Philanthropy: The Tie that Binds

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What's keeping you up at night? This question (or some variation of it) is a common way for an estate planning professional to break the ice with a new client. The answers reveal an overlapping and perhaps surprising pattern. No, the typical worry is not a vendor relationship for the client's business, an estate planning technique, high taxes or rising interest rates. Rather, the most frequent answer is that clients are worried about their most precious asset - their kids. This concern transcends all wealth levels. Parents worry about whom their kids' friends are, or a child struggling at school or possibly even battling substance abuse. Parents worry about not being able to pass on the unique values and stories of their family. Parents worry about connecting with their kids and grandkids in a world where many of us now connect using 140 characters or less. Of course, these are all complex issues, and surely, estate planners cannot solve these problems through a well-drafted document. However, thoughtful planners can help the family engage in a process that can ignite their collective passion and can help build bridges among generations. The vehicle for this process is philanthropy.

Philanthropy (or charity) may mean different things for different families, but in all events, it is a good idea to start teaching kids about charity early in their life by modeling charitable behaviors. For younger kids, parents can begin to teach their kids about charity and financial responsibility by making an agreement that a weekly allowance be split three ways: spending, savings and charity. Once sufficient funds have been set aside in the charity bucket, children can personally make a donation of "their" money and experience the fulfillment of altruism and outreach. Giving, however, is only part of the equation. The other part involves action, which includes participating in community events and taking the time to teach your kids about the sponsoring organization and why it exists. This creates an opportunity to discuss a problem in the world (disease, hunger, illiteracy or abuse) that requires thoughtful attention and assistance.

As kids mature into adolescence and adulthood, charity provides the opportunity to discuss which causes are important to the family. Parents and kids can serve on a committee together, work at a food kitchen or organize an event. The family can discuss an organization's governance, its programs, and its finances. What does the charity do well and what can it do better? How can we make an impact and improve our community? The lessons are valuable and can last a lifetime.

Some families choose to create their own charitable vehicles – such as a donor advised fund or a private foundation. These charitable vehicles create an important opportunity to get the next generation involved at a young age. Many times a foundation is not funded until the death of the first generation. This is a pity, because the next generation loses the benefit of the earlier generation's counsel and experience. Why not start the process now? Whatever form philanthropy takes in your particular family, the goal is to use the family's charitable aspirations as a way to engage your kids in a meaningful conversation about what matters most in their life. Instead of just telling your kids that unfortunately there are people in the world that have it much worse, actually show them, listen to them and interact with them to address how to make it better. This will help build a stronger family bond and give the younger generation a sense of purpose and belonging.

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In Palm Beach County, a group of thoughtful and well-credentialed professionals have gathered recently to form an organization called Advisors for Philanthropic Impact (API). The mission of API is to inspire and assist donors in creating and implementing their philanthropic legacy through education and collaboration among a network of multi-disciplinary professional advisors. The group includes attorneys, accountants, wealth advisors, insurance and non-profit professionals all collaborating together. API is focused on creating a charitably minded community here in Palm Beach County. One of the lead initiatives of the group is to bring a curriculum about philanthropy to our local schools and other professionals. API believes that the concept of charity should be taught in our community both at home and at schools. The curriculum includes understanding the role of the charitable sector in our economy, evaluating a charity's mission and the programs it administers, reviewing corporate governance, and analyzing financial statements to see if an organization is efficient with its funds. API believes that its members have unique skills to bring this initiative forward for the long-term betterment of our community.

Our kids will probably always keep us up at night, but perhaps sleep will arrive a little easier if we have the comfort of knowing that we are raising charitably minded children with a moral compass who express gratitude about their place in the world. Philanthropy can help us accomplish this important goal. ■

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and Trust Law Section last year established a subcommittee to look into this issue. Chaired by Larry Miller, Esq., of Boca Raton, the Committee is exploring various proposals that would expand the legal rights of ART children.

But no matter what the "default" provisions of the laws provide, now or in the future, you have the opportunity to override those provisions by clearly expressing your desires in your Will, Trust or other documents. The topic of ART should be on the checklist of items you discuss with your estate planning team during the early stages of the planning process. ■

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families. If the proposed Florida legislation is enacted, FTCs will provide a platform for families to consolidate family office services and fiduciary services under a single integrated umbrella. FTCs will allow families to draw upon the expertise of family advisors to serve in expanded fiduciary roles while receiving the liability protection afforded by the "corporate shield" of an FTC. Florida FTC legislation would also enable Florida to compete for high-paying family office jobs currently serviced in jurisdictions that offer already statutory FTCs. Many non-Florida FTCs would relocate to Florida if the Florida Legislature enacts this important legislation.

FTCs aren't for all families. The formation of FTCs requires sophisticated planning to navigate income tax considerations, gift and estate tax issues as well as securities law issues and state regulatory minefields. FTCs are relatively costly to form and maintain. FTCs will be required to maintain a physical office in Florida, maintain minimum equity of $250,000 for FTCs that serve a single family and $350,000 for FTCs that serve two families. In addition, Florida FTCs will be required to purchase fidelity bonds and errors and omissions insurance policies to protect against the acts of its officers, directors, managers and employees. FTCs are required to submit formal applications at a cost of up to $10,000 and disclose detailed background information about FTC officers, directors and other management personnel. Finally, FTCs are required to submit annual certifications evidencing compliance with various operational requirements and must submit to periodic examinations by Florida's Office of Financial Regulation.

Notwithstanding the myriad issues which must be attended to in connection with the formation and maintenance of an FTC, these vehicles will address a growing number of important concerns for ultra-wealthy families and provide an opportunity for Florida to attract significant numbers of high-paying jobs. The proposed Florida FTC legislation is a win-win for the State of Florida and its residents. ■

A NURSE'S VIEW

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share with others that come my way a nurse's view of good estate planning.

When I started working in home health, it was rare to take care of someone in their home over the age of 100. I now care for many wonderful people with whom we have celebrated their 100th birthdays. The reality is that the number of people living to 100 years of age or greater has more than tripled in the past 20 years. That means if you retire at 65, you may have 30 years or more to live on an income comprised only of savings and social security.

Many of us understand that we will be living longer and have planned for that. But few of us dare to think of ourselves as aged and debilitated and needing help. We see only an older version of our independent selves. In nursing terms, that is called denial, and it can cause our plans for aging gracefully to fall far short of our goal. Caring for ourselves now must include a plan to care for ourselves in the future.

Just like the couple I mentioned above, even though we are living longer, certain chronic problems with aging persist, such as arthritis, diabetes, osteoporosis, and senile dementia or Alzheimer's. These problems result in an inability to care for ourselves throughout our now-extended life. Long-term care refers to the care we need to plan on for these daily self-care needs that could exist for many years. If we need help, it usually takes place in one of three places – a nursing home, an assisted living facility, or private-duty health care in your own home. The cost of this potential need is one which is often overlooked in estate planning because we all hope to remain independent for the remainder of our lives. True independence comes from planning for the probability of these needs and being prepared for them.

What are the potential costs of long term care?

1. For constant medical care in a nursing facility, the average cost for a private room is $6,965 per month, or $83,580 per year.

2. The U.S. Department of Health and Human Services estimates the average cost for a one-room unit in an assisted living facility at $39,516 per year. Rates might be slightly higher in this area. In assisted living, you live in your room and receive help with meals and housekeeping. Personal care for bathing, dressing, and help with medications could be additional.

3. If you would like to remain at home, the average cost per hour for a home health aide (per the U.S. Department of Health and Human Services) is $21 per hour. In this area, you will find the rates slightly less, usually ranging from $18 - $20 per hour. If you needed a home health aide for 8 hours per day, 7 days per week, at an average of $19 per hour, the cost would be $51,072 per year. Live-in assistance could be less expensive.

What are our options? Plan, plan, plan. Talk to your estate planner about the costs for long-term care and include them in cash flow projections. Factor in how much assistance family members may or may not provide. Do your research regarding specialty long-term health care insurance that does cover long-term care at home or in a facility. Most importantly, ask many questions. Remember to check on whether the policy has an inflation rider. A benefit of $150 per day sounds adequate today, but how far will $150 go 10 years from now? Definitely compare ratings of insurance companies. In closing, from a nursing point of view, take care of your health now. That might be the best insurance possible. ■

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