

Life Insurance for Estate Taxes and Retirement

By Russ Alan Prince | June 11th, 2014

There is a sense of accomplishment when an estate plan is executed. In fact, it's quite common for people to sign documents and file them away for safe keeping and forget about them. The danger is that these individuals and families may believe that these matters require no further attention. Research with the wealthy – including the super rich (net worth = \$500 million or more), finds that most of their estate plans were at least five years old.

“An estate plan is not a time capsule to be opened and dissected at some distant point in the future. While most ultra-wealthy individuals have a valid estate plan in place, that fact is not necessarily reassuring. Many have not taken adequate steps to review and update these plans since the moment they were signed. Meanwhile, major life events such as marriage, the birth of a child or the launch of a business may have occurred. Advisors should consider scheduling annual check-ups with ultra-wealthy clients to ensure that plans reflect clear intent,” said Alan Kufeld, a partner at Flynn Family Office.

In some cases, outdated or inadequate estate plans have led to highly-publicized disputes between heirs that have squandered fortunes and diminished legacies. These situations are more tragic because they are usually entirely avoidable, especially when advisors are willing to facilitate difficult conversations.

“Tragedies seem deepest when they are avoidable. That is almost always the case when it comes to family disputes surrounding estate planning and wealth transfers. Often, family members shy away from the planning process because of the difficult conversations it can entail. This is an opportunity for the advisor to educate clients regarding the benefits and risks of planning while helping to bridge family divides. The key is to evaluate the impact on the estate or wealth transfer plan of all major decisions and life events as elements of a broader generational family wealth strategy. This can simplify an ongoing process and limit the potential for damaging and high-profile legal disputes surrounding the disposition of family assets in the future,” said Edward A. Renn, a partner at Withers Bergman LLP.

It's not just the very wealthy who are, many times, not taking the time or making the effort to revise their estate plans, it's the norm. There are a number of reasons for this including the cost of redoing an estate plan as well as the difficult decisions that often have to be made. However, the biggest reason that many people fail to update their estate plans is that the professionals they engage fail to bring it to their attention.

So, when should you review your estate plan? The easiest way to think about it is that there is often two times doing so makes a lot of sense:

When there's a meaningful change in your life such as a new business venture or a divorce.

Every few years just to make sure you're taking full advantage of the changing tax laws.

Being attentive and keeping your estate plan current can ensure your wishes are carried out. It will also make life less complicated for your inheritors.