Stepping Stones

A Publication of the Probate, Trust & Personal Planning Group

PARTRIDGE SNOW & HAHN LLP
COUNSELORS AT LAW
Closer to the issues

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In this Issue:

Teach Your Children About Philanthropy

Deborah DiNardo

Along with the goal of passing on a financial inheritance to their children, parents strive to pass on their morals and traditions, including an understanding that their children should contribute to the well-being of their community. As you can well imagine, these conversations are as unique as each family. For the last 30 years, I have been learning from clients and professional colleagues how to help my clients talk to their children about philanthropy. I'd like to share some insights about how some parents deal with the issue with young children.

One way to approach the issue is to emulate the Jewish tradition of "tzedakah." This is a practice in which parents teach their young children to separate their "wealth" (regardless of the amount of the child's funds and regardless of the source of those funds, e.g., an allowance, earnings from a paper route, salary from a job in the child's teen years, an inheritance from a grandparent) into three different "buckets" or portions.

One bucket is intended to be spent and enjoyed by the child currently on toys, clothes, gifts to others, etc. Another bucket is intended to be saved so that the child may learn the value of saving and investing for future plans and financial needs. The third bucket, the "philanthropy bucket" is set aside for the child to disburse to charitable organizations or for a fundraiser for a school event or Little League or be part of a family philanthropy.

Another suggestion is to instill philanthropy by creating a so-called "donor-advised fund" at a local community foundation. Generally, local community foundations permit a donor-advised fund to be created with as little as $10,000. Under current law and common practice, these donor-advised funds disburse approximately 4.5% each year to charities chosen by the donors (and others who the donors permit to participate as "advisors" in the decision-making process). When families include their children as advisors and allow the children to participate in the decision-making process about the best use of the annual distribution amount, the children become part of a philanthropic family oriented process.

We are familiar with a family with three children who have created a modest donor-advised fund. The parents allow each child to decide how $150 will be disbursed. The conversation starts early each year and continues throughout several family dinners. Each child is encouraged to research and identify a charity which the child feels should be chosen and could benefit from a $150 donation. The child must advocate for his or her chosen charity to the rest of the family who then, collectively, discuss the merits of the child's recommendation so that a final decision can be made by the family.

Regardless of the method used by parents to talk to their children about the benefits of philanthropy, the amount of money to be contributed to charity – for example, from the child's "philanthropy bucket" or from the family's donor-advised fund – is not the key point. My examples are only to give you a sense of what can be done. Most important is the communication between parents and children and the passing of family goals and traditions through discussion and example. Clients who begin this process with young children tell me that they find they have built a firm foundation of open intergenerational communication which lasts into the parents' elder years. In addition to the benefits of establishing this foundation of open communication between the generations, future generations of the family continue the tradition of working together to benefit others.

Wealth Transfer: Speaking to Children

John J. Partridge, Lawrence D. Hunt, Michael A. Kehoe

Wealth transfer, in general, has four essential elements. They are: identifying basic intentions, creating a financial plan that is responsive to your objectives and your core values, protecting your wealth from state and federal governmental taxes, and importantly, communicating with your intended beneficiaries whether they be family members or other beneficiaries.

Likely, you may deal with the following questions:

~ What do you want to accomplish in your wealth transfer?

~ What are your children's needs based on their ages, health, lifestyle, special needs, and any foreseeable financial issues?

~ What benefit do you desire to provide to your children and/or your community?

~ When should such a transfer take place?

Equally important, however, will be the timing and substantive discussion you should have with your children (and indeed, with any other object of your largess, including charities). Failure to have good communications can lead to very traumatic misunderstandings, sibling rivalries, and even in some cases, litigation.

We suggest that our clients consider communication with adult children early on in the estate planning process. As adults, they should understand the basics of your plan and the values that might be applicable even if they are uncertain as to what amounts ultimately may, in fact, be available to them. Consider ways to explain a choice of family member as executor or trustee or why a third party institution or individual was chosen. To avoid sibling controversy, explanation may well be the best way of avoiding conflicts, even litigation. Studies seem to indicate that your charitable intent will be more easily adopted by your children if they are involved in the process or at least kept informed as to your intent.

Exactly when communication takes place with adult children is a matter of individual client choice. Whether during the documentation phase or later, the important decision is to actually begin that conversation. At Partridge Snow & Hahn LLP, we offer to speak to the children or other beneficiaries in order for them to have a clear understanding as to an estate plan or trust. We also encourage communications with accountants, trustees, and other parties including charities or other beneficiaries.

So, here are the simple rules:

~ Communicate often. There is no embarrassment in doing so.

~ Involve third parties where appropriate. Your counsel and others should be in a position to discuss, with your approval, your plans.

~ In the case of charitable giving through your estate plan, make known your wishes to your children before the charity becomes a beneficiary.

~ Lastly, and this is a general comment, unless there is some specific reason not to do so, keep your children and other beneficiaries informed every time you make a change to your estate plan.

Talking to Your Parents About Estate Planning

Kristin N. Matsko

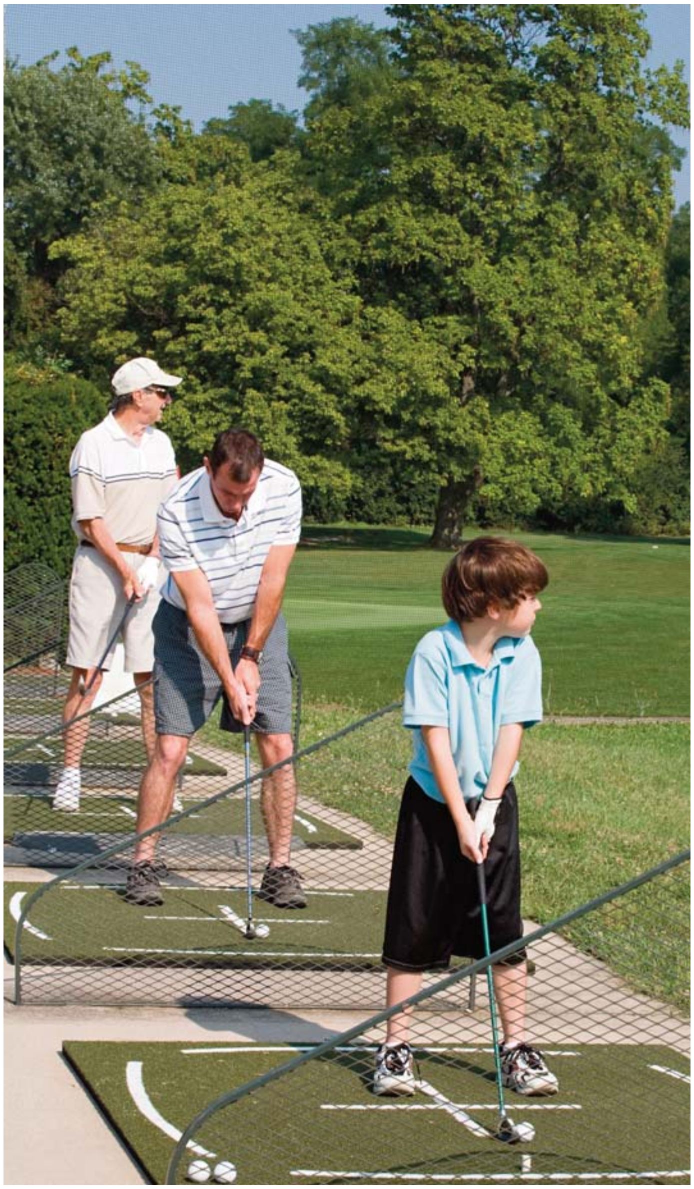
Too many families do not openly discuss matters involving death or money with parents, finding that such topics are inherently private and difficult to discuss. Creating a dialogue within the family among multiple generations, however, is incredibly important for many reasons.

Information and discussion as to your parents' estate planning and wishes regarding the future enables you and your siblings to effectively carry out those wishes. For example, what are your parents' preferences for housing if one of them becomes incapacitated? Do they plan on moving in with you or a sibling, or do they have a certain assisted living or nursing facility in mind? Do they have long term care insurance? What funeral arrangements do they prefer? For practical reasons, you should know where your parents keep their important documents, as well as the names and contact information for your parents' attorney, accountant and other important professionals. Discussing the disposition of treasured family property such as vacation homes and heirlooms may be important if, for example, you and your siblings are to inherit a valuable asset such as a vacation home.

Talking to your parents about their estate plan is also important because the time following the incapacity or death of a parent is emotional and stressful for everyone involved. Knowing what to expect in advance (who can move into Mom's house after Dad's death, or who is getting Mom's china, etc.), may help to prevent future conflict. Also, knowing your parents' wishes in advance may alleviate disputes between you and your siblings if your parents are planning to distribute assets among you and your siblings in an unequal manner (for example, if one sibling is to receive the family business, another a second home, or another a family heirloom), or if your parents are planning to make major charitable gifts instead of, or in addition to, distributing assets to you and your siblings.

To initiate a conversation with your parents about their estate plan, it may be helpful to begin by assuring them that you know their property remains their property and that they are free to distribute their assets in any manner they wish. You might share an anecdote about your own estate planning experience such as "Mom and Dad, I recently met with my attorney to update my estate plan and I feel much better knowing that I have a plan in place if something unexpected happens to me…" or "Our estate planning attorney has asked me what expectation I may have of an inheritance from you."

If your parents remain averse to discussing their estate planning with you, you should be patient because they may be more receptive to having a conversation at a later time.



Sometime after learning about a friend's or neighbor's difficult experience with caring for an incapacitated family member or administering a deceased family member's estate, they come to a realization that frank conversation is helpful.

Creating a dialogue with your parents about their estate plan will increase the likelihood that you and your siblings are able to fulfill your parents' wishes, transfer family property to future generations, minimize potential disagreements between you and your siblings, and bring peace of mind to the entire family.

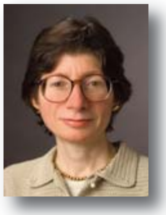
Deborah DiNardo received the 2012 Harold Soloveitzik Professional Leadership Award from The Rhode Island Foundation. This award is presented annually to someone in the professional services industry who is committed to advising clients on the importance and value of philanthropic giving as part of the estate planning process. We are very proud of this achievement by Deborah. Congratulations!

Kristin N. Matsko is a member of National Academy of Elder Law Attorneys, Inc., a professional association of attorneys who are dedicated to improving the quality of legal services provided to seniors and people with special needs.

Referrals Welcome

Our firm, like other professional service firms, relies on satisfied clients as an important source of new business. We welcome and value your referrals. Thank you for your consideration.

Meet the authors:



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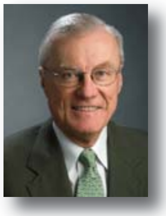

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Contact your attorney in the Probate, Trust & Personal Planning Group for a consultation on how these issues may impact your situation. Our attorneys are admitted to practice in Rhode Island, Massachusetts and Florida. Through our association with Meritas, an organization of worldwide independent law firms with broad-based practices, Partridge Snow & Hahn LLP offers its clients access to quality legal services on a national and international basis.

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