

BakerHostetler



21st Century Legacy Management

Leveraging Technology for Your Peace of Mind

June 25, 2019

“Traditional” Legacy Planning

- Does **not** work
- No specific goals identified
 - Success cannot be defined
 - Plan cannot be benchmarked

You can't hit a target you can't see

- Time for outcome driven legacy management
- What do you want to accomplish?

Legacy Plan Dashboard

John and Jane Doe

A. NET WORTH AND EST. ESTATE TAX LIABILITY (12/31/18)

➤ Combined Personal Net Worth	\$86,238,458
➤ Total Legacy as of December 31, 2018	\$110,291,891
➤ Est. Federal and State Estate Tax Exposure	\$28,031,383
➤ Est. Liquidity	\$47,950,000

B. NET TO SPOUSE/DESCENDANTS UNDER LEGACY PLAN

➤ Total Available to/Held by Spouse	\$86,238,458
➤ Total to Descendants	\$80,260,508
■ Total to Carrie	\$54,136,970
■ Total to David	\$26,123,537

C. EST. ESTATE TAX SAVINGS FROM ADVANCED PLAN \$7,141,373

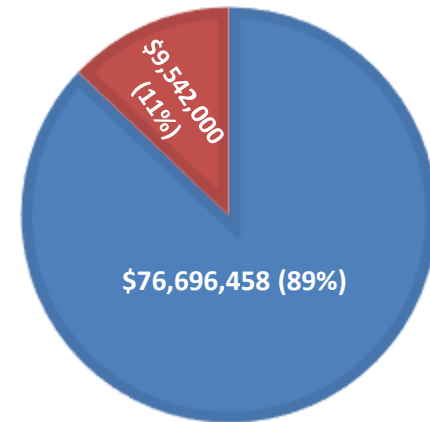
➤ Terminated GRATs	
■ Total Aggregated Payments to Carrie	\$4,752,933
➤ John Doe 2013 Irrevocable Trust	
■ Trust Value	\$5,100,000
➤ Doe Family 2015 Irrevocable Trust	
■ Trust Value	\$12,200,500
➤ Doe Family Foundation	
■ Current Value	\$2,000,000

D. PROJECTIONS TO JOINT & SURVIVOR LIFE EXPECTANCY (JSLE)

➤ Projected Annual Expenditures	\$500,000
➤ Projected Assets to Sustain to JSLE of 28 Years	\$9,542,000
➤ Legacy Assets Available for Planning	\$76,696,458
➤ Projected Net Worth to JSLE	\$229,993,546
➤ Projected Est. Tax Exposure	\$88,331,901

LIFESTYLE VS. LEGACY CAPITAL
CURRENT NET WORTH \$86,238,458

■ Legacy Capital ■ Lifestyle Capital

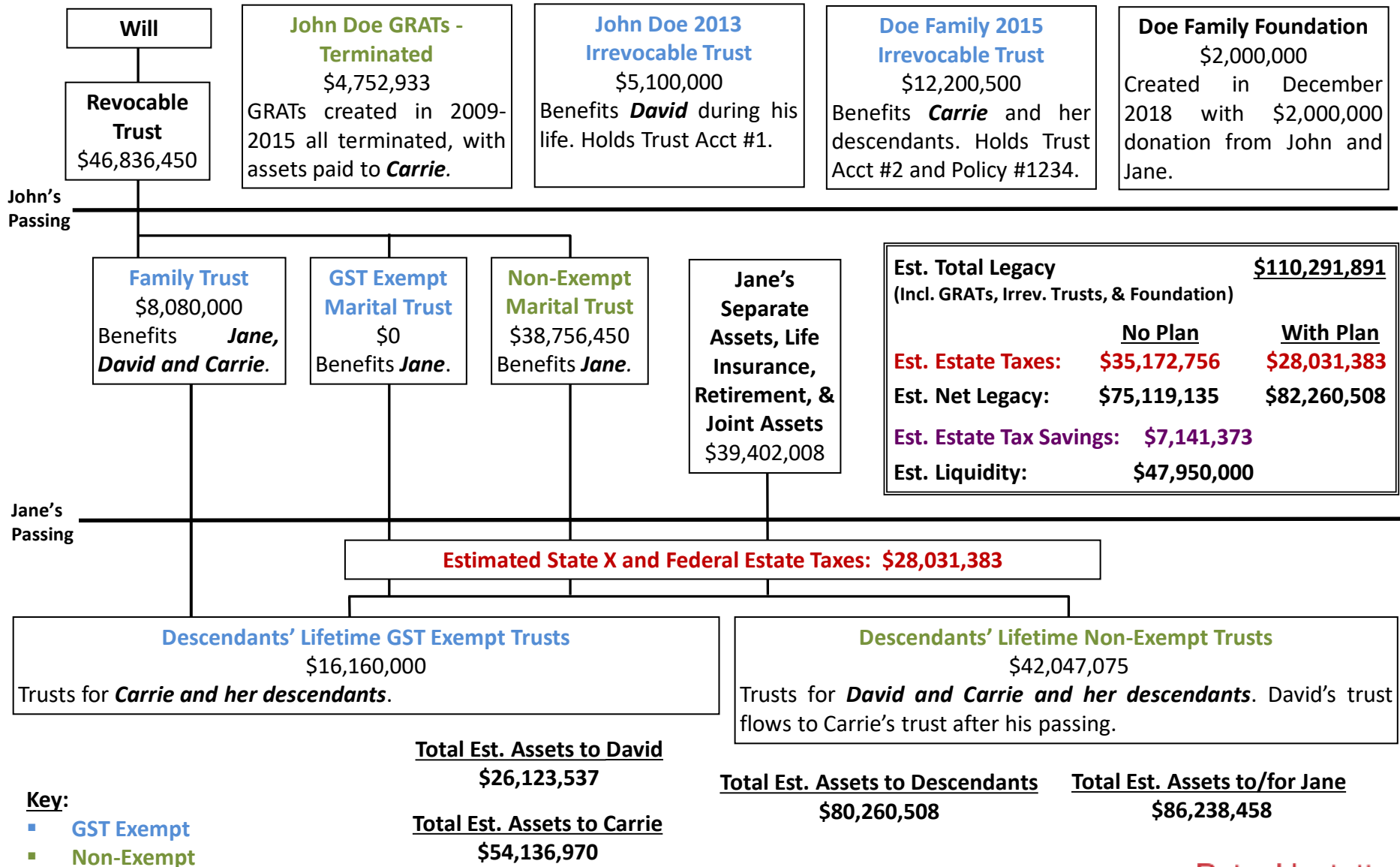


E. AVAILABLE TRANSFER TAX EXEMPTIONS

➤ John	\$8,080,000
➤ Jane	\$8,080,000

Legacy Plan Blueprint – Real Time

As of December 31, 2018



Advanced Legacy Plan - Benchmarking

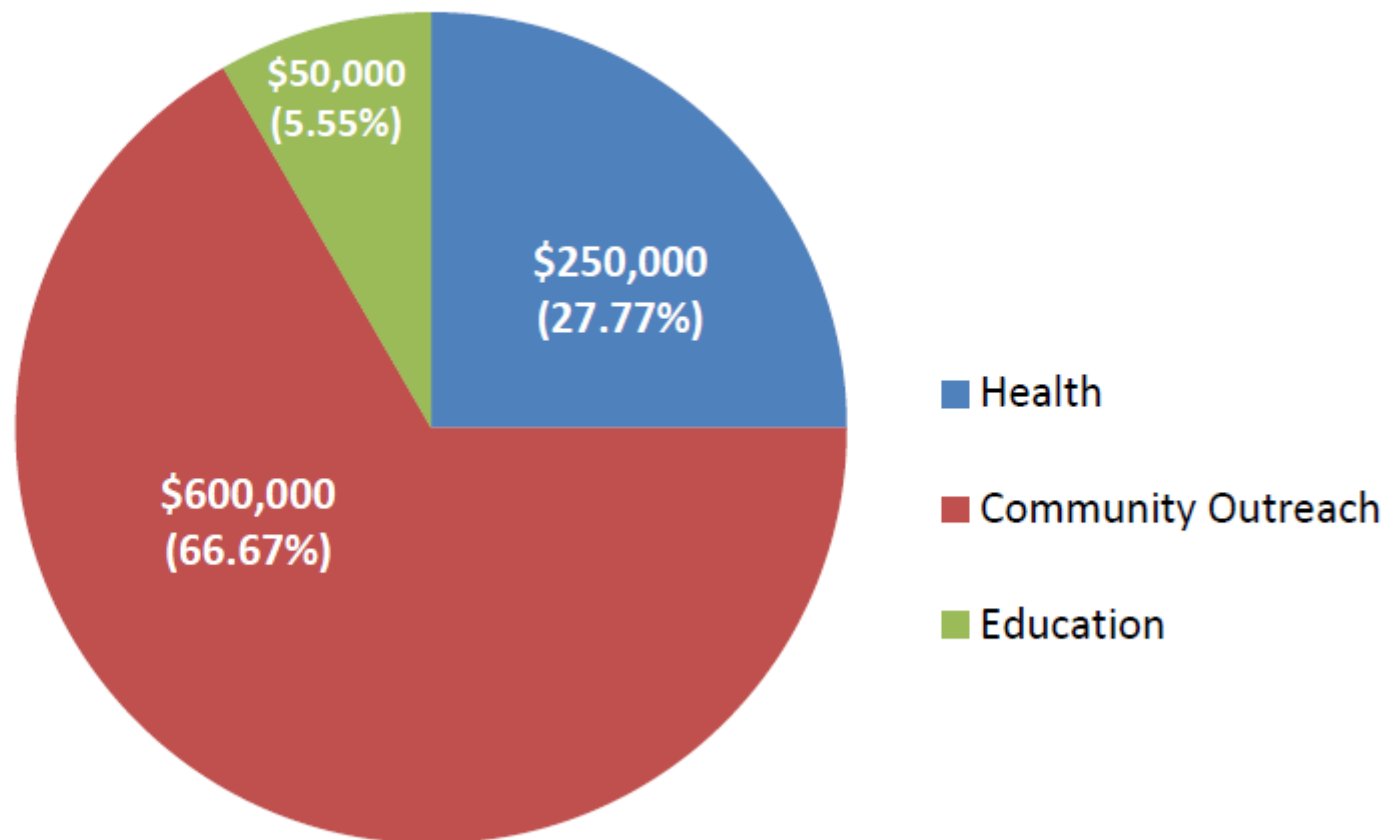
What have we done lately...for our family?

- TOTAL WEALTH TRANSFERRED AS OF 2019: **\$24,153,433**
- TOTAL TRANSFER TAX SAVINGS AS OF 2019: **\$9,661,373**

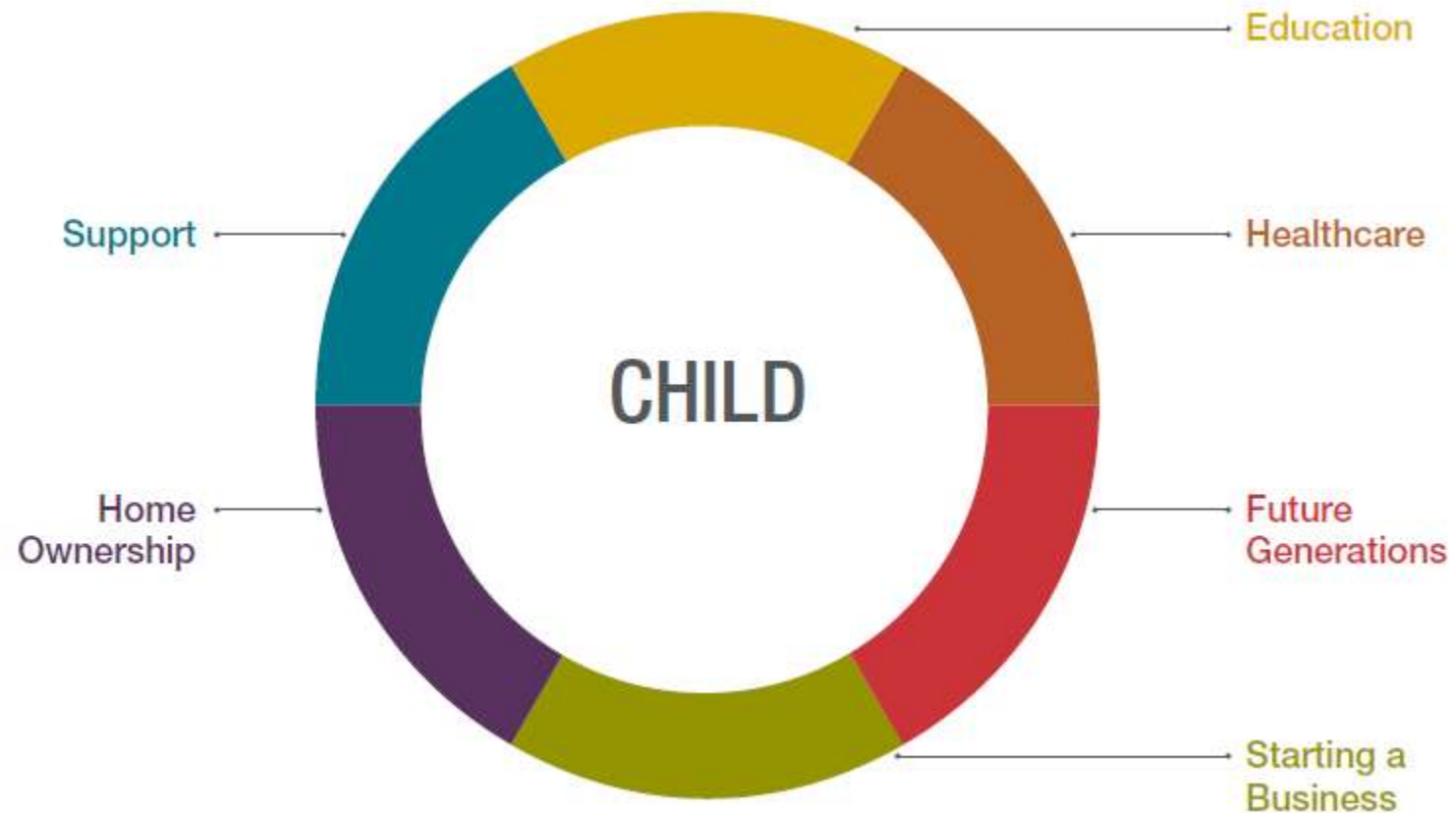
Time value of money matters!

Doe Family Philanthropy – A Snapshot

Aggregate Historical Distributions as of December 31, 2018: \$900,000



Capital Matrix Allocation



Static/Episodic Estate Planning is Dead

- Technology driven real-time legacy management

Our Views:

- Estate planning = Backstop/failsafe/safety net
- Legacy management = Lifetime/dynamic

What Is Needed

- Application of investment management principals
- Proactive management
- Technology
- Data aggregation
- Iterative analyses
- Transparency
- Life-long process

5 Core Elements

1. Quantitative Analysis
2. Proactive Management
3. Integrative Technology
4. Collaborative Planning
5. Post-Closing Support

Post-Closing Action Grid

John Doe 2010-7 GRAT

Action Item	Responsible Party
Report John's gift to 2010-7 GRAT on gift tax return (initially due on/before April 15, 2011)	BH prepares - Rebecca Manicone (Becky) rmanicone@bhlaw.com / 202.861.1694
Report GRAT's income, gains, losses, and deductions annually on John's federal income tax return (initially due on/before April 15, 2011)	CPA prepares - James J. Jones (Jim) jjones@xysacct.com / 555.555.5555
	BH reviews (Becky)
	Jonathan M. Forster (Jon) files, as Trustee jforster@bhlaw.com / 202.861.1684
Pay annuity per GRAT schedule (Year 1 annuity due between December 11, 2011 and March 25, 2012)	Jon pays, as Trustee

What It Costs

- Expense vs. cost
 - Expense viewed as only measure for evaluation
 - But what is real cost of using traditional method?
- Focus on value provided, not just expense
- \$35,000 for:
 - Plan audit
 - Gap analysis
 - Solutions
- Implementation costs vary

Getting Started

1. Determine Legacy IQ
2. Complete data collection intake
3. Identify advisory team

PERSONAL BACKGROUND INFORMATION

- ☐ Clients' full names, addresses, and dates of birth
- ☐ Full names, addresses, and dates of birth for:
 - ☐ Children, grandchildren, great grandchildren
 - ☐ Their spouses, partners, or fiancés(ées)
- ☐ Current employment and employer and/or business positions
- ☐ Completed Legacy IQ questionnaire

ESTATE PLANNING DOCUMENTS (COPIES ONLY)

- ☐ Wills
- ☐ Revocable trust agreements and amendments
- ☐ Financial powers of attorney
- ☐ Health care powers of attorney and living wills
- ☐ Irrevocable trust agreements, if any
- ☐ Pre-nuptial or marital agreements, if any

FINANCIAL INFORMATION

- ☐ Detailed personal net worth statement of all assets and liabilities, including location and ownership
- ☐ Current financial statement for each irrevocable trust
- ☐ Current financial statement for each family entity

DOCUMENTS RELATED TO ASSETS AND LIABILITIES

- ☐ Promissory notes, mortgages, or other loan documentation
- ☐ Deeds for real estate
- ☐ Life insurance policies, beneficiary designations, and any split dollar agreements
- ☐ Retirement accounts and beneficiary designations

FAMILY BUSINESS/INVESTMENT ENTITIES

- ☐ Governing documents (e.g., corporate bylaws, partnership or operating agreements)
- ☐ Any applicable shareholders' or buy-sell agreements
- ☐ Current capitalization tables and organizational charts

TAX RETURNS

- ☐ Recent federal and state income tax returns
- ☐ All federal gift tax returns

CHARITABLE ACTIVITIES

- ☐ Information regarding any annual donations, including amounts and name of charities
- ☐ Charitable pledge agreements
- ☐ Name of donor advised funds, custodians, and values
- ☐ Name of private family foundation, if any
 - ☐ Form 1023 and the IRS letter of recognition of tax-exemption
 - ☐ Foundation bylaws or trust agreement and any related governance documents
 - ☐ Financial statement
 - ☐ Filed Forms 990-PF, "Return of Private Foundation"
 - ☐ Filed state annual reports, if any

CURRENT ADVISORS

- ☐ Names and contact information for:
 - ☐ Investment manager(s) / financial advisor(s)
 - ☐ Accountant(s)
 - ☐ Insurance advisor(s)
 - ☐ Any other important advisors

Biography



Jonathan M. Forster

Partner and Northeast Coordinator, Private Wealth Planning, BakerHostetler

Jonathan M. Forster's private wealth practice is rooted in his extensive background in life insurance, investment management and education. A trusted advisor to leaders in both industries, Jon provides an innovative, proprietary, four-step legacy management system to public company executives, private business owners and their respective families and family offices, designed to assist with the preservation and stewardship of wealth and the development of a legacy. Jon also offers formation and related advice for multi-family offices and single-family offices. He provides strategic and compliance-related representation to numerous family foundations and business planning counsel regarding exit strategies for successful entrepreneurs and retiring public company executives.

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