

Bucket List Estate Planning

An Accountant's Perspective

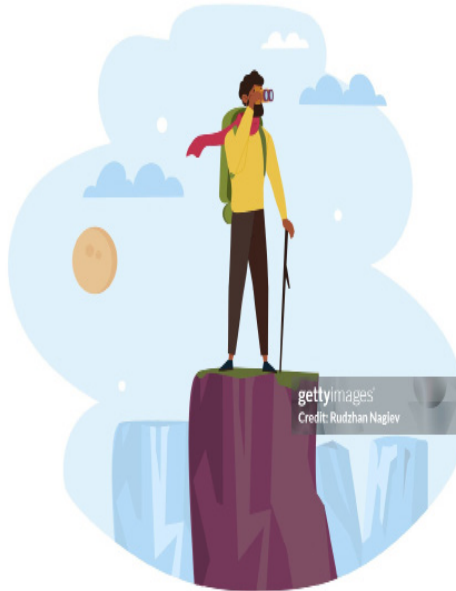
Estate planning should be an essential part of every individual's overall financial planning. It helps protect and preserve one's assets as well as ensure that their wishes are followed and that loved ones are taken care of after they pass away. However, traditional estate planning often focuses solely on transferring assets to beneficiaries and minimizing tax liability, leaving out other important considerations. In this article, we will discuss an accountant's approach to estate planning that we'll call "bucket list estate planning." This type of planning accounts for financial and personal and emotional goals.

Warren Buffett is known for saying, "You should write your obituary and figure out how to live up to it." Our experience is that too many folks work hard and invest toward a comfortable retirement (maybe also toward future support of family members or charities), but without specific financial goals to define what "comfortable retirement" means to them.

When we ask clients their thoughts on what they view as the purpose of their money, they often don't know—despite this being an important part of financial planning for anyone. Once they engage in planning for that purpose, we find answers all over the place, from, "I want to bounce my last check" (meaning their purpose is to cover the costs of their life only), to "I want to leave a legacy (usually a large amount of money) for my family and/or charity" (but the amount of that legacy is often undefined).

To begin this planning process we need the same information that we would need for any estate planning engagement, namely an inventory of assets (including life insurance details) and liabilities (to estimate the taxable estate); a list of beneficiaries with an intention of how much each is to receive (if anything); and whether there is an intention to enter into more advanced estate planning (known as "legacy planning" for very wealthy clients).

"Retirement projections" are the "old fashioned" (but useful) opposite of bucket list



planning. Those projections take the current net worth, add the future additions with a rate of return and an inflation component to come to what the "end of the plan"—how much is left at the end—looks like. You can read more about this in my article, "Financing the Future" (https://mbacpas.com/wp-content/uploads/2018/06/CalCPA_Financing_The_Future.pdf).

If we can define our "end of life" financial goals, we can work backwards to determine how much we need to invest and/or protect to meet those goals. This is part of bucket list estate planning.

The other part involves defining life goals, what someone wants to do between now and the end. Does the client want to ride a gondola in Venice (maybe not so exotic) or fly a private jet (a bit more exotic!).

The best way to approach the bucket list is to sit with pen and paper and let your mind wander with the question of "what might be anything and everything that you might want to do between now and the end?"

For spouses and significant others, we suggest that each person make their own list of both desired experiences as well as financial goals of family or charitable support. After a few attempts at listing potential desires, it's

time to prioritize this list. Once finished the final step is to compare your list with your significant other's. Some of the top goals might appear on both lists; if so, those are likely to be the highest joint priority. Others could be very high on one list while not appearing on the other. The time has come to discuss whether each of these priorities will be shared or experienced alone.

The next step is to put estimated costs to the goals, which can often change the retirement projections. In the case of those with excess wealth, this is often a very freeing time. It points to a priority regarding enjoying the wealth that has been created. So often I hear that people have never thought about the purpose of their money or how it can give them more joy.

Once you have the list(s), it's implementation time. Some items may need legal support; some will need travel agent or similar support. Tax planning (both income tax and estate tax planning) for implementation will involve the CPA. These plans are not set in concrete and should be reviewed periodically for changes and to ensure that they are being implemented or adjusted based on later priorities.

Bucket list estate planning is a planning strategy from an accountant's standpoint. It's a holistic approach that considers the financial aspects of estate planning as well as personal goals and values.

As an accountant, it is crucial to help clients incorporate their unique objectives into their estate plan to ensure a fulfilling legacy that aligns with their personal goals and life's purpose. By doing so, we can help our clients enjoy their wealth—and possibly leave a meaningful legacy while providing financial security for their loved ones. **CPA**

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