

# Trust Connection

A Monthly Report of Trust News and Information

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# Smith Salley

PRIVATE TRUST

## ABOUT US

Smith Salley Private Trust provides trust solutions for clients who want the peace of mind that their estate will be protected and distributed according to their wishes. Our clients don't need to change their investment philosophy, asset management style, or portfolio holdings, because our trust services integrate seamlessly with the same comprehensive financial planning approach they already enjoy.

## Effective Estate Planning Beyond Tax

Let's face it: Most people will not owe estate tax in the current estate tax environment. With an estate-tax-free amount of \$12 million for individuals, less than two-tenths of one percent of Americans will owe estate tax. This brings estate planning for most people back to the most critical, and often most ignored, issues: family dynamics.

Planning for families' transfer of their wealth, plans for incapacity, and executing on those plans can be a significant challenge for both clients and their trusted advisor(s). Clients look to their trusted advisors for guidance when it comes to defining and executing estate plans for future generations. It is critical that a trustee or directed fiduciary understand each of these variables and how they align with one another. What's even more difficult is that there is no clear, repeatable rule when developing an estate plan. Trusted advisors must rely on broad guiding principles to accomplish one's most important family responsibilities. Careful planning and expertise are necessary to find the appropriate balance between a family's financial needs during and after life. After all, each family member is unique and has unique life circumstances.

So, how can a trusted advisor craft an effective estate plan with so many moving parts?

Take time to understand the family dynamics. This topic is often underexplored during estate planning because it is more difficult than showing that an idea saves taxes. We must talk about the real essence of estate planning, which has to do with one's comfort level with the heirs. This can be both negative and positive. Unfortunately, some trustors fear reckless spending by heirs who "waste" the inheritance and look for ways to control it, which is an important issue when it applies. But more often than not, people think highly of their children and a negative approach will not apply. It is best to have a discussion (or many discussions) with the heirs about their relationship with money. If there are positive responses, discuss those positives. If this raises negatives, explore the negatives. Wealthy, successful children may require as much or more planning than spendthrift children.

Facilitate an open and honest environment. In order to construct a solid estate plan, one must obtain information that goes far beyond what's contained within a personal financial statement. It is common for clients to neglect personal and relational issues in estate planning or to assume that these issues will take care of themselves. Yet, in reality, not addressing these family dynamics often leads to emotional stress, miscommunication, and ongoing family conflict. Many times, advisors will take most of the information from one family member to craft an estate plan and the spouse or other family members remain predominately silent. It is important to build relationships with other key family members to help ensure they participate when planning for the transfer of family wealth.

A successful estate plan occurs when a trusted advisor facilitates a comfortable conversation with family members so family topics that seldom get discussed (or rarely

*Continued>>*



## A Local Trust Solution

Call us today at  
(336) 379-7556 to learn more  
about working with Smith Salley  
Private Trust.

For information and assistance,  
please feel free to contact one of  
our Trust Advisors:

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your estate.

discussed with others) can be factored into the plan. By acting as a facilitator, the trusted advisor can clarify objectives, building an estate plan that accurately depicts one's wishes and prepares a family for when one's time on earth expires. The result of an effective estate plan brings peace of mind in knowing there is a clear plan in place, one that hopefully provide order for the family.

*Here are some common estate planning questions clients should consider prior to the meeting:*

1. What are your goals/wishes for your estate plan?
2. What's most important to you?
3. Have you ever done any estate planning?
4. What are your thoughts/plans for incapacity regarding you and other family members?
5. What roles, if any, do you want family members to play regarding your estate?
6. Do you have a healthcare directive and durable POA?
7. How are all of your assets titled today, including insurance policies?
8. Do you have specific current and future concerns about family members?
9. Any special needs and/or family illnesses that should be considered?
10. Are your parents still alive? If so, is there any wealth you most likely will inherit that should be considered?

Setting the tone of the meeting by defining the purpose of the meeting, how the meeting will work, and what is the desired meeting goal are critical to get started. Additionally, getting agreement is an important step that lays the groundwork for a successful meeting. Conversations regarding death and money can be difficult. For all involved, confronting the notion of one another's death can be uncomfortable. An excellent facilitator will approach the conversation confidently, talk about it freely, and not make the conversation more uncomfortable. After all, a successful estate plan considers both the emotional and rational sides of a family's equation.

While meeting virtually has become an essential way of life today, family estate planning has taken on even greater importance. As they say, "The show must go on," and the same guiding principles mentioned above apply virtually. Responding effectively to external challenges can also help ease tensions heightened by stresses from the pandemic. Whether meeting in person or virtually, the tips and suggestions above can aid in gaining insights and information, discussing important financial matters, and making what are generally uncomfortable conversations more comfortable.

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