

# ESTATE PLANNING IS NOT JUST BUSINESS, IT'S PERSONAL.

## HERE ARE SOME TIPS TO GET IT RIGHT

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When off-the-rack estate planning solutions fail to work, that's when clients consult professional advisers. With blended families, divorce, step-children, adult children in matrimonial or business difficulties and business shareholder agreements, comprehensive financial estate planning becomes more complicated for the motivated adviser. Such a practice touches on a variety of specialized professional skills (law, tax, finance, investment management and insurance) and requires a deft human touch.

Financial estate planning is about protecting clients, their families and their assets. It is a process of understanding the unique situation of each client, involving family and finance and their wishes for both. And it's more than just sorting out who gets what. The coordination of the many aspects of a client's personal and financial life is a significant component of financial estate planning.

As a chartered accountant you can add value by structuring solutions that provide tax relief. Also, you are very likely to be a trusted touchstone for your client and this is an essential resource when guiding a family through the search for estate planning solutions.

Tax relief and capital preservation are high on any client's wish list, but the first step is to identify and manage client risk. Questions to consider include:

- Is there sufficient cash flow in the family business to provide for the comfortable retirement of the founders and for the next generation?
- Should a sole surviving spouse be financially dependent on children's ability to manage the family business when an insurance contract could have provided a guaranteed tax-effective buyout?
- Should assets be left outright to adult children who are exposed to significant business or financial risk?
- Where a major asset is a pension, is there sufficient income protection for a surviving spouse?

Raising these issues means you become a facilitator of difficult conversations and tough decisions. Good people skills are essential to guide clients through touchy subjects that can arise. The emotional el-



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ements of any family can make or break the best estate plan, and to identify and address the sleeping giants present in all families, you must deal with clients on a personal level.

Topics can range from the family cottage to business succession issues. These discussions reveal who can manage money, who has a stable marriage and which in-laws are trusted. Many other issues related to family peace, harmony and equity arise and you must be willing to help your clients sort through their emotions and concerns while considering their own mortality.

Financial estate planners who ignore these issues and family dynamics do so at their own peril. All clients want to leave their family united and free from acrimony and bad feelings. Handled improperly, financial estate planning issues can create the opposite effect. Siblings can become estranged, a widow might find her share of a family business devalued despite the best intentions of her son and heir, and bitter feelings over the family cottage can endure for decades. Such outcomes can hardly be considered value-added, regardless of the amount of tax saved or how profitably a business may be transitioned to the next generation.

Offering financial estate planning services in your practice means venturing into a new client relationship. Whereas you may have had a comfortable relationship providing accounting and tax advice, to do this work requires you to move into a position as a confidante of sensitive information. Such a role may not suit everyone. It involves new responsibilities and

isn't always easy. It is also possible that if the planning process provides unwanted answers, your previously profitable service relationship could be at risk.

Comprehensive estate plans involve many disciplines and theoretically could be quarterbacked by any of a number of specialists who have the focus and knowledge to assemble the solutions needed. The traditional CA firm environment offers some strong benefits. The recurring contact an accountant has with a client as a result of accounting or tax work could be the basis of a strong relationship. The firm often has in-house tax expertise as well as considerable knowledge about the business of the client.

A legal professional is sometimes the centre of a trusted relationship and brings the expertise to manage legal risks, structure asset ownership and document client intent with shareholder agreements and wills. Increasingly, growth in the delivery of this quarterbacking service occurs through the relationship built with a wealth management firm. In such an environment, a specialized role has developed that provides a focus on financial estate planning. This type of quarterback provides the ability to develop, implement and monitor investment and insurance strategies that can be integral to the success of the plan that often is developed and implemented with accounting, tax and legal specialists. Wealth management firms with CAs, who have tax and planning experience, plus investment- or risk-management skills, can leverage the ongoing relationship to educate clients on the need for such planning.

Who the quarterback is depends a lot upon the professional involved, what services you provide and the type of client relationships you enjoy. Successful practitioners spend considerably more time face-to-face with clients understanding their financial position, family relationships and goals. Also, the effective communication and implementation of the solution are critical. You must be able to help your client understand the value of the plan in comfortable language.

It is essential that whoever assumes the quarterback role accesses other expertise in addition to his or her own. Developing an investment strategy to provide retirement income, devising an

estate freeze, writing a will or placing an insurance contract is likely to be only part of the solution. As quarterback, you are being paid a fee for thinking time and the delivery of the integrated solution. It is important to develop relationships with other specialists you feel comfortable canvassing in the solutions-development stage. Make no mistake about it: financial estate planning is a practice that involves teamwork and a lot of creative thinking. The best financial estate-planning answers are often multifaceted.

Regardless of which chair you are sitting in, your client relationship should continue even after the planning is in place in order to provide the greatest benefit to clients. Given the trust you have built, as well as your knowledge of the client's intentions, you need to be on hand should circumstances change or when the plan is ultimately put into effect through the death of your client. If you do this, you will have transitioned into a role of trusted family adviser, adding tremendous value to your client and your practice.

To be successful in financial estate planning you will have to draw on specific skills and qualities that will help you guide your clients. A strong tax background is required to assist clients who might wish to transfer a family business, or other significant asset, to the next generation. What can drive some people to seek counsel on their financial estate plan is a family business that supports the client and his or her spouse, plus provides employment for an adult child.

The skills required are those that provide the ability to deal with all aspects of the financial estate planning equation, paying particular attention to the emotional aspects of the plan and the unspoken subtext inherent in discussions involving families, money and estates. Relying on your emotional intelligence quotient will become more important as your people skills become more crucial to your success, and you will leverage them more often as you deal with clients and their financial estates. There also has to be willingness on the part of the estate planner to invest in a client relationship and take on a new level of responsibility to make things happen and keep them on track over time.

Help clients articulate and identify their goals. This can be difficult if they have never discussed their financial life before. Help them express their wishes for the transfer of significant assets and provide them with advice. Also, look for family and emotional pitfalls. Unresolved issues will sink the process. Will three

children jointly own the family cottage? Does one feel entitled to certain assets? Does a child feel pressure to join, inherit and subsequently succeed with the family firm?

Involve both spouses. Aim for family transparency and create a plan that works for everyone. Offer to educate other family members about the process and results.

Understand that thinking is also doing. Time will be spent on thinking projects, not always on doing ones. Research and evaluate options outside your specialty.

Anticipate that changes can occur in your client's financial situation. Changes in family relationships, the termination of pension income or the need to finance long-term health care must be explored.

Educate your client about choices. Clients find decision-making simplified if their options are delivered in language they are comfortable with. Relate this information to their objectives. Holding assets in a trust may seem unfamiliar, but not if it is presented as a mechanism that can reduce taxes and protect assets from a spendthrift beneficiary.

Finally, make a will. Involving a lawyer from the outset of your planning process is essential to ensure what you want makes legal sense. Updating wills then becomes a process of documenting your client's decisions near the end of the process.

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