MCF Private Trust

ESTATE PLANNING: HOW TO WASTE MONEY BY "SAVING MONEY"

Little is more wasteful than doing it wrong. The tremendous cost of saving money to do what you should hire a professional to do is a great example. What are the right ways to involve family and hire professionals to get the job done right, in less time, for less money than the average individual can do?

In estate planning, we rarely suggest anyone do it themselves. DIY has entered into many financial services arenas with both positive and negative effects. The dramatic rise in access to information and education related to investments has enabled some who have educated themselves and stay abreast of the news to do a fine job managing their own money. Yet for those not so inclined it has given rise to inaction ("I haven't done anything because I wasn't completely clear what the options were") and wrong action ("I got out when the market was crashing"- at the bottom- "and have been on the sidelines wondering when the right time is to get back in"-while the market has recovered to new record levels). This kind of undereducated, emotion driven investing now dominates the market in the form of self-directed IRAs and 401(k)s. We need to know when to seek professional help.

Estate planning is a field dealing with 1) your life savings, 2) the most precious people in the world to you, and 3) an irrevocable decision, since we will be incapacitated or dead and whatever instructions we leave in a valid form must be carried out. Time to bring in the pros. There are four areas where we see poor choices made in estate planning that lead to litigation: the plan, the person, the proportion, and the perception. The first two are where most of the mistakes are made, the last two are areas of divisiveness where careful planning and good communication may help, but you can't necessarily control the feelings of others nor greed. Let's focus on the first two where we do have control.

Plan – This is one of the simplest areas in estate planning, which if handled incorrectly can lead to terrible results. When a DIYer is trying to save money, they often choose to do the plan themselves. One outcome is no plan at all. "Well, I have made up my mind exactly what I want to do…" is a phrase not uncommon in the DIY yet has no estate plan in place at all category. I respect that someone may want to change their mind, so do something revocable, but do something. We can't always know the motives of the dearly departed, but don't you think the rock star, Prince, with an estate estimated at $300 million should have had a will? Even a presumably qualified individual, Supreme Court Justice Warren Burger,

took it upon himself to DIY and write his own will. At my count the text of the will is 69 characters long, not counting the title and signature lines which makes it half a Tweet in length, and apparently cost the estate thousands in legal fees. Another mistake when an appropriate estate plan is executed is the focus on distribution at death but foregoing planning for incapacity. Sumner Redstone owns National Amusements which controls Viacom and CBS has dramatically changed his position on who should take over, yet many questioned his capacity during this period. With a reported net worth over $5 billion and presumably a well-planned estate plan, the period of potential incapacity could be the most change worthy. Which brings us to the second issue, the Person.

Who is the Person you choose to carry out these roles? Drafting attorney, Accountant, Executor, Trustee, Attorney-in-fact, Guardian, are all critical persons in the estate plan and yet may be conflicted, have a damaged relationship with the decedent or other family members, or simply have no experience. Do we really want to have the person handling our entire life savings for the people most precious to me, be doing this for the first, and perhaps only, time in their lives?

In many famous cases we see disastrous results. Michael Jackson's well drafted and thoughtful estate plan nonetheless named his aging mother as guardian of his minor children. Accusations of kidnapping the mother, influence, and eventually her resignation from the role typifies classic choice of Person errors. DIY with family members didn't work so well for Lady Astor either. She named her only son to care for her, but at her advanced age, which delays his inheritance as well, and the apparently strained relationship with the son's wife, this was a recipe for disaster. Conflicted in his role with self-enrichment, financial protection for his wife and enjoyment of the time he had left at over 70, he ended up in jail. Should wealthy people, who can afford the best in care and persons that are not conflicted in carrying out their duties, choose family anyway? We think not. The same issue arose in the movie "Win – Win" starring Paul Giamatti as a lawyer conflicted in his role as guardian. Even the very qualified lawyer/family trustee character played by George Clooney in the movie "The Descendants" has substantial conflicts in carrying out his role. Naming an independent professional enables everyone in the family to know, there is no self-interest, conflict of interest, or emotional blocks to looking at the right solution.

Whether the issue is having a plan in place, on a timely basis, maintained and up-to-date, properly coordinated with the asset title of the assets the client owns, and having the right person in the right role to carry out the wishes of the infirm or dearly departed and who can carry out the role without emotional or personal financial distractions, it seems estate planning and administration deserves the help of professionals.

Who will we choose to be our executor, trustee, charitable foundation director, even drafting attorney? Many including our own family has the ability to do so, but can they serve with knowledge, experience,

independence, and objectivity? These are key issues in understanding how not to "waste money by saving money" using a DIY approach to issues, assets, and people involved in our client's estate plans.

IMPORTANT DISCLOSURE INFORMATION

Trust services provided by MCF Private Trust, a Trust Representative Office of National Advisors Trust Company, a federally chartered, advisor owned, and independent trust company. All investment services are provided by MCF Advisors, LLC, an SEC registered investment adviser. Registration as an investment advisor does not, by itself, imply or denote any level of skill or training. MCF may only transact business in those states in which it is registered, or qualifies for an exemption or exclusion from registration requirements.

This publication contains general information only and should not be construed by any consumer and/or prospective client as MCF Private Trust a solicitation to effect, or attempt to effect transactions in securities, rendering accounting, financial, investment, legal, tax or other professional advice or services. For more information regarding individual or corporate trustees please consult with a legal professional. A copy of MCF's current written disclosure statement discussing our advisory services and fees is available here online.