



**Neal
Frankle**

Avoiding Probate and Estate Taxes

Three benefits you can share with your clients.

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It should never have happened, but it did.

Jim's adult son Steve was concerned about his father's financial "arrangements." After many years' of hard work and smart investing, his father had accumulated a sizeable estate and Steve was worried about probate and estate taxes.

The problem was there just wasn't any good time to bring it up. He and his dad spoke on the phone with one another often enough, especially since Steve's mom had passed away, but it didn't seem right to talk about such issues long distance. And even when he visited his father he didn't feel comfortable asking his dad to "please pass the turkey, and, oh, by the way, what are you going to do with all that dough when you die?"

Steve knew that his father was a smart man and thought that perhaps Jim had already done the estate planning. Still the question remained in his mind and it caused concern.

Why Older Clients Should Speak With Their Children

It's really too bad that Steve didn't talk to his father. When Jim eventually died, a huge chunk of his capital went to pay for probate and estate taxes. This could have been avoided completely. To make matters worse, Steve and his two siblings spent thousands of dollars in legal fees fighting over the remaining money.

What can you do to make sure it doesn't happen to your clients?

Key Benefits

The best solution is for you to take the initiative and tell your clients to talk to you and their beneficiaries about their plans — **now**. Of course it's their money and they can do with it what they like. But there are three major benefits that they reap by speaking about their wishes

before they die.

1. **Have clients communicate with children about nest eggs.** If your clients plan to spend their nest egg, have your clients tell their children so they will know not to plan on your clients' loot for their retirement. This way, they may finally get off their duffs and go to work! What's more, if they're mistakenly counting on your clients' money to rescue their financial lives, they may make so many financial blunders that your clients will have to rescue them while they're alive! I've seen many cases in which Junior blows up his own financials, mom and dad comes to the rescue and then the parents have to cut back significantly on their own lifestyle. Don't let this happen to your clients.
2. **Meet with your clients and their family.** Your clients should speak to you and their family about money. I've written about proper individual retirement account (IRA) beneficiary planning before. Assume your client tells you that they plan on naming their trust as the beneficiary of their retirement plan. You can point out that if they do that, they'll be blowing the best gift the IRS ever gave them: continued tax deferral through the Inherited IRA.

By catching this mistake before they die, you could save your client hundreds of thousands of dollars. The only way your client knows if their estate plan is OK is if they check it out while they're alive.

3. **Teach your clients' children about finances.** Speaking about your clients' money now with their kids will help the children learn something. Think about it. Your clients are successful people. They've worked hard, saved and invested. They've acquired wealth and, even more valuable, experience. By explaining to their children how their plan is set up and why, they'll be exposed to a great financial mind: your clients' and yours. And if your clients have doubts about their plans, when would it be better to sharpen things: before or after they die?

Ask them that question. They know the answer.

Communicating financial wishes and plans is too important to put off. Encourage your clients to talk to you and their family about their financial plans now.

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Neal Frankle, CFP, is the author of *Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity*. He helps affluent clients establish and implement a safety-net strategy to protect their wealth. He also helps other professionals, such as CPAs, do the same for their clients. If you would like a free monthly e-newsletter (written especially for CPAs to use with their clients so they make better investments) please e-mail [Neal](#).

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