

Early Planning Is Key To Smooth Inheritance Transfer

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When entertainer and Republican Congressman Sonny Bono died in a ski accident in 1998, he didn't have a will. This set up the scene for a perfect storm: His widow, Mary Bono, asked the court to be appointed the estate's administrator, ex-wife Cher became a claimant in his estate and a love child surfaced.

Family feuds about money and property are common, and they can multiply with blended families and new laws governing legal unions. With more than \$20 trillion expected to be transferred to heirs in the next 50 years, according to Boston College's Center on Wealth and Philanthropy, financial advisers are indispensable to avoid costly fights.

Financial advisers help families sort out all the details, with or without optimal planning. Sophisticated advisers combine top-notch money skills and an impeccable bedside manner, says Nadia Allaudin, Merrill Lynch senior vice president of wealth management.

"A client may have a troubled child, and you have to have a conversation about setting boundaries," she said. "Or maybe someone has inherited a lot of money and is about to get married. You have to have a discussion about how to protect it, and you have to tell them they should have a prenup."

Robert Pagliarini, a certified financial planner and president of Pacifica Wealth Advisors, says most people know estate planning is important, but they don't think it's urgent.

Use The Fear Factor

"To make it urgent, I use two strong motivators: fear and greed," he said. "Fear is that they will leave their family a big mess and greed that they will leave the government too much money. Usually it just takes a bit of momentum to get them started and then they find the process much easier and smoother than they thought."

Bruce Sires, an attorney who specializes in tax and wealth planning, says he cautions clients to think about the consequences of having no plan. Fear of having no control over how your assets are distributed after your death should be motivation enough to start planning, he says.

"At death, we lose control of the disposition of our estate and providing protection for our families," he said. "If clients choose to do nothing, the state in which they live has filled the gap. That is, they have written a 'will' for everybody who has not prepared an estate plan. It is called the law of intestacy."

Without a will, the state decides who is entitled to what share, who will control the client's estate and, if there are minor children, who will raise them and control their inheritance, he adds.

"The best choice is for clients to prepare their estate plan when they first start to accumulate wealth. It can change over time," Sires said. Once clients are onboard, financial advisers lay out options and help folks through potential sore points with family members.

"The biggest problem with transferring assets from one family down to the next are feelings of inequity," Pagliarini said. "This is why it is absolutely critical to do some planning while the family is alive and can make those decisions."

Keeping It Equal

An adviser helps clients sort out issues of equitability. In his book "The 12 Principles of Sudden Wealth," Pagliarini gives this example: One sister has an emotional tie to the fine China and sterling silver flatware both valued at \$25,000, but the brother only wants a .22-caliber rifle valued at \$250. This is not equitable and there would need to be additional assets or cash to compensate the brother.

Advisers must stay up to speed with laws that affect estate planning. For example, gay clients may have misconceptions about marriage rights and inheritance.

In states where gay marriage is legal, couple benefits are the same for all married couples. But rules are still unclear if a couple enters into a gay marriage in a state where it is legal and moves to another state where it is not yet recognized.

States that don't yet recognize gay marriage are "not presently required to allow the couple benefits which are afforded to straight marriages," Sires said. "That is an issue for which estate planners must keep an eye out."