

“Why do so many successful individuals choose to pay estate taxes?”

*This piece comes to us courtesy of UCPLA Board Member **Michael Glowacki** of **Aspiriant**, the leading independent wealth management firm in the United States. Michael has more than 30 years of financial, investment, tax and planning experience. This article was originally published in Worth Magazine (Volume 20, Edition 1).*

Under your current estate plan, how much goes to the IRS, to your family and to charity? If you are like most individuals, regardless of the amount of your wealth, the number one answer is, “I don’t know.” And that includes those who have signed all of their traditional estate documents (see sidebar).

Many individuals seem to be willing to pay estate taxes. Even those who labored for hours to save on income taxes are not motivated to spend the time and money to preserve their wealth for their heirs or charity.

The reason? “It won’t be my problem,” or “My spouse or my heirs can worry about it. I won’t be here.” Whether said or just thought, these are common responses. Why the indifference? I think it is because it takes one mindset to make wealth and another mindset to preserve it and pass it on.

THE MAKE-IT MINDSET

Many successful individuals are accomplishment-driven, which fuels their passions when they are younger. However, after they reach financial success—the point when accumulating additional wealth is no longer necessary to preserve lifestyle—they find it difficult to switch gears and begin planning for the next chapter of life, whatever that may be.

THE PASS-IT-ON MINDSET

Whereas the make-it mindset is one of the present, the pass-it-on mindset is one of the future. It requires a vision of how you would like things to be after you are gone. It requires acceptance that accumulating wealth is no longer a primary goal or motivation. It also requires the courage to deal with and plan beyond your death. Taking an imaginary trip into the future—like Ebenezer Scrooge—might be helpful to experience how others will reflect on your life after you are gone.

While it can be unpleasant to think about how life goes on after death, the denial of the inevitable comes at the price of paying unnecessary estate taxes and wasting the opportunity to create your legacy. Those who choose to create a legacy may write ethical wills to pass on their values, start charitable

foundations to continue their purpose and vision, or even create 100-year plans for their legacy.

What would your legacy look like? Would you create a structure to pass your values on to your heirs? Or would you create a philanthropic mission statement of what you would like to change or maintain in the future? What would it take for you to be motivated enough to write out your legacy and act on it, to give up some of your present life to preserve your future memory and effect change long after you are gone?

TRADITIONAL ESTATE DOCUMENTS

Although these documents will not save any estate taxes, at a minimum you should work with an attorney to have these in place. This will help you maintain control over your wealth and to protect your privacy and personal decision-making:

- 01** Living Trust: A revocable trust that outlines your wishes for the management and distribution of assets.
- 02** Power of Attorney: Specifies whom you want to make financial decisions in the event that you are unable/unavailable to make them.
- 03** Power of Attorney for Healthcare: Specifies whom you want to make health decisions in the event you are unable/unavailable to make them for yourself.
- 04** Living Will: Specifies whom you want to make decisions in the event you are permanently unable to do so but are still living.
- 05** Pour-Over Will: Designed to work with your living trust and direct assets not titled in the name of your living trust.

If you are interested in making UCPLA a piece of your legacy by joining our Legacy Society, contact Chief Development Officer Amy Simons at (818) 782-2211.