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Are You Dying for Your Estate Plan to Work?

By Scott Keffer

"I hate estate planning!" complained Dr. Warren Regis to his longtime friend and partner, Dr. Samuel "Bud" Carothers. "It's all about dying and what other people are going to get. Of course, I want to make sure the kids are well taken care of – and Shirley and I want to pass on the blessing of an education to our grandchildren. As you know, she's very committed to her college, as I am to the hospital and my alma mater, so we both want to leave them something. But…" Warren seemed to halt in mid sentence.

"But what?" Bud asked Warren.

"It's a little hard to admit. I'm worried about whether Shirley and I will have enough money and they are pushing me to think about what I leave when I die. Am I the only one worrying about this?" Warren continued.

"Is that why you haven't stopped working? What happened to all your grand plans to relax, play golf and travel?" Bud wanted to know.

"It's hard to admit, in light of the fact that we have more money than I ever dreamed I'd have…and yet I worry. To have ended up a millionaire and still worry about running out of money seems strange." Warren stopped to catch his breath.

Bud, seizing the opportunity to speak, interjected, "That's because a million dollars is not what it used to be. I just heard about a survey of people with $3 million to $10 million of wealth. How many do you think answered 'yes' to the question, 'Am I very concerned about losing my wealth?' "

"Over half, I'll bet. Maybe more." Warren answered.

"More. Much more. I was surprised too. Nine out of ten answered that they were very concerned about losing their wealth!" Bud finished.

"Well, at least I'm not crazy. But how can that be? More money than we ever thought we'd have and still very concerned about losing our wealth." Warren mumbled as he poured himself more coffee. "That's why I hate estate planning. All this focus on what I'm going to leave. I'm worried about what I am going to have."

Bud added, "That's traditional estate planning. It's death-focused. The most important three-letter word in wealth planning is YOU. In other words, the foundation of integrated planning must begin with Y-O-U. Then, and only then, do you turn your focus on your heirs and then charity."

Warren asked, "What about estate taxes?"

Bud shot back, "With integrated planning you can *Just Say No* to estate taxes."

"Come again?" Warren blurted through a mouthful of coffee.

Bud paid no attention and continued, "You see, that's why traditional estate planning failed. It ignored the Y-O-U part and only dealt with what happens after you are gone."

"Where did you learn this?" Warren asked.

"The hospital sponsored a workshop on reducing income tax and eliminating estate taxes. The presenter, who called himself a wealth preservation specialist, told the story of a successful business owner who came up to him after one of his lectures and described a cutting-edge estate planning strategy. The specialist was well aware of the strategy, so much so that he knew, what he called, the side effects. He told this man that everything has side effects. Then he asked the business owner, who was clearly proud of his estate plan, what the impact of the strategy would have on his lifestyle in the future. The man didn't know. Then the specialist asked him if he had been shown a numerical projection of his plan – in other words, a year-by-year integrated simulation of the plan. The man told him he had not received anything like that. Then the specialist asked him what I thought was a pretty profound question. He asked the man if he had ever made a decision in his business life without seeing the impact of the decision in black and white. The man said he had never done that. The specialist asked the man why he would require more for someone else's wealth than he would for his own. He let him off the hook by explaining that almost everyone executes a traditional estate plan without seeing the numbers – without seeing the impact on cash flow, on taxes, on lifestyle."

"I didn't receive a numerical simulation the last time I updated my estate plan." Warren said as he applied what Bud was sharing to his own situation.

"See what I mean – that's traditional estate planning mentality. So the specialist challenged the man to get an integrated, numerical simulation of his estate and wealth plan. Which he did." Bud hesitated on purpose, waiting for Warren to think about what he was saying.

Warren obliged, "And what did it show?"

Bud continued, "He was out of money in less than 10 years. The specialist told him that he had better have a really good relationship with his kids, because they have all the money. Then he talked about the Five Principles of Wealth Preservation. One of which is to never let the tax tail wag the dog. It reminded me of a quote that I had read in a book about dying completely broke. It said that the last check you write should be to the undertaker and it should bounce. A cute quote to sell books – not a philosophy by which to live your life. Think about it. What happens if you live one day longer than your wealth? How about five years!?! Then you have to die for your estate plan to work. "

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Warren had that serious look that indicated he was taking what Bud said seriously. His eyes always squinted, like he was trying to read something far away.

"So, here's my question, Warren. Are you going to have to die for your estate plan to work? Do you know for certain that you have enough?" Bud asked. "If you did, you'd be enjoying your wealth somewhere, rather than still slaving away in here and worrying about whether you have enough money to do the things you have always wanted to do."

Warren sat motionless.

Bud wasn't sure if Warren took what he said the wrong way. "Warren, you've worked too hard not to enjoy what you have. This specialist said that you shouldn't just leave a legacy, you should live one. That means that you live the kind of lifestyle that you want to live – now! You shouldn't have to die to make your plan work. I just read that the life expectancy for an average 65-year-old increased by more than 50 percent from 1990 to 2002. That added six more years to their life. What impact will those six extra years have on your capital? You better be asking that question today, not tomorrow!"

By now, Warren was connecting the dots. He looked him straight in the eye and said, "Bud, we have been lied to! I keep reading that my lifestyle will go down in retirement by a third. I want to know which third of my lifestyle they think I am going to eliminate. My fixed expenses won't change. So the only things to eliminate are travel, entertainment and hobbies. I've worked too hard throughout my entire life to retire and just sit at home. What a lie – my lifestyle won't reduce by one third in retirement. In fact, it will probably go up, if Shirley and I do half the things we have been dreaming of doing."

Bud jumped in, "You remember what happened after we bought the practice from Mitch? He traveled with Ginny and the kids, went golfing, fishing and sightseeing. His lifestyle didn't go down, it went up."

"OK. So, what should I do?" Warren asked, knowing that Bud was driving this conversation to some action. That's one of the things that Warren really liked about Bud. Bud didn't just gather information. He took action and made changes.

"Find a specialist and get an integrated economic model of your current plan. You can't do this yourself. Get a clear picture of what happens to your lifestyle and wealth as time goes by and compare it to your ideal picture of the future. If you don't like where your present plan is taking you, make the necessary changes. But you need the tools to make a well-informed decision." Bud recommended.

"What about you?" Warren asked, wanting to know if Bud had taken his own advice.

"Already done!" Bud smiled as if he had anticipated Warren's challenge well in advance. "I don't have to die to make my plan work! I am living my legacy, not just leaving one."

How about you? Are you dying for your estate plan to work?

Scott Keffer is president and founder of Wealth Transfer Solutions, Inc., a legacy planning company in Pittsburgh.