**Podcast Transcript**

# Legacy Management - A Different Approach to an Age-Old Business

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Rubenking: Today, the estate planning experience is transactional, largely controlled by outside advisors and chiefly document driven, devoid of any data points short of simply saving taxes. FinClar melds together the intersection of financial, tax, and legal data, breathing life into the family's legacy and allowing them to see and assess in real time the impact of various planning opportunities. I'm Randall Rubenking, and you are listening to BakerHosts.

To provide us with insight on the legacy planning application FinClar, we have Jon Forster, a partner in BakerHostetler's Tax Group. Jon is a private wealth attorney in our Washington, D.C. office and the lead attorney for FinClar. Welcome, Jon.

Forster: Thank you. Appreciate being here today.

Rubenking: Jon, why do we talk about legacy management as opposed to estate planning, and what does it mean to be a legacy steward?

Forster: So, I think legacy management is now broadly defined to encompass things like estate planning. And legacy management looks more at the use of capital while the family is alive for funding things like entrepreneurial efforts on behalf of the next generation, assisting with education, maybe on behalf of grandchildren, and things like supporting financially family-shared experiences like maybe trips or family vacations of sorts. And so, I think the definition of what used to be so-called estate planning now falls under a broader definition of legacy management, and successful families are wanting to encapsulate what I just described.

As far as what it means to be a legacy steward, I think somebody like myself, as opposed to being a so-called estate planner, is now providing guidance as to this broader definition and how to manage capital within this concept.

Rubenking: Given that, what should families expect from their legacy advisor?

Forster: I think they should expect more than what they're currently getting. What they're currently getting is really an episodic transactional relationship, and I think with regard to legacy management, again, it is a broader spectrum. I think families should expect a continuum. They should expect a proactive, disciplined cadence to the relationship, and they should expect to iterate until they reach their objectives.

Mastering anything requires iteration, and obviously you never reach perfection, but the fact is that your family facts and goals typically are evolving over time. People as they get older think differently about resources. Children get married, they have children of their own, families relocate from one state to another, all of these things are going on in the background. And if you're working with somebody who just works in an isolated snapshot, you simply can't be directing this kind of traffic. And so, I think what people should expect is a broader long-term relationship.

Rubenking: I see. Well, now I've heard you talk about how tech democratizes data. What exactly are you referring to?

Forster: So, I think what technology has done among many other things has really democratized data. And when I say that, what I mean is data that used to just be in the purview of a professional is now also available to the layperson. So, just by way of example, most people, if they're not feeling well, will immediately jump into the Internet, look at WebMD, and start to see if they can self-diagnose. It doesn't mean they're substituting their judgment for that of a physician, but it does mean that they're going to do some reconnaissance before they get to a doctor, and they may actually mention what they think they have to zero in on what the concern is. And so, that is the democratization of data. Before, when I used to visit a doctor in my youth, there was no way to research what might be ailing me.

And so, I think the same thing will go on with regard to the law. Right now, people can go into a curation system like Google and begin to search for information regarding their legal concern, and then decide what type of lawyer or who they might want to speak with, and then they'll go right into the issue. So, I think what technology does is democratizes data, particularly when it comes to so-called estate planning. If the information is being shared, the family can come to the lawyer and already direct traffic and curate what their questions are. That is what I mean.

Rubenking: I see. Well, from what you said earlier, I gather you frown upon the notion that an estate plan should be a one-shot episodic transactional relationship. Why do you think that? And doesn't it cost more to actively work on this program?

Forster: So, twofold. So, number one as I said earlier, it is very hard to size up a family and their circumstances if you're really thinking more broadly under this umbrella of legacy management in one fell swoop. It is a continuum. The family is constantly changing. As I said before, many people have migrated from North to South, meaning the laws that affect their planning have changed. Many people have kids. Those kids now have kids of their own. Those kids now have spouses of their own, and that's changed the entire family dynamic. As a result, if you're not regularly visiting and revisiting the planning, it would be hard to capture all these evolutions. And so, I believe you have to iterate in order to get to where your goal is.

And then the second part of your question, doesn't it cost more to actively work on this program? Well, to me, that is a real question. Does it cost more, or does it cost less? And the answer to my mind is it costs far less because when families that are successful miss an opportunity or miss an important fact, then there is a huge cost and a toll taken on that family. So, by way of example, if a family doesn't change its plan to accommodate maybe a marriage or accommodate a grandchild, or accommodate a change in the tax code, that could be a huge problem for the family. It could also mean a missed opportunity. And so, to my mind, that is the hidden cost of not doing proper planning. And so, I think it costs more to do episodic transactional planning in the long term. Maybe in the short term it seems to cost more, but I believe the costs are greater to those families who simply ignore these issues or don't see them.

Rubenking: Alright, then tell us in your experience, what keeps successful families up at night? Is it something like avoiding taxes?

Forster: So interestingly enough, most successful families are not kept up at night by tax mitigation. They certainly expect you to optimize the financial outcome best you can given the circumstances. But what really keeps them awake at night is whether or not their children's lives will be disrupted by these resources, whether or not their children will no longer be independent, whether they'll decide not to choose being ambitious over being sedentary. And so, the concern is that families will impose their will using these finances to get certain outcomes. And so, as a result, what keeps families up at night is not tax mitigation but actually producing independent individuals who seek to follow their ambitions and their passions. A completely different outcome than most families are planning for and most lawyers are equipped to assist with.

Rubenking: Okay. What is the so-called hidden value in the estate planning process?

Forster: Again, circling back, to me, the hidden value is if you're looking to optimize a financial outcome, and you're looking to optimize the ability to transmit both your resources and your family's core values and maybe even their traditions, then using the quote legacy management process will yield a far better outcome than doing episodic transactional estate planning. You'll simply miss opportunities. You'll miss the evolutionary changes in your family dynamics and your capital and even your own views about your family resources. And so, the hidden value is capitalizing on those items.

And maybe even more important, when you look at the time spent in investment management discussions with investment teams versus time spent with a so-called estate planning attorney, the time is astronomically in favor of investment management. And the fact is that optimizing the items I'm speaking to, family cohesion, tax outcomes, those will produce a far greater financial outcome, in all likelihood, than even the best investment management, unless you happen to stumble onto some unicorn investment. And the likelihood of that is pretty low. So, I think the hidden value is yielded by looking at this broader definition and number two, having a discipline proactive cadence to managing your legacy.

Rubenking: Well, thank you, Jon. Thanks for joining us today.

Forster: Thank you and thank you for having me. I really appreciate the time.

Rubenking: If you have any questions for Jon, his contact information is in the show notes. As always, thanks for listening to BakerHosts.

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