Today's Opportunities in Estate Planning

I recently had the chance to sit down with three top estate planners for a question-and-answer session. Here's what they had to say about the estate tax outlook, today and in the future.

Q. With a lot of the heated political discussions concerning potential changes in the estate tax now apparently simmering on the back burner for awhile, how do you find your estate planning business? Are you optimistic or pessimistic about your business in 2012, and why?

Philip E. Harriman, CLU, RFC, ChFC, co-founder of Lebel and Harriman LLP in Falmouth, Maine: Potential clients are beginning to focus on taxes, and therefore, estate taxes are part of that discussion. With the tax exemption at $5 million for 2012, the planning options are enabling clients to think bigger in regards to what they can transfer to the next generation without paying a gift or estate tax.

I’m optimistic, as always, because life insurance and annuities are unique financial tools that deliver results no other financial tool can, especially in the family business and estate planning sector of financial planning.

See also: Post-Election Estate Tax Fix?

Brian D. Heckert, CLU, ChFC, president of Financial Solutions Midwest LLC: The way we have addressed the estate planning issue over the years is similar to how we address a client’s general planning: taxes will go up or they will go down, but the need to have a liquidity plan does not change. Even if taxes drop to zero, many small-business owners do not have enough liquidity to transfer their business to children who need it — taxes only complicate the issue. With that being said, I am optimistic about my practice in 2012.

Kirk Wilkerson, registered representative and investment advisor who offer securities, annuities and insurance products through AXA Advisors LLC: Regardless of any discussions about estate taxes, estate planning has always played an important role in our office. We believe we serve in a stewardship role for our clients and their families. Staying on top of changes in estate planning is key because the number of baby boomers reaching retirement age continues to rise. It is more important than ever for us to stay current on these issues and keep our clients informed.
Even though not every client may have a taxable estate, every client still needs to do some form of estate planning. We don’t want to take for granted our relationship with them. We want to be a part of finding out their wishes and making sure there are provisions in place to see those things come to pass.

Q. Where do you see the biggest opportunities for your estate planning business this year and in the years ahead? And what are you doing to position yourself to take advantage of those opportunities?

Harriman: Opportunities have never been better because many family businesses being run by baby boomers are searching — silently perhaps — for someone they can trust to help them sort out their family, business and financial legacy. We are positioning ourselves to be the firm capable of building a team to make their legacy come to pass and, equally important, we are making sure the receiving generation knows what we do and how we have helped make these transitions happen, which benefits them — the receiving generation.

Heckert: Concentrating on liquidity issues versus tax law changes is my biggest opportunity. I focus on the liquidity problems associated with qualified plans, IRAs, business transitions and estate taxes. I am actively seeking businesses with large retirement plans because there is a high likelihood I will be able to help the owner. I focus on this market since all of the data is public information and available on a database. I have obtained my QPFC — Qualified Plan Financial Consultant — and AIF — Accredited Investment Fiduciary — designations to help position me as an expert in the field. I also plan to become an associate member of specific industries and speak at industry meetings on these topics.

Wilkerson: We are finding many of our estate planning discussions are evolving into charitable planning discussions as well. I think it is a part of the demographics we are dealing with. Many people are more open to legacy planning — that is, what they will be remembered for as they get older. Having an estate planning attorney on staff as well as key accountant affiliations should help us to be well positioned for these opportunities.

Q. Likewise, where do you see the biggest threats to your estate planning business this year and in the years ahead? And what are you doing to protect yourself from the downside?

Heckert: Tax code changes every year, but liquidity issues are permanent. Life insurance and planning help reduce or eliminate issues surrounding the lack of liquidity, no matter the tax benefits. The tax advantage helps increase the benefit of life insurance, but it does not change the premise that life insurance brings in cash, when it is needed the most, at a small annual cost versus borrowing money.

Wilkerson: The only real threat we see is ourselves. If we do not talk candidly with our clients about estate planning, someone else will. We want to be ahead of the curve and be the one who initiates the conversation.

Harriman: The $5 million exemption is uncertain, and therefore, we are not just focusing our advice on that aspect for several reasons. One, not many people are willing to move $5 million at once. The other is that the law, as it exists today, may change, causing the potential for gift taxes after the fact. And insurance companies are becoming concerned about taking in large one-time deposits because they don’t have suitable places to invest these sums over the long term at acceptable rates. Rather, we are focusing on our core market of family businesses and helping them build legacy plans as well as successor management attraction and retention plans, and we are advising clients on how best to create a retirement income stream that could last for more than 30 years.

For more on estate planning, see:

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