The Superior Alternative to "I Love You" Wills
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Guide Your Clients to Lifetime Beneficiary Directed Trusts Instead

As Valentine's Day brought heart-shaped chocolate boxes and roses by the dozen into your clients' imaginations, seize the moment to educate them about the drawbacks of "I love you" wills and introduce them to the estate planning move that's actually going to ensure they do well by their loved ones: a lifetime beneficiary trust.

As a financial advisor, you may already be well aware of what estate attorneys call "I love you" wills. You can recognize these wills because they are often short, and their hallmark is that the maker of the will leaves everything, outright, to his or her surviving spouse. Hence the "I love you" name: "I love you so much, I'm leaving everything to you." But this all-too-common approach creates significant risk for beneficiaries and, contrary to their name, is often not the most caring of estate planning gestures. These types of wills offer an excellent opportunity to take action on behalf of your clients' best interests while providing extra value that will enhance your career as well.

Clear Up Client Misconceptions

Few aspects of estate planning bring out as much emotional decision-making as the division of assets in a will or trust, and that puts you in the perfect position to guide your clients away from these wills and toward a more caring solution. In order to help them understand why "I love you" wills are not a good estate planning strategy, here are a few helpful points.

Why "I Love You" Wills Aren't Effective

Say your client Bob wants to make sure his wife, Lisa, gets access to his wealth upon his death. In the case of an "I love you" will, Lisa receives the assets outright and, initially, it looks as if those assets will be handled according to Lisa's current estate plan when she dies. However, Lisa could alter her estate plan at any time — meaning any verbal agreements she made with Bob about what will be done with those assets could go out the window, contrary to Bob's wishes.

Here are several other points you can use to help clients like Bob see "I love you" wills for the poor planning strategy that they are.

- Basic planning can mean little to no asset protection. Once your clients' assets are owned outright by their beneficiaries, those assets can be seized by creditors or lost in bankruptcy.

Even if your client's estate is not worth enough for concern about estate taxes, predatory creditors and lawsuits could still mean trouble for virtually anyone.

- These wills still have to go through probate. "I love you" wills and surviving spouses don't get an exemption from probate. Even a simple will still has to go through some form of probate process, consuming valuable time and money. Probate is a public process, which can be particularly frustrating for clients who hope to keep the details of their family's inheritance private. Trusts, however, don't need to go through probate, offering a level of privacy and freedom that many clients find appealing.
- Guardianship or conservatorship involvement. Wills provide no protection against guardianship or conservatorship court involvement, a distracting, costly, and potentially embarrassing situation that can occur if a client can no longer make decisions for himself or herself. A will isn't effective until death, so any instructions it contains are not valid until a client dies. In contrast, a fully funded revocable living trust can avoid guardianship or conservatorship court control and allows your clients to select people they trust to manage their property.
- Basic plans pile more assets into survivor's estates, potentially resulting in increased taxes. Although portability between spouses can help with this issue, it still doesn't prove useful with the generation-skipping transfer tax (GSTT). Although the estate tax and GSTT will only affect a very narrow group of people with high net worth, we don't know yet what will happen with tax policy under the new Trump presidency. In a changing tax policy landscape, keeping your clients as informed as possible is an important tactic for ongoing success. Lifetime beneficiary trusts can provide flexibility to deal with tax changes.
- Inadvertent disinheritance. "I love you" wills like Bob's offer no guarantee that the assets left to his wife will eventually end up in the hands of his children, as they are now Lisa's assets for her to leave however she wants. For example, Lisa could leave them to her own kids (if she is a second wife), a charity, a lover, or a new husband. Bob could have inadvertently disinherited some of his beneficiaries due to a lack of continuing, lifetime beneficiary trusts that would have explicitly expressed Bob's intentions.

We Can Help

A lifetime beneficiary trust is a better option than outright inheritance because it avoids all the pitfalls of "I love you" wills. Introduce us to any clients who might be operating under false assumptions regarding their "I love you" wills. Not only will they now know they can rest assured with their assets managed precisely according to their wishes through a comprehensive estate plan, but they'll also have redoubled their faith in you as their trusted financial advisor. You'll also gain an opportunity for long-term management of assets held in these trusts, since you can be introduced to the next generation of beneficiaries.

Opening the discussion about lifetime beneficiary trusts now can be an important relationship-building effort with downstream beneficiaries whose accounts you might acquire as well. Take the first step by giving us a call today to learn more.