPEAKERS:

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STEVE HERLIHY: I'm Steve Herlihy, Regional Vice President at Fidelity Private Wealth Management, and on behalf of Fidelity Private Wealth Management and your local wealth advisory teams, it's my privilege to welcome you to this afternoon's seminar on the intersection of estate planning and family engagement. Our focus today is on how estate planning and family engagement can come together to strengthen family relationships through every stage of your family's financial life. The presentation will kick off with Brad Repinsky from our Advanced Planning Team. Brad is based out of the New York, New Jersey area, and in his role as an advanced planner, he partners with Fidelity advisors to help clients and their families address their unique wealth planning goals through estate, trust, gift, and charitable planning strategies. Building on that, we'll transition to Tobias Donath from the Fidelity Center for Family Engagement. Tobias is based out of Boston, and he helps advisors, clients, and their families transform how they talk about money, wealth, and estate planning topics. He will address why it's important to engage family members in financial discussions and offer a few tips on how you can start those conversations. I'll return at the end of the hour to wrap us up. I want to thank you again for sharing this next hour of your time with us. I'm confident it'll be time well-invested. With that, I'll turn it over to Brad to get us started.

BRAD REPINSKY: All right, Steve, thanks so much. Hi, everyone, Brad Repinsky here. As he mentioned, I'm an advanced planner. One of the topics I talk to clients about day in and day out is the benefits of estate planning, and on the page right now, you're going to see seven different benefits. There's probably others, but from a big picture perspective, I'll lump everything on here and elsewhere into three different categories. One, easing administration and distribution of the assets; two, tax planning; and category three, the controls and protection mechanisms that are involved in the estate planning. So, let's dive right in and talk about the benefits of estate planning and these categories. Category one, easing the administration and distribution of assets. You know, when you're gone, someone needs to step into your role of controlling and distributing your assets. Those are going to be your executors and trustees, and we'll go into more detail about them later. But it's important that you pick the right people there, right? And as Tobias is going to talk about later, you want to make sure that person knows your intentions, and that you're making their job as easy as possible. Anyone who's had to wrap up an estate, they can probably tell you how fun it was. Obviously being sarcastic there. Typically, the clients I speak to who have had to wrap up an estate, I think they tell you they'd rather have their teeth pulled, and they don't want to put their family members through some of the same things they had to go through. The people that know how important it is to focus on the details before it's too late are the ones that are going to make their lives much -- the -- the lives of their family members and those people much easier. And there are small, simple steps you can take while you're alive. You can review a balance sheet with your WMA and your attorney, make sure you have assets titled correctly. If you have a revocable trust, you can retitle assets into it during your life rather than waiting until you die and the assets go through probate. If you have assets at 10 different institutions, you might want to consider some consolidation so your executor or trustee doesn't have to deal with your accountant, attorney, and ten different institutions. Those are just a few ways we can make the life of our person who's there to help us when we're gone a little bit easier. Now on occasion I've met with clients, and they'll say to me, "Brad, I'm dead. That's their problem." (laughs) But if you're on this call today, hopefully you're in the former category and you want to make their lives a little bit easier. So, category two, why we do estate planning, and that's tax planning, right? How can we reduce or eliminate estate taxes? And oh, by the way, is there anything we can do to reduce income taxes for yourself or your family members? What I'm about to say blew my mind when I first heard it, and it still kind of does to this day, and that is when we pass away, there's only three places our assets can go: the government through taxes, friends and family through gifting, and charity through gifting, and that's it. So when clients estate plan, they have the ability to say, "I'd like to maximize one or two of those buckets and minimize maybe the amount that goes to the other bucket." Without estate planning, we might accidentally end up maximizing the government bucket at the expense of the other two. And listen, if the government -- you want to give the government more money, I fully support that, but if the other two categories sound better to you, let's estate plan and make sure you're being as efficient as possible. All right, so category three, benefits of estate planning, controls and protection mechanisms. Some reasons we want to do estate planning are because we want to consider, can family members handle all the assets, or do they need help managing the assets? Should family members inherit assets directly all at once, over time maybe through multiple distributions at certain ages or life achievements, or do assets stay in trust indefinitely to potentially protect the assets from divorcing spouses and other creditors? And more importantly, if your assets do remain in trust, do your trustees and family members know what distributions should be made for? Because I can tell you from too many experiences, clients that think they want family members only as trustees, but their family members and their children who are going to inherit the assets, they're not on the same page, and the child asks for a distribution, and the family member doesn't think it's a good idea, a well-intentioned choice can quickly turn into a family risk. So, again, we want to listen closely what Tobias talks about after me, how do we best communicate our intentions to our loved ones and the people that are helping us. All right, so that's -- that's the benefits of estate planning. Let's, we spent some time on the big picture, let's focus in, oh, sorry about that, let me go back... Let's focus in on some of the estate planning laws that are at play right now. What you see up on the slide is some of the highlights of the current gifts and estate laws, and let's walk through the basics. You know, the first one, most basic, top left, the top federal estate and gift tax rate is 40% right now. Once you hit $1 million over the exemption threshold, which is now $11.7 million, you hit that 40% rate. I say "right now," kind of 408, June 22nd, 2021, we have this unified federal estate and gift tax amount of $11.7 million that I mentioned per person. That's a mouthful. But in its simplest terms today, with the exemption being so high at the federal level, a lot of families won't be subject to federal estate tax, or if they are, a much smaller portion of their estate will be subject to estate taxes as opposed to just a few years ago, when the exemption was close to $1 million to $3 million per person. So, on top of the $11.7 million exemption, the 2010 Jobs Act created portability for anyone dying after January 1st, 2011. You can see portability is listed as that bullet right there with DSUE, sometimes we call that "disuey," it stands for the deceased spousal unused exclusion. So, post the Jobs Act, with portability in play, if you don't use part of your exemption during your life or at your death, your estate attorney can make an election on, you know, the (inaudible) estate tax return, and whatever exemption amount wasn't used during life or at death ports over to the surviving spouse, and that spouse gets to add amount to their own remaining exemption. So, for example, let me -- let me bring that to life, a spouse dies with a $10 million brokerage account only. That's their only asset, right? $11.7 million is the exemption, they had $10, so there's $1.7 million left for the spouse that died. The surviving spouse now has their $11.7, plus the DSUE, right, that -- that amount that wasn't used, that $1.7, for a total of $13.4 million to use during their remaining lifetime or at that death. So, that's portability, that's a gift from the Obama era. And I want to pause there and acknowledge the current legislative environment as it relates to the income and estate taxes, cause that's probably the number one topic on clients' minds right now. I want to note first that when the tax cuts and jobs act was passed in 2017 under the Trump administration, the plan has always been for the federal exemption that $11.7, that'll go up to $12 million, maybe a little bit higher, over the next few years. On January 1st of 2026, the plan has always been for that number to revert down, to sunset down to the Obama era $5 million with inflation, so maybe $7, $7.5 million per person. So, even if nothing is done under this new administration, we're going to see a reduction of the estate exemption if nothing is done. Now, I mentioned, you know, the new administration, and I think a lot of us know there's proposals out there, there's a lot of proposals out there to change the current rules. In some proposals, the changes come next year, and some may come this year, and some -- some of the changes occur as early as the date the bill is signed into law, and for at least one capital gains, the propo-- some of the proposals say the change could be retroactive to April or May of this year. Now, I know no one has a crystal ball on these outcomes. As we saw with Joe Manson and the voting bill, all it takes is one person to throw a monkey wrench into these proposals, and the contents can turn on a dime. So, how do we best approach this uncertainty? For me, it's leaning into the education, preparation and planning. So, what do I mean by that? It's being proactive with us, your attorney, and your accountant. With Zoom these days, it's so easy to get all your advisors on one call, putting you, the client, in the best position to understand and potentially implement strategies quickly. So, what's the process to do this? For the clients I've worked with, it starts with reviewing a net worth and cashflow, and if things look good and there is a thought of, you know, and the thought of estate taxes bother you, we can test your plan to see what would happen if you gave away some assets during life, if you made some changes. And if, you know, that modeling looks good, if it feels good to you that you're going to have more assets than you need to spend during your lifetime, regardless of where the exemption is, I think we want to explore doing something now rather than waiting. So, let's get the attorney on the line as soon as possible, because getting documents right takes time. Last year, I started the trust creation process with a couple in June, and we had multiple conversations with their attorney, and the clients didn't end up executing the trust until October. They didn't fund it until December. But I can tell you those clients felt really good about their documents. They had the time, they started early in the year, they had plenty of time to talk to us and their attorney and understand what was in the document, what the gifting they had, what it was a going to look like, and how the trust document would work. On the other hand, I had another client that decided on December 20th, he needed to fund a trust before year end. Do you think that client had the opportunity to be as thoughtful with their planning and documents as the ones that started in June? You know, I want to implore that time goes really fast. If you think you might want to make large gifts, ask yourself if you want to be like the June clients or the December clients. You know, as I said, no one knows what's going to happen, but we can lean into the planning and feel good about our decisions, whether or not to not do anything, or to do some additional planning. So, that's I think how we handle the unknown right now. Some of the other items on this page, you can see that $11.7 million federal generation skipping transfer tax exemption. GST is always a tough explanation, let me try to simplify it as easily as I can, or as best as I can. If you gift assets during your life or at death to a trust for your children and their descendants, whoever files your gift tax return or estate return can make what's called the GST election for that gift, and as long as it remains in trust, it's free from estate taxes when you die and when your children die, when your grandkids end up inheriting the asset. But what if your child removes the gift from their trust, right? Let's say you made a $5 million gift to trust, and then a few years later, your child removes the gift -- takes a distribution somehow for the full $5 million. Now that $5 million is in your child's estate, and when they die, it's going to be estate taxed. But if they had left that $5 million in trust, and the attorney had selected the GST election, and it goes to your grandkids, it won't be in your child's estate, and it won't be estate taxed. So, those two numbers are equal, the federal exemption and the GST exemption, and we're happy to talk to you about those numbers and how you can best use them. On the top right hand of the page, you see the annual gift tax exclusion remains at $15,000 for an individual and $30,000 for a married couple. Today, you can use that exclusion amount for as many people as you like, right? So if you've got three kids, you can give them -- and you're married, you can give each child $30,000, because there's two of you giving it to one person. If that -- your child has a spouse, you can give them $30,000 as well. Now, I love these annual exclusion gifts. Many clients, you know, I think want to enjoy seeing their children and their grandkids lives enhanced with their money, and I think they'd rather see them use that money while they're alive so they get the benefit of those smiles and hugs while they're alive. The other thing I love about the exclusion gifting is it allows you to do some due diligence on your kids. Let's say you've got a 25, 30-year-old, right, or you're not sure how they're going to react to money. You have the ability to give them, you know, up to the $15 or -- or $30,000 and see how they react to it. And I think it's really important, as Tobias will mention, to put intentions around that money, right? You don't just want to give them the money and s-- and don't tell them anything, cause if they use it on buying a new car and you're unhappy about that, you didn't tell them what you hoped it was for, where if you talked to them about intentions and let them know, "Hey, we're giving you this money, here's what we hope you will use it for," you can see if they actually stick to that, and that can help you decide how you give them the rest of their money from your estate which will be much larger than your annual exclusion amount. Finally, but where are state tax laws, 17 states have an estate or inheritance tax. (laughs) I'm not going to go through the specifics of each of those states now, but I want you to be aware of that, and let you know that there are advanced planners like myself in all of your states to talk to you about all those specific rules and help you plan around the state estate taxes. All right, so that's a little bit about the estate tax. One more tax issue to go through, it's more income tax related, and that's the SECURE Act. We had a new law passed in December of 2019, and I think we spoke to clients a lot about this last year, but I think last year there might have been a lot of news coverage around something else, and I don't know, maybe not everyone focused in on the SECURE Act. So let's talk briefly about the SECURE Act and make sure everyone's up to speed. The SECURE Act stands for setting every community up for retirement, so besides a great acronym, what is it? Essentially, the SECURE Act limits the distributions of an inherited IRA to 10 years. It also moved back the age at which you have to take required minimum distributions from 70 and a half to 72. But let's focus in on that 10-year rule. Some of you might have inherited an IRA from a family member prior to the year 2020, and if you did, you know that the distributions are probably based off your life expectancy. Well, that's no longer the case after the SECURE Act, unless the person inheriting the IRA is known as an eligible designated beneficiary, an EDB for short, and we'll talk about that term in a moment. So let's take a 30-year-old that inherits an IRA from a parent. In a post-SECURE Act world, a normal 30-year-old would have to take a full distribution of an inherited IRA over a maximum of a 10-year period. They can take the IRA out evenly over 10 years, unevenly over 10 years, they can lump sum in the front, or they can wait until the very end of those 10 years, but by the time that 30-year-old is 40, the entire IRA has to be withdrawn, or taken out of the IRA, taxed at ordinary income tax rates and moved to a brokerage account or a trust account. Now, every rule has exceptions, right? So what are the exceptions here? Who's being excluded from having to withdraw the IRA asserts over just the 10 years? The EDBs, of course, the -- the eligible designated beneficiaries. So, who are these EDBs? As you can see on the screen, a spouse. Congratulations to many of you if you're on this call and you look around your house and you see a spouse there, you're an EDB. You inherit an IRA from your spouse, you can still stretch it over your life expectancy. Someone that qualifies as a disabled or chronically ill person can still stretch according to their life expectancy, and an individual who is not more than 10 years younger than the IRA owner also has the ability to take a stretch distribution, right? And that was a congressional concession made to differentiate beneficiaries of the same generation as the plan participant. And finally, there is one more, a minor child of an account owner, kind of. In the unfortunate instance where a minor child, now I say child, not grandchild, note, inherits an IRA from a parent, for the time they remain a minor, that child is an EDB and can take a stretch R&D distribution according to their life expectancy, right? So it would be a much smaller amount than the 10-year amount. But once that child turns the age of majority, 18 or 21 in most states, the rule flips and the 10-year distribution period is back in place, right? So if it's 18, the age at which majority occurs, by age 28, that child has to take out the full IRA distribution. Now, you're probably sitting there and saying, "Brad, you just said a lot. What's the takeaway here? Give me something I can remember." And to that, I say this: you, me, your WMA, we really should sit down and review all of your beneficiaries of qualified plans and make sure we understand all the implications of the beneficiaries you've named. If you have a trust listed, if you have no beneficiary listed, or your estate's listed, or even a charity is listed, we all should be on the same page and understand your intentions and the impact of the SECURE Act on these accounts. I've seen some monster IRA account values at Fidelity with some of you, and the impact of having to distribute millions of dollars that could be in an IRA over 10 years instead of a lifetime can be really substantial, and in some cases, I think we've spoken to clients and we look at their full plan, and the clients have decided to change their estate documents and the age distributions on their non-qualified accounts to account for the potential more immediate distributions coming from the qualified accounts. Just remember, we're here to have those conversations with you, we have them every day. Now, a lot of you might be thinking, "Brad, what about Roth IRAs? Are Roth IRAs included in the 10-year rule?" Yes, Roth IRAs are also included in the 10-year distribution rules, but remember, Roth IRAs don't pay any income taxes on the day out, because you've already paid the income taxes, and I will say a good chunk of our clients have -- are looking a lot closer at Roth IRA conversions with us and asking their accountants to model potential conversions in the accounting software given the SECURE Act and the potential estate tax exemptions -- changes, sorry, the exemption changes. Now, based on my experience, there's a lot of people on this call that might want to leave some of their assets to charity at their death. You can see on the last bullet, consider allocating different assets to different beneficiaries, and the question becomes do I have the right beneficiary and the right assets, or is there anything I can do to be more efficient with my assets? Remember, charities pay no income taxes. Right, so let's say you want to leave $1 million to charity at your death, and you also have, I don't know, a niece that you want to leave $1 million to. If you have a $1 million IRA and a $1 million brokerage account, what do we know? We know if you leave your niece that $1 million IRA, within 10 years, she's going to have to take it out of her IRA, pay income taxes, and it'll end up in her brokerage account at an amount less than $1 million, right? But, if you leave the IRA to charity, the charity pays no income tax, and if your niece inherits the brokerage account, she gets the full $1 million, assuming there's no estate tax. So, that's a nifty win-win situation for both parties, and shows the importance of making sure we have the right beneficiaries in the right accounts. All right, so that's the SECURE Act, a little income tax play there. I'm going to go a little bit faster now and talk about some of the key estate planning documents for clients. Some of these documents you need when you're incapacitated or sick, some you need when you die. Could I be any more uplifting right now? I just went from talking about taxes to sickness and death. So, that said, if you're sick or you're incapacitated, you need three core documents. And let me just say this -- being married guarantees you a lot of things, some good things, some bad things, but what it does not guarantee you is that you are automatically someone's power of attorney. If you look in the middle of the page, durable power of attorney, this is the person that's going to step into your shoes, pay your bills, run your life and make your financial decisions for you if you're incapacitated. Now, in the event you become incapacitated and don't name someone, the state can come in and name someone for you, but that could mean an expensive and longer than necessary guardianship proceeding as opposed to just filling out a form. Over to the right, the healthcare documents, your healthcare proxy, medical power of attorney, that's the person that will make your medical decisions for you if you're incapacitated, what kind of care you get, what treatments, if you can't do it on your own. And I think on both of these forms, you want to make sure you have your agent, typically your spouse, or maybe a sibling or children, and also a successor agent in case the original agent is no longer there or not available. Finally, you can see your living will. That is your end of life wishes, that's the document that gives your healthcare proxy and your doctors the knowledge of what you, yourself, would want for medical care if you can't speak for yourself. Do you want feeding tubes? Are you an organ donor? How do you want to be buried? Etc., those kind of situations. And then the HIPPA form, that's sometimes incorporated into the living will, in some states, it's its own document. That gives your doctors permission to share confidential medical information with your agent and your family. So those are the incapacitated documents, you always want the attorneys to draft those for you, as do you want them to draft what we'll call the "I'm Dying Document." (laughs) Tons of fun topics today, right? What are your "I'm Dying Documents?" This is the will versus revocable trust conversation. In some states, your attorney will want you to have a will and a revocable trust. That's called a pour-over will, often. In some states, just a will will do. I spend a lot of time talking to clients about these documents. What is a will? A will is a legal document that defines how assets will be distributed at a person's death. It's also going to name an executor or personal representative, the person that's going to work with the attorney to make sure your accounts end up with the right people in the right places. And a will is also going to provide a guardian if you have any minor children. In some states, the downside of just having a will is then it means your assets are going to have to go through probate. Probate, in some states, can be expensive, it's a public process, and it takes time, and so in a lot of those states, the attorneys are going to use a revocable trust. The benefits of a revocable trust are that it avoids probate and it's more private, you know, it really depends, state-by-state, what makes the most sense. Some states like Pennsylvania and Texas, probate isn't that time-consuming or expensive, so that the attorneys there just use wills, but we want to have that conversation and make sure your wills and revocable trust are in place. So, if you do have a revokable trust, let me just skip around here, kind of what are the three main features? I mentioned privacy, because you avoid probate. In some cases, it's going to save you money, probate can be expensive. And finally, if you become incapacitated, you already have a co- or successor trustee named on the account to take over for you right away, rather than needing to go get a power of attorney from your attorney or out of a bank storage and give it to the different institutions that you work with. Now, as you can see on the page, you can be your own trustee of a revocable trust. It can hold your assets, your brokerage account, your bank accounts and real property. If you own a revocable trust, it really is just like yourself, it's -- it's your social security number, so any income ends up on your tax return automatically. The main difference is your statements are going to say "revocable trust" instead of just your individual name. And I will say, for clients that have revocable trusts, one of the important steps to go through is retitling your assets into your revocable trust, your non-qualified assets. Your qualified assets, you can't put in your revocable trust, but your brokerage accounts, your cash accounts, your savings accounts, those can go into your revocable trust. If you have a revocable trust but you don't retitle the assets into them, your assets are going to end up going through probate anyway, so if you have a revocable trust, talk to us about retitling your assets into them. All right? Choosing fiduciaries, who's the right person for all these accounts, who are the people involved? Sorry. You know, you want to make sure you have the right people here, you want to consider, in the middle of the page, their age, right? A lot of people have their parents as their trustees, but as your parents get older, you know, in their 70s, 80s, are they still the right people? You want to make sure you have responsible people that know how to manage accounts and that you're comfortable with, you trust, that have the right skill set. And the one thing I would mention here, I mentioned before, the right intentions in having family members as trustees is whether or not you want to add a professional trustee, either to manage instead of or with a family member. The benefits of doing that is you have someone who knows how to make distributions, how to file tax returns, what all the laws are. You pay a little bit of a premium there, but I think for a lot of families, when you think about how much pressure it is to be a trustee and how much responsibilities you have, families start over time thinking, "You know what, maybe if I hit a certain asset level, it's time to bring in a professional trustee to manage with us." Okay. All right. And finally, the last thing I'm going to touch on before I turn it over to Tobias is irrevocable trusts. We mentioned the revocable trusts. At death, in your documents, or during life, you might want to give to an irrevocable trust. There's a lot of benefits here, we could spend the whole day talking about the different types of irrevocable trusts, but for now, I just want to mention, you know, the benefit of assets staying in an irrevocable trust is there's protection from creditors, right? If an asset's in an irrevocable trust and it's for a beneficiary and that beneficiary gets a divorce, it's much more likely that the asset is not going to be a part of the divorce proceeding if it remains in trust. Once your beneficiary has access to the assets in the trust, they're probably going to be part of it. We also -- part of the divorce. I think we also want to make sure if we had irrevocable trusts that we understand that we're providing guardrails for the heirs, right? If there's minors in the situation, we don't want them having access to assets the second they turn 18. If you have financially irresponsible kids, having irrevocable trust is one way to protect them, and of course, if you have a special needs issue, an irrevocable trust is a way to make sure the special needs family member is getting all the protections and help they need for their lifetime. So, that's what I've got on irrevocable trusts and on estate planning. I'm going to turn it over to Tobias, who's going to talk to everyone about how important it is to communicate, and how to communicate well with the people in your lives.

TOBIAS DONATH: Thanks, Brad. That's much appreciated, and very informative. So, everything you just heard from Brad and -- and you're going to hear now a slightly different perspective, what you heard from Brad is content-related to estate planning. That's the "what," the financial topics, the needs, the considerations, the things we need to discuss about the outcomes and the wealth transitions. And they include topics, as Brad mentioned, minimizing taxes and controlling assets, protecting assets, these are foundational things that need to be done, and they need to be done well, and what is often overlooked in the financial services is that achieving successful money, wealth, and estate planning outcomes also depends on having a good communication process. We call that the "how." That's where family engagement intersects with estate planning. It's thinking about how families talk about decisions and how the people impacted by those decisions are involved in the process. As Brad mentioned, my name is Tobias Donath. I lead Fidelity's Center for Family Engagement, and in our work, we help families and advisors learn new ways to engage around their money and wealth decisions and processes. In particular, we help them to engage around the emotional and the relational aspect of the decisions that are being made. Our group has two main goals. One is to help ensure that all of the wonderful planning, many of the things you heard from Brad now, lead to successful outcomes and wealth transition. And two, to make it possible for every financial decision or conversation to become an opportunity of strength in family relationships, which isn't always what we naturally and intuitively think. My job today is to provoke some new thinking and to inspire some new action with all of you as families and beyond this presentation with your advisors. Unfortunately, there is no right or wrong answer. And so much of what you're going to hear today is a new perspective, and I would encourage you all to find a reflective place and take what resonates with you and what resonates with your family. Okay, so, when we think about estate planning, and it intersecting with family engagement, one of our frames is that money, wealth, and estate planning is a developmental continuum, and that's what you see on the screen now. A developmental means that our thinking, our behaviors, and our feelings around topics change through time. From birth to death, whenever families engage around money, wealth, or estate planning, they're having all of life conversation, and as families move through their various life stages, their perspectives, their feelings, their needs and beliefs are changing, and the way to successfully navigate that developmental continuum is to be in an ongoing dialogue as a family. To us, that means to make it normative to talk about our money and our wealth and our estate planning, which as many of you know is maybe not the way we grew up. So, to illustrate what I mean, let me tell you about a client that -- a client family that I work with that I'm going to continue to reference throughout the presentation. I'm going to talk to you about a set of parents, they're both baby boomers who are now retired, they built in [life?] a family business in the manufacturing sector, and they sold that business seven years ago. They have two adult boys, both of which are married, both of which have young kids. One has decided to be a teacher and stayed local. The other has a career with a major accounting firm in the nearby city. The parents have been, since the sale of the business, and to those of you who have run a business and built a business, you know that everything is in the business, and so since the sale of the business, they've been really vigilant about their estate planning, and they've worked with their advisor to take care of many of the topics that Brad was presenting earlier. In fact, I think if -- if Brad knew them, he would say this is a textbook example of how to be preparing and engaging around the content of estate planning. But that's also where the problem starts. There has been little to no family engagement or communication. All of the conversations and decisions have occurred between the advisor and the parents. So, what makes that a problem? Well, one of the leading indicators that came to us is that that family is starting to challenge a successful wealth transition, and that came to a head with a recent gifting example. So, let me tell you about that. The parents were considering giving a gift to one of their sons, just about $400,000, it was for the one who decided to be a teacher. They were about to have their fourth grandchild, or in this case the child's fourth child, and their home was maybe not big enough, and the parents had more than they need, and they said, "Look, we can help." And they labored with their advisor around what is fair with their other son. They talked about what they could afford, you know, the vulnerability about how much do we need, and when to give it, and how to give it. And then the father made a decision that the gift would have a condition that you had to buy a new home, and that you couldn't renovate your home, and that didn't go over very well. And it's lead to strange relationships in the family with the kids feeling that their needs and perspectives were not considered around the decision-making. So, I'm going to reference this case back, I'm just giving you a little bit of a taste of it, and it's framing for us the importance of dialogue and the general premise that our group would have, which is that we want families to be in dialogue and cocreating their money, wealth, and estate planning. So what do we know about the environment we live in today? We know that 64% of wealthy individuals are not talking about the passing on of their assets with their beneficiaries. We also know that when it comes to major life events, like the end-of-life care conversation, we have the same lack of communication. It's 68% of Americans having not talked about their end-of-life planning with their families. It's frankly pretty striking when you consider the reality of what most of us will experience in our final years, through -- with the need to rely on somebody through those -- through that time, and having not proactively spoken about it. This general lack of communication gets summed up really well by a study that was done back in 2002 by Roy Williams where he published a 25-year longitudinal study with 32,000 generational wealth transfers, and he concluded that 70% of those transitions failed, where failure meant that the money didn't move in a way that created harmony and good outcomes. Now, when you dissect that 70%, what's really intense about it is that 97% of that is attributable to communication, and only 3% to poor legal and tax advice. So in other words, money is getting stuck in probate, money is getting squandered because the heirs weren't ready, money is causing infighting, but none of that, almost none of that is because the planning wasn't done well, it's because the process, how the family engaged did not set up a harmonious wealth transfer, and we believe that's because there's a lack of dialogue, not because we didn't take care of the foundations. So, what is it about money, wealth, that makes this so hard? Why are these families struggling to have estate transfers? The problem starts when you look at what a family is. A family is not a collection of individuals making disconnected decisions. They're a system of interconnected parts that are wired together across generations. We have diverse individuals, generations, perspectives, views, values, and personal experiences involved. And we have in-laws, which makes decisions complex, and on top of that, though the problems are all similar, there is no single answer. That's what makes this complex. So then you layer on the fact that it's developmental, and it's all-of-life, it's also vulnerable, which we define -- common definition with Brené Brown is the feelings we experience with risk, uncertainty, and emotional exposure. Wealth has a tremendous amount, and sometimes, you know, hard for us to say, has a tremendous amount of vulnerability around it. Do I have enough? Will they still love me if I give it to them now? And what happens is when families are faced with this complexity and vulnerability, as humans, we naturally try to simplify it, and we default to the comforts of hierarchies, hierarchies that we grew up in, we were socialized in, consciously as unconsciously. These are structures that revolve around gender, sibling birth order, social status, expertise, decision-making rights, and just the simplicity of who has more in the money, wealth, and estate planning space. But the one that we fall into, and the most prominent hierarchy, is the parent-child hierarchy, where parents are what we call one up, and the children are one down. So why does this matter? Because hierarchy can be a major barrier to dialogue. We know from research that society's systems require hierarchies, but when we default to hierarchies, they can be a barrier to dialogue. It creates a gap in communication that undermines successful estate planning and can strain the relationship. And, so what does this sound like, and many of you will know this. It sounds like we don't want them to know. They don't have enough experience. Or, we don't want to hurt their work ethic. So as you look at the slide, and maybe you see some of the hierarchies that may be in your families, let me point out a few things. The first is that all of these statements are well-intentioned. Families aren't waking up and thinking about how to ruin each other's lives. They're helpful, they're well-intended, and they're hoping for positive outcomes. And if you go back to the family I told you about earlier, their intention was so wonderful, to help a growing family that didn't have the means. The hierarchy came through with the directives. The second thing I would point out for you is that hierarchy also works in the flip, because children have been raised in that structure, and so they can stay the child, and you can see that with some of the, "Well, you do what you want, it's your money." And some of you may have heard this, cases that may be so far as to say, "I don't need any of that privileged money," in the society we have today, as we start to think about what is influencing value. So, as you look at that, the reflective questions I have for you would start to say, as you think about parent-child hierarchies, at this stage in your lives, for all of you on this call, how do you feel about being parented? And if you have adult children, how do you think they feel about being parented? And a fun question that you always ask then is, how do you think your daughter-in-law or son-in-law feels about being parented by their in-laws? Most of us don't like to be parented. When I do this in a live audience, you don't get a lot of hands saying, "Yeah, I'd like to be parented." But that's, unfortunately, what often happens in the money, wealth, and estate-planning. And so our big idea, and the thing -- the philosophy that we drive towards, is that we want to foster peership, and that's our new way of thinking that can help us work against the gravity that that hierarchy brings to us. Peership is a sense of mutuality, it occurs when we relate to each other with a sense of mutual love and respect and voice and opinion and feedback, regardless of the hierarchies that are present, and when we practice peership, we nurture individuals to be their whole self, and we create opportunities for intimacy and relationships. In peership, everyone is interested in each other's opinions, and they're focused on creating a safe space for exchanging views, in peership, we are connected and feedback and voice is at the heart. With peership, dialogue isn't just possible, it's actually the fundamental portion of it. And so when we say, "practicing peership," it's actually another way to say we have to learn to practice dialogue. And that's moving beyond communication, which oftentimes is telling or sharing or debating to a place where dialogue is about talking through decisions for shared understanding. So, what does it sound like? In the most common cases, it sounds like, "Hey, kids, what could we do differently? Hey, what expectations do you have of us?" The most classic peership question, relationship peership question, "How am I doing as a parent? How am I doing as a grandparent? How am I doing as a spouse?" If we go back to the family and their challenge around the gift for a new home, if we had thought about practicing and facilitating peership, some of the questions that the advisor and the family could have been thinking about might have been, "Hey, what are your wishes for the future of your family? What role do you envision us playing, your parents, in that journey? Hey, we're doing some estate planning. How are you thinking about what we should consider for transferring the assets through time? How would you like to engage with us in our estate planning?" Or a thought experiment, "If we could give you money now, how should we think about that, and how might it benefit you?" As a key takeaway, here's another way to think about peership -- when parents and their children practice peership, they are moving along a continuum, and on one end of that continuum is control, and on the other end of that continuum is influence. When parents remain in strict hierarchy in a parent-child structure, they often remain in control, they control the assets, they control the decision-making, they control the conversation. In peership, they are in relationship with their children, in a way that they have influence, and they are engaged in their children's views and values, and they have influence in the decision-making. A key part of peership is that it does not mean giving up control. It means giving up on being controlling. It's a change in how you communicate and make decisions. If we remain in strong parent-child hierarchies, communications break down, or never happen at all, and for many of you, you know it, when I see this, people are moving across the country, they're not joining family businesses. There are underlying hierarchical breaks that happen. So, what can we do as financial advisors working with you, what can you as families do? We developed some techniques, they're conversational techniques, and they are based on this idea that you put things on a continuum. You open up the range of options that can be explored and discussed. So, if we go back to the case we had earlier on the home, we could have put that on a continuum, and on one end of the continuum, we could give you a gift and you could renovate a home, on the other end of the continuum, we could give you a gift and you buy a new home. How are you thinking about it? You learn, you engage, rather than saying, "Hey, buying a new home," which happened in this case, "Is what you need to do, because the money that we would invest in here, we just don't see you making that back." Now, we -- we haven't learned any about -- anything about those parents' values around how they have lived in that community, what's important about that community, etc. And a specific conversational frame that we want to give you today is at the heart of peership, and that's distinguishing between voice and vote. When someone has voice, it means they will be impacted by the decision, so they are given an opportunity to give that input. When someone has vote, they will have a say in the final outcome. The key peership concept here is that giving others voice in the decision you are making does not mean giving up vote. In other words, when a parent says to me, "How much money should I give my college-age child for spending money?" The peership answer is, you ask them. Just because we get their views doesn't mean we have to do what they share with us. But a good practice is to help children and families separate those two, "Hey, we're asking for your voice today, but we're going to make the vote." So, if we go back to that family, imagine if they had said to them, "We're thinking about doing some gifting. We'd love to get your views. We'd love your voice. Mom and dad still need to make a decision on this, but we'd love to hear how you're thinking about it." It would be a very different way for that conversation to have started and gone in a different direction. So, if we look beyond voice vote, and we see there are other conversational techniques we can use, and so we've listed out five of them here, and there's an article referenced that you can use beyond this presentation, and I just want to go through them quickly because these continuum conversations help you practice peership. You can do this with your advisor or as -- as a family. The first one is closeness distance. Whenever you are assessing options or making a decision, you can ask, "Will this decision bring more closeness or more distance in our family?" Again, if we go back to the family you talked about in the very beginning, will making the condition of a gift, i.e. to purchase a new home, versus renovate your current home, will that create more closeness or more distance in our family? Just that reflective question alone could help parents and an advisor navigate into a very different decision process. The second one you see there, we've been talking about, voice-vote. The third one is fair equal. The premise here is that fair is not always equal, because fairness is in the eye of the beholder. I can't tell you how many families I work with that have ledgers, had given the same, but when you talk to the kids, they don't have a perception of fairness. So, in the case we talked about here, and something I haven't shared, is what was the impact on the other son that one son got $400,000 for a new home? Who did they talk to and how did they talk about it? The last two, transparency disclosure, here we want to make the distinction between talking about something through time, transparency, versus disclosure, "I'm telling you something." Disclosure is actually about hierarchy. How do we get into a normative process of transparently talking things through? And the last one is wish fear, probably the most impactful and powerful for me, because in our space, money, wealth, and estate planning is so often fear-based, and can we see the flipside of the fear and can we see the wish. And wish can help us navigate the tensions between protecting assets and nurturing relationships, and so we always advise families start with the wish. If we only go to the fear, it makes it less productive. So, as we summarized, I told you in the very beginning that my job today was to provoke some new thinking and inspire some new action around your family engagement in the estate planning process, and so here you have the slide that Brad started with. But now let's look at it through the lens of peership and more of a how process. So, when we're talking about protecting the distribution of assets, another way we can think about it is who are the people impacted by the decision we're making today? Can we get systemic and see who's impacted, how are they impacted? Who else needs voice in this process, choosing a person or entity to manage assets. Or if you look at plan for liquidity or reduce or eliminate taxes, what are some of the potential unintended consequences of the decisions we're making? So, you go around the horn, these are the types of questions we work with advisors in -- in private wealth management to be asking, to be engaging with you on, so that you and your family can generate more harmony and more successful wealth transfers. My wish for all of you is that by thinking about how you engage with your family through the lens of peership, you can foster more intimacy and more enduring family harmony. Thank you.

STEVE HERLIHY: Thank you Tobias, and also my thanks to Brad for your insights and expertise, and to all attendees, on behalf of all of your local advisory teams, please accept our thanks to you for this investment of your time. My hope is that for many of you, this seminar opened up a few doors to new ideas and areas of reflection. The intersection of family and wealth can be complicated, and it's a very easy conversation to defer. I know some of today's seminar topics may have raised new questions for you and your family. Please know that your advisory teams and partnerships w-- partnership with folks like Brad and Tobias are ready to help with your family's unique circumstances today. My wish for all of you is to pay off this afternoon's investment by engaging your local advisory team what matters most to your family. We are here to help, so thank you again, and have a wonderful rest of your day. Thank you.

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