PROFESSIONAL FINANCIAL
Purposeful Wealth Management

Wealth Planning Report

Here's Why Your Estate Plan May Need Updating

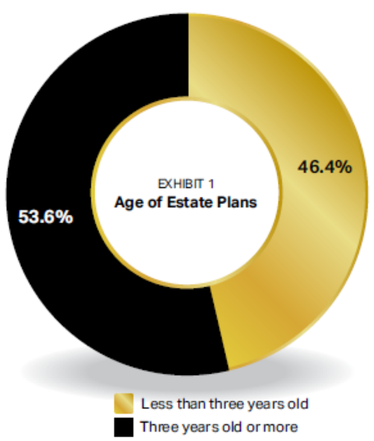
Estate planning—the process for how your wealth is transferred to family and causes you care deeply about—can be important for anyone who wants to be as sure as they can be that their loved ones are provided and cared for adequately after their demise.

When done well, estate planning allows you both to pass on your assets in the best way, and to minimize the bite of federal and state income taxes and sometimes estate taxes that accompanies transfer of significant wealth.

While few may be subject to estate taxes, income taxes from assets in IRAs and qualified plans paid out within an accelerated time frame may be substantial. Estate planning can enable you to best decide which people and charitable organizations should receive your wealth at your demise, and what is the best way to receive that wealth. Failing to plan could let your state laws decide—and we find that few would agree with a government's decisions!

But if you believe that your current estate planning will work as you think, you might want to think again. Here's why an estate plan even from a top law firm may need refreshing.

Exhibit 1:



Source: AES Nation, LLC, 2018.
N = 166 affluent individuals.

Most older estate plans are potentially outdated

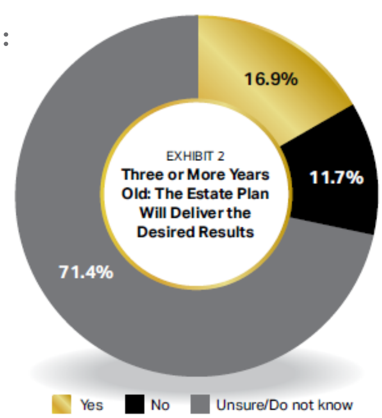
First, some good news: Eight out of ten affluent individuals (those with investable assets of $500,000 or more plus residences and pensions) had completed some sort of estate planning, in a survey by consulting firm AES Nation.

Next, the bad news: Your estate plan may not be preparing you as you may think according to what you want today. That's because over half of the estate plans among those surveyed are more than three years old (see **Exhibit 1**).

Anything longer than five years should raise the red flag of an outdated plan:

- Continual tax law and regulatory changes mean that older estate plans may not optimally take advantage of current asset transfer opportunities.*
- Recent changes in tax laws could mean that aspects of same older estate plans are no longer effective.*
- Changes in your wealth status over time means that an older estate plan may no longer reflect your current financial situation—as future needs, wishes and goals likely have changed.
- Accumulated changes in your personal and family situation may have made part or most of an older estate plan ineffective in what you want to accomplish.

Exhibit 2:



Source: AES Nation, LLC, 2018.
N = 77 affluent individuals.

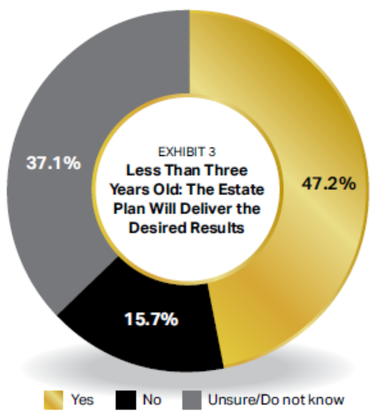
Older estate plans have uncertainties

To attain the greatest benefits from estate planning, it's a good idea to review and revise your planning periodically—especially when unexpected events that potentially impact your wealth have occurred.

Having an older (or simply old) estate plan creates wealth management uncertainty. Example: The vast majority of affluent individuals—71.4 percent—with estate plans that were three or more years old said they did not know or were not sure whether their plan would deliver their desired results, according to another AES Nation survey (see **Exhibit 2**). Just 17 percent indicated they were confident their plan would deliver the results they wanted. And a little more than 10 percent said they knew it would not perform as desired but had simply done nothing about it.

In contrast, an expertly updated plan gives more confidence about future outcomes: nearly half of those with plans less than three years old said they knew their plan would deliver the results they wanted (see **Exhibit 3**). About 15 percent said that their plan needed to be revised, likely due to changes during even that short time. Surprisingly, nearly 40 percent simply did not know how their plan would perform or unsure what it was supposed to do.

Exhibit 3:



Source: AES Nation, LLC, 2018.
N = 89 affluent individuals.

Results of those with newer plans are unsurprisingly better than those with older plans—but survey data shows that a large percentage from both groups are uncertain about the potential effectiveness of their estate planning efforts..

A step to consider

What these findings suggest you consider are:

- Make sure you have an estate plan in place that says where you want your wealth to go after you're gone.
- Don't let your planning become neglected in a binder, folder or drawer (or long forgotten in the cloud).

The next step: If you've already set up an estate plan, consider stress testing the plan to see if a review is necessary. Make sure for yourself whether it's positioned to achieve your current wealth transfer goals, accounting for current tax laws. By stress testing your plan, you can assess alternative outcomes under a variety of possible scenarios. Many families use stress testing periodically not only to evaluate existing strategies, but to consider new strategies.*

Moving on the road toward your ideal future needs driver assistance. If your vision for an ideal future is unclear, or you're not sure how to best develop and manage short, intermediate, and long-term wealth management goals and tasks, schedule a conversation with a certified wealth professional with a team of legal and accounting experts.

*A qualified tax professional should be consulted on all tax-related issues.

This is an executive summary of our new wealth management ebook. For a complimentary copy of our complete report, please contact us.

Paul Byron Hill, MBA, MFP, MSFS, ChFC®, RICP®, CFP® is nationally recognized as a Wealth Management Certified Professional™ and Financial Educator, written about in *Fortune, Forbes, Bloomberg Businessweek,* and *Money*. As co-author of *Retire Abundantly*, Paul was interviewed by James Malinchak, of ABC-TV's hit series, *Secret Millionaire*, and by Dimensional Fund Advisors for their "Value of an Advisor" series. Reuters AdvisePoint recognized Mr. Hill in 2007 as one of 500 "Top Advisers" and later featured him on their website's landing page.

Paul founded Professional Financial Strategies, Inc. as one of the first fiduciary advisory firms in 1993 that now specializes in retirement and wealth planning for affluent and aspiring families. Paul acts as a personal chief financial officer in the best interest of clients, bringing together a distinctive management process and a network of specialists for making more informed decisions for smart investing, guaranteed income, mitigating taxes, protecting assets, and preserving wealth for family and causes to make a greater impact and finish strong.

Mr. Hill received a BA with distinction from the University of Rochester and later an MBA in finance from its Simon School of Business. He earned an MS in financial services from The American College along with his Chartered Financial Consultant and Retirement Income Certified Professional designations, and then received an MS in financial planning from the College for Financial Planning (now at the University of Phoenix). The College for Financial Planning appointed him as adjunct faculty, and he has taught at St. John Fisher College. Who's Who presented Paul with the Albert Nelson Marquis Lifetime Achievement Award in 2018 and featured him with other recipients in *The Wall Street Journal*.

Professional Financial Strategies, Inc. | 1159 Pittsford-Victor Road, Suite 120, Pittsford, NY 14534 | **(585) 218-9080**