



Planning for the Unthinkable

Strategies to lessen the burden of an untimely death

While it's natural to avoid thinking about our own mortality, taking proactive steps today can bring peace of mind and lessen the burden on our loved ones in the future. Planning for the unexpected, especially in the case of an untimely death, can ensure that our spouse and family are better equipped to handle the challenges that arise. Embracing this planning process is not only an act of love and foresight that can help safeguard the financial stability and emotional well-being of those we care about most, but can also be a chance to reflect on and celebrate our own life and our time together with our spouse.

Settling a sizeable and complex estate can be daunting in the best of times and overwhelming following the sudden death of a loved one.

It is emotional, time consuming and expensive for a couple to define their financial and healthcare wishes, formalize them in their estate planning documents and communicate them to their family. On the other hand, not doing so is much worse, and can leave an intense and often overwhelming burden on those left behind. Substantial wealth magnifies the challenges that arise from death and the need for the surviving family members to be prepared, not only for the checklist of often onerous to-dos after a loved one passes away but also to take over the activities previously done by the now deceased.

We were inspired to write this paper following the unexpected passing of a retired private equity executive in his late 50s leaving behind a wife and young adult children.

As with many couples who for one reason or another end up dividing responsibilities, one spouse (in this case the husband) had the primary responsibility for handling the family's financial affairs, including managing investments and paying bills. As in many other families, the less-involved spouse had a general idea of their financial affairs but played little active role in their oversight. Often, such a spouse has little relationship with the family's financial advisors, banks, and other professionals and may not even know where to find their contact information. The couple had done a substantial amount of estate planning but had not fully discussed or documented what they wanted their wealth to do for their community, children, and future generations. The husband loved cars and had acquired quite a collection that the wife had no passion for and was unaware of what her husband's intent was for their ultimate disposition. They had a charitable vehicle created initially for tax purposes that was now funded with millions of dollars but had no defined purpose or governance structure.

[Read full case study in the back.](#)

Settling a sizable and complex estate can be daunting in the best of times and overwhelming following the sudden death of a loved one. The process usually takes at least twelve months (more typically two years or more), requires the coordination of lawyers, accountants, appraisers, and others, and can cost hundreds of thousands of dollars. The mental strain on the surviving spouse can be substantial due to the repeated need to explain the death of their loved one, make decisions about shared assets, and to interpret the wishes of the deceased.

After the estate has been settled, the spouse must assume the burden of managing the family's wealth that is often structured in a manner that reflects their deceased spouse's interests rather than their own. While the structure of the wealth might make sense from a financial standpoint, it is often seen as far more complicated than the survivor needs or wants. If the portfolio includes illiquid investments, this complexity will likely exist for many years to come.



How to lessen the burden

Losing a family member is emotionally fraught no matter one's age, health, or financial resources. However, there are a number of practical steps a wealthy family can take to minimize the disruption from the untimely death of a spouse.

Planning checklist:

- Identify and implement your ultimate goals into an estate plan
- Once implemented, ensure your estate plan is kept up to date
- Consider and organize non-financial assets
- Involve and communicate with your children
- Share knowledge with your broad advisor team
- Simplify and get organized
- Utilize technology
- Don't overlook hidden and non-traditional assets
- Ensure liquidity
- Realize investment losses prudently
- Review insurance coverage
- Limit exposure to probate
- Plan for business continuity
- Review trustee designations
- Build a multigenerational advisor team
- Conduct a "fire drill" exercise

Read below for detail.

Identify and implement your ultimate goals into an estate plan

Reflect on the purpose of the wealth you have amassed. What impact do you hope it has on your children, future generations, and the community? How much wealth do you want to leave your children and future generations? What legacy do you want to leave? What are the specific causes and charities that you want to support? Do you want your family name associated with this legacy?

Once implemented, ensure your estate plan is kept up to date

The family should review their estate plan every few years to make sure that it reflects both the long-term disposition of their assets as well as what happens in the near term should one or both spouses die prematurely. The balance between what is left

to others and what goes to charity (as well as the amount of estate taxes that would be due) should be regularly addressed. Circumstances and preferences can change over time, and it's easy and inexpensive to periodically modify an estate plan to reflect current preferences for charitable and other beneficiaries.

Did you know? While many aspects of an estate plan can be changed after the first death of a spouse, the disposition of retirement plan assets (which is often set up with one's spouse or children as the named beneficiaries) cannot be altered. While IRAs have an enormous advantage in their ability to grow tax-free, upon distribution, their assets are taxed at the highest possible rate and may only add to the beneficiary's own taxable estate, effectively resulting in double taxation. Therefore, when a family's estate plan includes charitable giving, we often recommend that IRA beneficiaries be charitable entities, including a family Foundation or donor advised funds that can be allocated by surviving family members.

Do not overly delay talking to your family about your wealth, your hopes, and your expectations.

Consider and organize non-financial assets

While a vacation home or collection might have great sentimental value to the deceased, it may not mean as much to the survivors. Without specific directions for the ultimate disposition of these assets, the survivor often feels obligated to retain them regardless of personal interest, mental strain, and potentially large maintenance burden. Having specified directions also removes any doubt with regards to other beneficiaries' (particularly children's) unrealistic expectations as to what they may receive.

The true value of many non-financial assets (in dollar value or otherwise) may be well-known to one person but entirely opaque to another. To a novice, a \$1000 bottle of wine looks identical to a \$10 bottle, and a family heirloom that has been passed on for generations may look like a rummage sale item. Document things that have value (and why they do), as well as any specific intent for their ultimate disposition.

Involve and communicate with your children

Do not overly delay talking to your family about your wealth, your hopes, and expectations for it, and how they may be involved. Share, at age-appropriate times, specifics about your wealth transfer intentions expressing why you have structured your plan the way you have. Make sure that there is buy-in from them and that your plans do not impose an unwanted burden or violate what they wish for their own children. While generation-skipping trusts (GST) are an extremely efficient way to transfer wealth to future generations, what if substantial amounts transferred by your GST disrupt your children's desire to limit how much money their children will receive? Do your children have the time, interest, or desire to oversee a substantial family foundation? The death of a parent is hard enough and is only harder if it brings unexpected and/or unwanted financial or other burdens.

Allowing your family to know your wishes by reading your own words after your passing is both powerful and immensely helpful, so document your feelings on the items above. Take the time to write a "Letter of

Wishes" to your family that describes your wishes in as much detail as possible. Be specific about things where there may be ambiguity or uncertainty, such as who gets what items, what are your wishes for collections, and how do you want to be remembered. This letter can be updated as often as needed.

Share knowledge with your broad advisor team

One of the most important pieces of advice we can provide is to have a financial advisor with the knowledge and ability to work and communicate with your attorney and CPA. Having a broad team that can understand and optimize your family's current wealth situation is crucial. We realize not everyone is as excited about investment returns, estate planning, and money management as we are. However, when we work with a family, we strongly encourage the less involved spouse and/or adult children to participate in an annual review of all estates and investments by the couple's wealth manager, CPA, and/or estate planning attorney.

Simplify and get organized

We recommend creating a "Just in Case" book that includes information related to financial details such as assets and liabilities, accounts and passwords, a list of trusted personal and business advisors with contact information, and the location of important documents along with access instructions.

Suggested categories are outlined below, and details can be found in our white paper "[Just in Case...A Plan for the Unexpected](#)".

Financial Inventory: Create a centralized depository of information for all investment assets that includes contact information, shareholdings, account numbers, cost basis, acquisition date, and other key information. Consider consolidating unnecessary or duplicative brokerage accounts and if possible, consolidate single-name assets into the family trust. Document details of any pension or retirement plans that may change upon a death.

Household Information: Make a list of household vendors (e.g., landscaping, pest control, house

cleaners), particularly those for vacation homes or collections (e.g., who plows the snow at the ski house?). Document recurring maintenance needs for various assets and who is responsible for providing these services. Make a list of recurring payments that are due (subscriptions, club dues, etc.) along with contact and payment information (are these paid automatically, online, or by credit card?). Add your spouse or partner to billing accounts, where applicable.

Digital Account Information: To make sure the surviving spouse can access bank accounts, brokerages, and other portals for financial transactions, have each spouse document their passwords and/or consider using a third-party password storage service such as Dashlane or Bitwarden to provide access. Given the increasing use of two-factor authorization, be sure to document cell phone passwords as well.

Important Personal Documents: Create a list of all safety deposit boxes, their contents, and the location of their keys, and make sure there is more than one person authorized to access them.

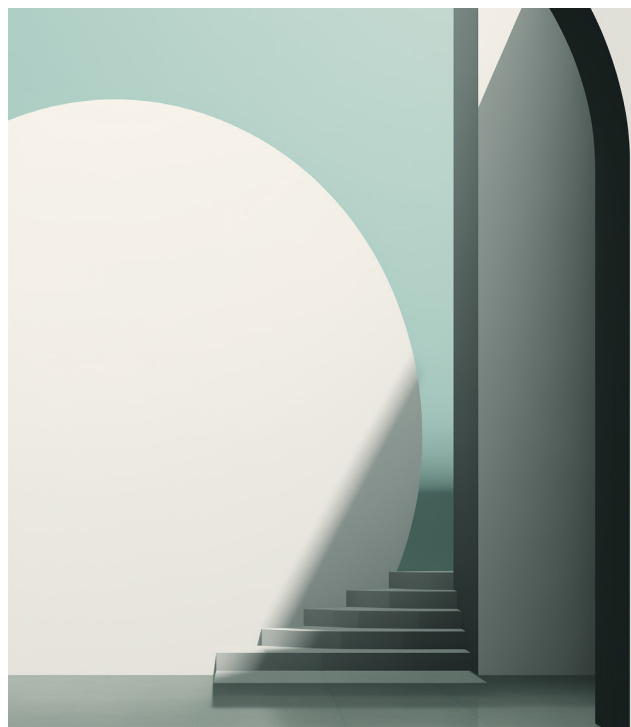
Contact Information: Provide contact information for your healthcare providers, lawyers, financial advisors, insurance agents, and accountants. Assemble a list of people and organizations that should be notified of your death.

Utilize technology

Leverage technology to efficiently keep track of important documentation and financial assets. Utilize a data warehouse (Box, Dropbox, or others) to create a central repository for trust documents, insurance, medical information, key contacts, lists of passwords, etc. Use a reporting service (e.g., Addepar) that allows for consolidated reporting of all financial assets (liquid and illiquid) rather than relying on spreadsheets or other manual processes.

Don't overlook hidden and non-traditional assets

Cryptocurrencies and NFTs are often held in non-traditional accounts that may be poorly documented. Make sure to document these as well as the private keys that are required to access and transact in crypto and cannot be recovered if lost. There can be substantial value in an individual's frequent flier mileage and individual credit card rewards programs, though policies about their transferability vary significantly. These accounts and their access codes



should be documented and available. Some people literally hide valuables (particularly gold) in their home in case of emergency – make sure such stashes are known to others (and don't turn into a [Hoxne Hoard](#)¹!)

Ensure liquidity

There are a number of accounts that may become inaccessible to the surviving spouse due to the need for court actions and/or restrictions imposed by the custodian, making it impossible to access funds needed for living expenses and funeral costs. These include single grantor revocable trusts (such as Separate Property Trusts), certain types of joint accounts, and accounts in the deceased spouse's name. While most courts can provide letters of probate in a matter of weeks, during Covid this took twelve weeks or more in some states. Custodians often require significant documentation (including death certificates) before allowing withdrawals from joint trusts. Due to these potential delays, it may be prudent to keep a separate account for each spouse with sufficient liquidity to provide for all expenses until the joint or deceased spouse's assets are accessible (knowing these assets may themselves be exposed to probate).

Realize investment losses prudently

Under current estate tax laws, when a spouse dies, the value of their shared assets is adjusted to the current market value. This adjustment is often called

¹ The Hoxne Hoard is the largest collection of Roman gold and silver coins discovered buried in a small chest in a farm field in the village of Hoxne, Brittain.

a “step up” in cost basis, but that’s a bit misleading. What really happens is that both gains and losses in the value of these assets are reset. This means any increase in value that hasn’t been taxed yet is wiped out, which is good for reducing potential taxes. However, it also wipes out any decrease in value, which could have been used to offset other gains and reduce taxes. Therefore we recommend to periodically review your investment portfolio and prudently realize losses, knowing that the assets can be repurchased if desired and that the realized loss can carry forward indefinitely if not needed in that tax year. This may be particularly important in writing off private investments that have lost significant value as the amounts involved may be material and the process of selling them somewhat more complex.

Review insurance coverage

Evaluate existing life insurance policies to ensure they provide adequate (but not excessive) coverage for the surviving spouse and any dependents. Remember that insurance payments to the surviving spouse may increase their own taxable estate.

Limit exposure to probate

Assets that have to go through probate are those owned solely by the deceased at death. This can include real estate, bank accounts, investment accounts, personal property, and business interests. Titling these assets in a revocable trust prevents them from going through probate. Note that having a “pour-over” feature in one’s will does not automatically exclude assets that are titled in an individual’s name from probate. Some trust-owned assets can unexpectedly be subject to the lengthy and expensive probate process. Examples could be Qualified Personal Residence Trusts (QPRTs) and Grantor Retained Annuity Trusts (GRATs) that had not terminated prior to the death of the Grantor.

Review trustee designations

For convenience and simplicity, families often name close friends or relatives as trustees for various trusts that they have formed. While this role usually requires little involvement initially, upon a person’s death a trustee’s job can become significantly more burdensome (and potentially more onerous), particularly with large and complex estates. Trustees of estates not only have to carry out the mechanics of settling the estate, they may also have to deal with disgruntled and potentially litigious beneficiaries. As

wealth and plans become more complex, having a professional trustee in place can prove beneficial as they are typically better equipped to handle any issues that may come up than an inexperienced individual.

Plan for business continuity

Have a business transition plan in place at all times that defines what would unfold should a key business leader be incapacitated or pass away. Assure that there is liquidity to pay for the estate taxes that will be incurred if the business was owned by the decedent at the time of death. This is often done by life insurance taken out by the family or business or a stock buyback plan.

Build a multigenerational advisor team

It is important to not just have a set of professional advisors (typically an estate planning attorney, CPA, and wealth advisor) that is “good enough for now”, it should be a team that is well capable of handling the complexities that might arise in the future. This team should have its own succession plan in place rather than being reliant on a single person whose tenure is unknown. Be sure to meet your CPA’s and Attorney’s successors if they are not already taking an active role with your family. A team comprised of professionals of both the parents’ and adult children’s ages is one way to assure smooth transitions and continuity. Even if each of the advisors is highly competent at their own duties, it’s important that one can function as the “quarterback” of the process, integrating the advice and coordinating activities, removing this responsibility from the surviving spouse. Not all advisors have the capability and knowledge to coordinate the settlement of a complex estate, and knowing that a capable and lasting team is in place can give a significant sense of ease to families with wealth.

Conduct a “fire drill” exercise

As a couple or family, conduct a “fire drill” to prepare for the unexpected. Discuss what actions to take if one or both of you were to pass away suddenly, including immediate steps and whom to contact. Ensure everyone understands and is willing to take on their roles including the potentially significant responsibility for overseeing your estate, wealth, and charitable endeavors. This exercise aims to ensure all necessary preparations are in place and everyone feels ready to act if a tragedy occurs.

Conclusion

Managing significant family wealth can be complicated and difficult even in the best of times. Having to take over the responsibility of doing so upon the untimely death of a spouse can be an overwhelming burden at the worst of all times. By communicating openly with each other, one's family, and trusted advisors, couples can help mitigate the financial and emotional impact of such an event. Taking proactive planning steps such as updating estate planning documents, reviewing insurance coverage, and collecting and documenting assets can ease the burden on the surviving spouse. Although difficult, addressing plans for death can provide peace of mind and ensure that both partners and their families are better equipped to navigate the challenges that often arise in the event of a spouse's passing. Preparation allows couples to focus on cherishing their time together while knowingly safeguarding the well-being and financial stability of their loved ones in the face of life's uncertainties.

At AITi, we serve as our clients' trusted advisor by integrating advice and coordinating activities across the wealth management spectrum. Losing a loved one is incredibly difficult, navigating complex financial affairs should not add to the burden. We provide expertise and guidance allowing the surviving spouse and family members to focus on the important work of emotional healing.

Case Study

Jim and Sarah

Jim and Sarah were looking forward to enjoying their retirement as Jim stepped back from his long career in private equity. They had done a substantial amount of estate planning, including Grantor Retained Annuity Trusts (GRATs), several LPs to hold real estate assets, and Dynasty trusts to hold discounted LP units.

Due to his prior career, personal connections, and previous investment advisor, their portfolio consisted of dozens of limited partnerships in a variety of asset classes as well as multiple brokerage accounts for all family entities. Many of the investments were "one-offs" that were poorly documented with respect to contact information and recent valuations. Other than via a homemade Excel spreadsheet, there was no centralized tracking of all the various assets. In addition, Jim had amassed a significant collection of fine wines and owned a number of high-performance classic racing cars.

Sadly, Jim passed away suddenly after a brief and unexpected illness. Adding to Sarah's devastation

was the prospect of suddenly being required to handle all the family's financial responsibilities while dealing with both her own grief and that of their children. While her background as an attorney had left her with a good understanding of their estate plan, Jim had handled virtually all the family's finances and investments. Jim's car and wine collections were not of particular interest to Sarah who worried about having expensive items in their home and the liability risks involved with the race cars.

Upon hearing of Jim's death, our first step was to assure Sarah that we would be there for her and could take a significant amount of the burden she faced off her shoulders. One of our initial actions was

“ Jim and I thought we were extremely well prepared for when the time came. And we were in many ways. But there were some things that we hadn't really thought about or understood - lots of practical day-to-day considerations and bigger things that would've been helpful for us to have discussed.” - Sarah

to help Sarah switch to a sophisticated accounting firm with deep experience in both settling estates and dealing with illiquid assets as their prior CPA had much more limited capabilities. The new CPA firm also had a family office group who immediately moved in to organize and take over many day-to-day issues such as bill pay. We then took a leading role in coordinating the activities of Sarah's CPA, family office, and estate planning attorney.

The next step was to organize and consolidate the various accounts and investments that Jim had made. We created a consolidated database of all investments along with contact information, cost basis, liquidity terms, and other material investments, and closed several redundant accounts. All marital assets needed their cost basis to be “stepped up” as of the date of Jim's death. While the step-up is straightforward for liquid assets, it is far more complicated for illiquid partnerships. We had to obtain the most recent valuations for all assets and then adjust them for cash flows up to the date of death. Settling the estate was a major challenge, though one made easier as we already had thorough knowledge of the structure of the estate. Initially, all joint assets needed to be retitled into the name of an administrative trust with its own tax ID number. New account documentation was required for the various brokerage accounts. Retitling the limited partnerships was a far more complex process as each LP had its own requirements. Almost all the investments required a copy of Jim's death certificate and an explanation of the reason for the re-registration. Repeating information about her husband's death was not something Sarah wanted to do and was grateful we could handle it. This process had to be repeated a year later upon the settlement of the estate as all assets moved from the administrative trust to Sarah's own trust.

The GRATs that Jim had set up needed to be unwound following his death. The assets in the GRATs reverted to his separate property and were then subject to probate, a lengthy and expensive legal process that is open to the public.

All family assets needed to be appraised to current fair value. The appraisals were needed not only for Jim's wine and car collection but all other assets as well: jewelry, homes, furnishings, art, and anything else of value. We identified experts who could assist Sarah with both collections. Not only did they appraise the value, but they also then helped her to sell the majority of the collections so she wouldn't have to deal with their ongoing maintenance.

Perhaps as important as the actions above were the assistance we gave Sarah as she struggled with how to properly communicate with her children, each dealing with their father's passing in their own way. The head of our Family Governance and Education group had several conversations with Sarah that helped her both deal with her own grief and to formulate an approach to open up to the children about the family's wealth, most of which had not been shared to date. We helped Sarah craft a letter of wishes expressing the parents' values and hopes for how the children and future generations use the wealth to enhance lifestyle and make a positive impact on the community.

We began facilitating annual family meetings with Sarah, her two adult children and their spouses focused on educating everyone about the family's finances, investments, and estate structures. Family meetings included discussions about what the family legacy should be and how their wealth could support the causes and institutions that would both further their charitable goals and honor Jim's legacy.

As these ideas progressed, we helped Sarah re-write her estate plan to incorporate a significant amount of charitable gifting both in her lifetime (with assistance from her children) and thereafter through the creation of a private family foundation. Not only did this give the family a great deal of satisfaction knowing that they were honoring Jim, but it also resulted in a significant reduction in potential estate taxes due to the reduction of Sarah's taxable estate.



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