

Helping Your Clients End the Year on the Right Note

A Holiday Card Mailing List Is Not the Only Important List Your Clients Should Consider

“He’s making a list. He’s checking it twice. He’s going to find out who’s naughty and nice”¹

The estate planning process is somewhat similar to Santa’s process. We decide who should receive our assets (the nice people on our list) and who should not (the naughty ones). With families getting together for annual holiday celebrations, there is no better time to remind your clients to check their list (i.e., their estate plan) twice to ensure the right people are included and accounted for.

Planting Seeds This Holiday Season

If you have clients you meet with monthly or quarterly, December is your last opportunity to see them this year.

Most clients are too busy right now to be laser-focused on estate and financial planning. Outside of those who have “must-dos” by December 31, this final meeting of the year is more about closing the book on 2024 and turning the page to 2025.

A timely reminder on your part can motivate your client to begin thinking about the big picture as they settle in to enjoy the small meaningful moments with those at the center of their lives and their estate plans. Surrounded by loved ones, they might reflect on what you told them at your last meeting and come to the next one with a renewed sense of purpose about strategic planning.

Double-Checking a Client’s Estate Planning List

Whether clients have an existing estate plan or need to create a new one, a few basic plan features—the who, what, and when of estate planning—should help guide their decision-making.

Whom do they want as beneficiaries?

Although choosing beneficiaries is the most basic yet important aspect of creating an estate plan, this process can still be complicated.

Spouses, children, and other family members, as well as close friends and charities, are commonly named as beneficiaries. However, they are far from the only options. A client may want other individuals, institutions, and causes—such as a caretaker, a local business, or an alma mater—to benefit from their plan.

While some states require that a minimum amount from a decedent’s estate go to their surviving spouse and children, and other states have laws to protect against accidental disinheritance, a client is, by and large, free to name any beneficiary they want in their estate plan and to exclude whomever they want from it.

¹ Wikipedia, “Santa Claus Is Comin’ to Town,” last modified November 25, 2024 (UTC), https://en.wikipedia.org/wiki/Santa_Claus_Is_Comin%27_to_Town.

As trusted advisors, it is not our job to recommend one possible beneficiary over another. What we can do is remind our clients that the choice is theirs and explain to them any legal ramifications of choosing certain people.

Once they have selected beneficiaries, including backup, or *contingent*, beneficiaries, we can advise them on tools—such as wills, trusts, lifetime gifts, or a combination of the three—that they can use to ensure that their chosen beneficiaries receive their inheritance in the way the client wants.

What should their beneficiaries receive?

After the “who” of estate planning comes the “what”—the types and amounts of assets each beneficiary should get.

This decision is not always easy. High-net-worth individuals with more to give may have trouble identifying desired beneficiaries or may not want to give any one beneficiary too much. Clients with relatively few assets might agonize over how their more modest estate should be divided because they have less to spread around.

Center the conversation on the client’s assets and the needs of each beneficiary. Remind the client that their assets include not only obvious big-ticket things, such as their home and retirement accounts, but also heirlooms, sentimental items, pets, and digital assets, such as cryptocurrency and online stores.

Clients interested in equalizing their beneficiaries’ inheritances—which they are not legally obligated to do—have a slightly different task ahead of them than those who prefer an equitable (rather than equal) distribution.

Identify potential family conflicts and how gifts might exacerbate them. Certain assets (e.g., financial accounts, a family vacation home, and life insurance) may easily be split among heirs. Tangible personal property (dishes, photo albums, art, etc.) may not be divisible, but some items can be sold and the money divided.

When should their beneficiaries receive their inheritances?

Gifts can be made during a client’s lifetime or after they die. The timing of those gifts depends partially on the method by which they are made.

A “giving while living” strategy has become more popular in recent years. Clients may wish to watch their loved ones enjoy their inheritances while the client is still alive. As a bonus, clients may be able to use lifetime gifts as part of a tax planning strategy that maximizes annual and lifetime gift tax exclusions or the current historically high lifetime exemption amount. However, transferring the same assets upon death may be a better strategy for basis planning and minimization of capital gains on highly appreciated property.

There are two main tools in estate planning for leaving assets to loved ones at death: a will and a living trust. A trust is an ideal planning tool for speedier distribution since trust assets are not subject to probate court oversight. Assets gifted via a will must first go through probate, which can ultimately delay distributions.

Another benefit of a trust is that it allows for more nuanced planning. For example, gifts can be staggered over time as a child grows up and becomes more capable of handling an inheritance

or when certain milestones are met. A trustee can also be given full discretion over when to make gifts or distributions from the trust.

An Estate Plan Is the Gift That Keeps On Giving

Naughty. Nice. Gift-getters and coal catchers. Santa has had centuries in isolation at the North Pole to develop a system for list-making and gift-giving.

Whether Mrs. Claus or somebody else advises Santa on his list is unclear. Fortunately, your client has you to help create their plan, and they are under no obligation to have everything ready by Christmas morning.

However, like holiday shopping, estate planning works best when not put off until the last minute. It should be done early and often so there are no last-minute surprises.

Every family has its holiday traditions. By making estate planning discussions part of your client relationships, you can establish a tradition that goes well beyond their lifetime and ensures many future happy returns. Call our office to schedule a time to discuss this further.