

A MATTER OF TRUST

Betty and her husband, Ralph, were among my first tax clients. Betty was quite content to let Ralph handle all tax and financial matters. So Betty was somewhat lost when Ralph passed away.

Betty and I sat down one day to start the process of financial planning for widowhood. She was in her early 60s and had just one overriding concern: Whom could she trust to help her stay financially secure through an anticipated long retirement.

Ralph had done his part. He had purchased a life insurance policy that ensured Betty would not be financially devastated by his demise. Betty also had some blue chip stocks that she had inherited. As far as resources were concerned, Betty was in good shape. Our task was make sure things stayed that way.

Our first order of business was to propose and settle on an investment strategy. This wasn't difficult. Betty was very risk averse and, in this situation, so were we. We invested the life insurance money and other liquid assets in vehicles that would control risk while paying out interest and dividends for income.

We decided not to liquidate any of her blue chip stocks. Such liquidations would have had tax consequences. Also, holding those stocks would add some risk to the overall portfolio to offset the abundance of caution with her other investments. But mainly, she just didn't need the money. And leaving those stocks to her children would result in basis stepups and no taxes if the children were to sell them.

We next turned to estate planning. It appeared that Betty's three children, given choices, would not have selected one another as siblings. Betty needed an ironclad estate plan that would minimize the chances of the siblings becoming embroiled in lawsuits against each other. But whom could she trust to create such an estate plan?

She accepted our recommendation and we met with Deacon Haymond. He listened carefully to her concerns and created the estate plan that addressed those concerns. Because I knew Betty better than Deacon would know her even after a couple meetings, I sat in on the meetings to help Betty articulate her needs and fears.

Having completed the estate planning phase of the plan, we turned to long term care insurance. Betty already had LTC insurance; Ralph had arranged it years before. But it was an old policy and Betty didn't understand it. (BTW, Betty had the means to self-insure, but wanted to make sure that she could leave something to her children and grandchildren.) So we arranged a meeting with our LTC insurance agent, Rod Dale. He reviewed the plan, explained it in detail to Betty, told her it was a very good plan, and suggested that she not change it.

I looked over at Betty and said, "Ralph is taking good care of you."

"Yes, he is," she responded.

The present tense was intentional. Good planning bears fruit for decades.

But the biggest challenge was yet to come: Getting Betty to start spending her money.