

Investing in The Big Picture

The Million Dollar Question

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Several years ago, I met with two of the estate planning attorneys in a significant law firm. I asked them what percentage of their recommendations clients actually implement.

The younger attorney said, "Oh, they implement 100%."

I said, "Let me rephrase that a little. I assume you are referring to wills, living trusts, durable powers of attorney and health care directives, but what about the more complex planning strategies like a:

Family Limited Partnership (FLP),
Limited Liability Company (LLC),
Intentionally Defective Grantor Trust (IDGT),
Private Annuity,
Grantor Retained Annuity Trust (GRAT),
Charitable Remainder Trust (CRT), and
Charitable Lead Trust (CLT), etc.?"

The older attorney then spoke up and said, "We may only get clients to implement about 20% of those recommendations."

I then said, "What if you could change that to 80%?"

The older attorney said, "That would change the way we do business!"

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This was very revealing.

I asked, "Do you ever ask your clients if they would like to give anything to charity to reduce their estate taxes and, if so, how do you ask them?"

They said, "Yes we do, every time we have a client with a larger estate."

The older attorney said, "We ask them if they would like to give anything to charity to reduce their taxes?"

I then asked, "What do they usually say?"

"Common answers include, 'We give a lot to charity now, charity begins at home, and we really want it to go to our kids.'"

"Interesting," I said, "what if you changed your question?"

They said, "What do you mean?"

"What if you asked the question this way?" I said. "What if I told you that the Federal Government gives you a choice between paying your taxes to them to support the general welfare of this country or instead to your favorite charities and nonprofits, would you have a preference?"

The older attorney said, "Asked that way, very few would ever say I want it to go to the government."

"You are right. I did have one client say he wanted the taxes to go to the government. He was the owner of a large real estate development and management company."

My client said, "The government has been very good to me by allowing me to borrow against my properties tax free and depreciate the buildings over the years to reduce my income tax liabilities on the rental income and other income I received."

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His wife sitting right next to him said, "Honey, don't you think we have paid enough in taxes over the years? I would like for some of our estate taxes or other taxes we have to pay to go to our favorite charities as long as it doesn't take anything away from our children."

I said, "I understand both of you. Your estate plan can be designed in such a way that it can accomplish each of your goals."

"How is that possible?" asked the husband.

I said, "I can design your estate to pay as much in taxes as you want to pay while providing for your charities and nonprofits. I can also provide more to your children than they would have received without using charity."

The couple nodded and smiled.

Precisely, that's why we call this, "The Million Dollar Question." You see clients really do have a choice. They can either direct owed money to the government through what I call "Involuntary Philanthropy" or they can direct that money to the social causes they choose through "Voluntary Philanthropy."

This story reveals why I love working with my clients and their professional advisors.

This collaboration is one example of how we can literally change the way people think about what they are really trying to accomplish and gain absolute clarity on what they want to do with their remaining time, unique talents and accumulated treasure.

In some cases, it's possible to pass the entire value of your estate on to your children without paying any estate taxes.

Most people don't understand the difference between ownership and control.

Keep in mind you are taxed on ownership but when properly planned not on control.

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And if you are interested in learning more about estate planning or investing, I would be happy to send you two of my others articles:

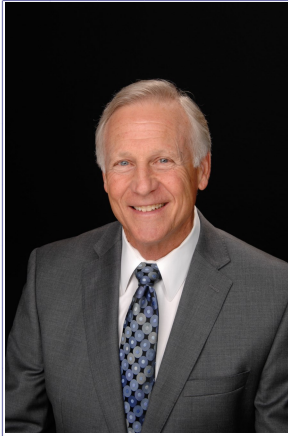
“Put Your Own Mask on First,” and

“Income Allocation Plus Asset Allocation.”

Just email or call me on my direct line below with no obligation.

In the meantime, be well and stay well.

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Ross F. Hoffman, President/CEO

Hoffman & Associates, Financial & Estate Advisors, Inc.

Ross F. Hoffman is President and Chief Executive Officer of Hoffman & Associates, Estate & Financial Advisors, Inc. He has over 40 years of professional experience in financial, estate, and investment advising. Ross believes everyone should have the opportunity, the freedom and the best information to decide what estate, retirement, and business transition plans work best for them. He has also written articles on these topics.

Ross has earned the most respected professional designations, including Accredited Wealth Management Advisor (AWMA), Accredited Investment Fiduciary (AIF®), Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), and Chartered Life Underwriter (CLU). He earned his undergraduate degree from UCLA, attended the U.S. Army School of Finance, and the Center of Fiduciary Studies at the University of Pittsburgh.

Ross is an accomplished speaker. He has lectured on Family Wealth Counseling, Evidence Based Investing, Exit Planning, creative uses of life insurance, charitable estate planning to professional groups including the Ventura County Bar Association and the Santa Barbara CPA/Law Society; and has taught estate and gift tax planning.

He is a former co-host of the weekly internet radio show “Conscious Investing,” and was in “Navigating the Fog of Investing,” a documentary film on the investment industry.

Ross is a prior member of Vistage (formerly TEC), an organization for CEOs, for over 25 years. They presented him the “Widest Range of Knowledge Award” as a Vistage member.

His community involvement has included Vice Chairman and Cabinet member of the Ventura County United Way, Technical Advisory Committee member for the Ventura County Community Foundation, Deferred Giving Board member for the Ventura County Medical Center, Board member of the American Lung Association, Board member of the Ventura County Planned Giving Council, Deferred Giving Committee member for the Boy Scouts of America and a past member of the Estate Planning Council. Ross was on the Board of Segue, a nonprofit, dedicated to keeping kids in school and helping them develop career paths.

Ross’s outside interests include golf, daily workouts and time with his family. He also wrote **Back And Better, 37 Rapid Recovery Exercises I Use When Injured or Bedridden.**

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