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Don't die rich?

Forget about leaving a big inheritance, says an emerging school of financial planning thought. Money is best used while you're alive to see the benefits.

Members of the baby-boom generation presently control about $88 trillion, according to online resource *Investopedia*. This unprecedented amount of wealth has focused attention on inheritance planning. It has also stimulated a thought-provoking counterattack.

One example is a 2020 book by hedge fund manager Bill Perkins, "Die With Zero, Getting All You Can From Your Money and Your Life." Perkins argues against long-term financial hoarding, in favor of a balance that includes enjoying life experiences while one can. "Yes, I want you to plan for your future—but never in such a way that you forget to enjoy the present. We all get one ride on this roller coaster of life. Let's start thinking about how to make it the most exciting, exhilarating and satisfying ride it can be."

Longer lives, delayed inheritances

What inheritance used to be, primarily, was the transfer of the means to make a living or run a household—farms, mechanics' tools, the family silver—from one generation to the next. Because people didn't live nearly as long in centuries past, these transfers often occurred while the heirs were still in their 20s or 30s.

Today most parents provide their offspring with the means to make a living in other ways—typically, by putting the children through college. Remaining family wealth is likely to consist of investment portfolios, retirement accounts and other financial assets.



Because of lengthening life expectancies, these parental assets often are not inherited by the children until the children themselves are on the verge of retirement.

Putting wealth to work

What's needed, say advocates of spending the fortune before death, is a new approach.

1. Enjoy it yourself. The first beneficiary of your wealth should be you. Have unique experiences while you are still healthy enough to enjoy them. Breaking a lifetime habit of thrift is an emotional adjustment that can be difficult, but it is necessary. Make the most of the time you still have.

Besides, you can enjoy your wealth in ways that your family can share. Take the whole family on a trip to Europe. Acquire a vacation hideaway that the whole family can use. Memories of grand tours and good times are legacies that the IRS cannot tax.

2. Start spreading the wealth now. Even modest financial transfers to your potential heirs in the near future, while you're around to see the results, may prove more worthwhile than large inheritances in the more distant future. Up to $19,000 may be given to as many heirs as you wish without the need for filing a federal gift tax return.

You might build education funds for the grandchildren. Investment accounts can be created under the gifts to minors statutes. On a larger scale, you might create trusteed investment accounts.

In a recent interview, Mr. Perkins revealed that he had created trusts for each of his children. How large? He hedged by saying, "Think of the cost of a house today, about two to three houses' worth." When do his kids get the money? A small portion will be distributed at age 21 to get them started on learning how to handle it. The rest will arrive at age 30, a time of their lives when he expects their inheritance will be the most beneficial.



Obviously, family gifts should be limited by an awareness that "die with zero" is not to be taken literally. You'll want to retain enough to live on, to deal with emergencies, and to meet special needs, such as long-term nursing home care. How much retained wealth is enough? That's up to you, and it's an intensely personal decision.

3. Think philanthropically. Any trust may provide benefits to a charity. However, to secure income, estate, or gift tax benefits, such a trust must be irrevocable, and it must meet certain other tax code requirements.

Charitable trusts are often "split interest" trusts, that is, they have both charitable and private beneficiaries. In a *charitable lead trust,* for example, the income from the trust goes to a designated charity for a set period of time. When the trust ends, the remaining trust assets pass to private beneficiaries. A federal gift tax will be assessed when such a trust is funded, but it will be discounted to reflect the income interest given to the charity and the delay for the transfer to the private beneficiaries. The transfer tax cost of keeping assets in the family is thus reduced.

A *charitable remainder trust* is the mirror image of the charitable lead trust. Here, the private beneficiary or beneficiaries receive the trust income, either for life or for a set number of years. The income interest must be expressed as either a fixed dollar amount (annuity interest) or a fixed percentage of the value of the trust assets, determined annually (unitrust interest). With a unitrust approach, the income received by the private beneficiary may rise over time, as the value of the trust assets grows. However, the income may fall should the economy falter. The annuity interest, in contrast, provides a specific income that the beneficiary may rely upon regardless of the changes in the economic weather. When the trust ends, the remaining assets pass to a designated charity.

Part of the value of the assets placed in a charitable remainder trust qualifies for an income tax charitable deduction. If the assets have appreciated in value, generally the trustee can sell without incurring income tax on the capital gain, allowing the full proceeds to be reinvested. Many donors find that they can enhance their retirement incomes by "donating their gains" in this fashion. (You may also designate your spouse to receive lifetime payments from your charitable remainder trust if he or she survives you. That move will reduce the current charitable donation deduction.)

Bottom line

The "die-relatively-broke" school of financial thought isn't for everyone, but its underlying philosophy has considerable appeal. Money is best used while its owner is alive to see the benefits.

Like to consider the possibilities in terms of your own family picture? Our financial planning experience is at your service. Call on us.

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A will review might have avoided this problem

Paul and his son, Carl, were equal partners in the Meyers and James Construction Company ("the Company"). In 2012, Paul and his wife, Cathy, executed their wills and a trust agreement. The wills provided that their property passed to a trust after their deaths. The trust gave Paul's entire interest in the Company to Carl, and the balance of the trust assets was to be split equally between Carl and his two sisters, Teresa and Lora. Carl's one-third share was not reduced by the bequest of the interest in the Company.

In 2017, Paul and Carl entered into a stock purchase agreement. Carl gave his father $50,616 in cash and a note for $323,883, and thus became the sole owner of the Company. He also provided a security interest in the Company to back the note. Three years later Paul died, and his wife, Cathy, died a few months after that.

Carl, Teresa, and Lora became co-trustees of the trust, but Lora resigned that position after a disagreement developed. Carl believed that he had no obligation to pay the note, that it should be extinguished. After all, that would fulfill the testators' desires as expressed in the 2012 will. That would have been the result had Carl not purchased the stock early.

Lora disagreed. The note is not the same as the Company, it is a trust asset to which she had a one-third claim. When Teresa and Carl executed a document forgiving the note, Lora filed suit.

Ademption

What happens when a will makes a specific bequest of identifiable property, but that property is no longer in the estate when the testator dies? The bequest is *adeemed*. That is, it disappears entirely. In general, there is no substitute for the bequest. If the property was sold before death, the heir does *not* get the proceeds of the sale as a substitute bequest.

That is what happened when Carl bought the Company—he removed the asset from his father's future estate. The court ruled that Lora was correct, and she is entitled to her share of the note. The only effect that the trust provision had with respect to the bequest of the Company was that the security interest was canceled.

Breach of trust

What happens when a trustee takes an action that benefits himself or herself at the expense of other trust beneficiaries? That is a violation of the trustee's fiduciary duty; it is a breach of the trust. The court ordered that Teresa and Carl be removed as trustees because of their breach of fiduciary duty, and the supervision and management of the trust was transferred to a bank. What's more, the court awarded attorney's fees of nearly $40,000 to be paid to Lora for her trouble, shared equally between Carl and Teresa.

Lessons

It is the rare will that is "one and done." Will review should be a regular routine, to take into account changing family circumstances and family fortunes.

In this case, the will and trust should have been amended at the time of the sale of stock to Carl. The trust could have forgiven the note. The note itself could have had a provision that it would be extinguished if not paid before Paul's death. Or the trust might have explicitly provided for the children to share the note proceeds, which turned out to be the result. None of these actions were taken. If they had been, the family fight, the delay in settling the estate, and the attorney's fees for the lawsuits would have been avoided.

An ounce of prevention may be worth a pound of cure.



Early termination

A *charitable lead annuity trust* is an irrevocable trust arrangement that pays a stated dollar amount to a charity for a fixed number of years. At the end of the trust term, the assets pass to a private beneficiary. The transfer of the remainder is a taxable gift, but the taxable value is reduced to reflect the amount of time until the remainder interest vests. This strategy can achieve philanthropic objectives while keeping the underlying assets in the family.

Ten years ago, Grantor created just such a trust for a 20-year term. The trust paid an annuity to an independently operated donor-advised fund. However, the value of the trust assets has grown far greater than anticipated when the trust was set up. The trustee, who is the sole remainder beneficiary, proposes to accelerate the next ten payments to the donor-advised fund, paying the full amount without discount. The fund is all in favor of the arrangement, as it will devote those funds to charitable purposes. Once the payments are made, the trust will terminate, and the beneficiary will receive the remaining trust assets.

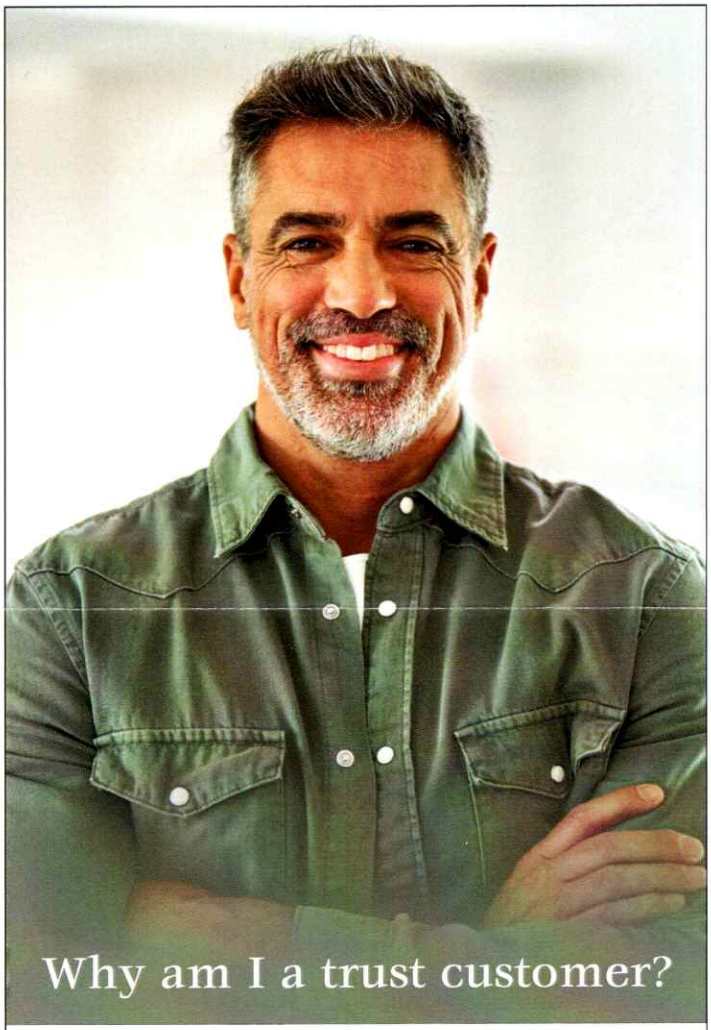
The trustee, worried about adverse tax consequences, asked the IRS to rule on whether the arrangement might be treated as self-dealing, as a taxable expenditure, or if there might be a tax upon the trust termination. In private advice, the Service ruled that there will be no tax problem.

A push for more IRAs

The Individual Retirement Account was created by Congress in 1974 as part of the ERISA regulation of private retirement plans. The IRA was initially made available only to those not covered by an employer's retirement plan, but it was made universally available in 1981 to anyone with earned income. About 44% of all U.S. households now have an IRA.

In a push to promote IRA savings more broadly, President Trump signed an executive order on April 30, 2026, for the creation of a new website that will simplify setting up an account. The new website, TrumpIRA.gov, is to be in operation on January 1, 2027. Workers with income of up to $35,000 will be eligible for a $1,000 matching contribution from the government under the Saver's Match established by the SECURE 2.0 legislation. These accounts will have low administrative fees, no minimum contribution or balance requirements, and will offer a menu of investment choices similar to those available to federal workers. The stated goal is to make IRAs more easily available to workers in small businesses, part-time workers, independent contractors, and self-employed workers who face unnecessary barriers to saving for retirement.

The executive order also directs the Secretary of the Treasury to work with Congress on legislation that codifies the policies set forth.



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