

Preserving Your Family's Legacy

A Values-Based Approach to Estate Planning

By: Douglas G. Goldberg, Esq.

Jim and Mary are a typical couple. They love each other, they have a good, long term marriage (their only one), great kids, a few grandchildren, a strong faith, a mid-size net worth and a horrible problem looming on the horizon. You see, they are greatly concerned that once they're both gone, the money their children and grandchildren receive may not be put to the best use. They worry about turning their children into "trust fund babies" – ne'er-do-wells who, cushioned by the family nest egg, will lack the incentive to do something productive with their lives. They also sometimes fear that their children will lose their inheritance through a divorce or bankruptcy, or simply waste it away while pursuing bad habits. While they hope and pray nothing bad happens to their loved ones, these fears are justified. Statistics show that the younger generation has a 50% chance of experiencing either a divorce or bankruptcy in their lifetime. And many folks know of at least one trust-dependent person who lives from one trust distribution to the next, a victim of parent-created "affluenza."

Values-Based Estate Planning

Fortunately, you can plan for and avoid these issues by using a "values-based approach" in the design of your estate plan. Values based planning revolves around the concepts of **Control** and **Protection**, two very important issues at opposite ends of the planning spectrum.

Outright Distribution:

Your children receive their inheritance outright, in one lump sum. Simple, clean, and *dangerous*. On average, an inheritance will be **gone** within 18 months of a child receiving it. And it

doesn't matter how old the child or how much the inheritance. If a child gets divorced or goes bankrupt, the inheritance will be lost.

Staggered Distribution:

Here, the inheritance is held in trust, and the children receive distributions **every so often**. For example, one-third of the assets might be payable to your child at age 30, one-half at age 40 and the remainder at age 50. Unfortunately, this approach adds little asset protection. Once a distribution is made, it has the same effect as an outright distribution.

Legacy Trust:

With this type of trust, the inheritance is distributed according to various guidelines and incentives that you decide. An independent trustee is chosen to manage the trust assets for the benefit of the child for the child's lifetime or until all assets have been distributed. When the child dies, any assets remaining in the trust can pass to the child's heirs or other individuals or entities. The legacy trust provides the **most flexible vehicle** for values-based planning as it includes incentives, guidance and protections for your beneficiaries. It also provides **valuable asset protection**, in case your children encounter difficulties during their lives, such as drug or alcohol abuse, lawsuits, bankruptcy or divorce.

If You Can Dream It, You Can Include It

Many of our client families hold values such as academic excellence, professional achievement, spiritual home life, social contribution, financial responsibility, community involvement and devotion to family. Other planning goals typically include avoiding probate, maintaining control of assets upon death or incapac-

ity and minimizing costs, taxes and hassle. To accomplish all of these goals throughout the generations, a plan must include documents that are highly customized and comprehensive, and must name a trustee that is competent, courteous, trustworthy and has a reasonable fee structure.

The trustee serves as the "gatekeeper," with discretion over when and how to release the monies to the beneficiaries. The trustee is guided by instructions and values that you design, and your attorney drafts, into the trusts. These instructions permit the trustee to distribute trust income and principal to each of your children for their needs so long as they are living by your family's values. If a child gets into drugs, gambling or has other problems, the trustee is instructed to stop the flow of money until the child shapes up, cleans up and gets back on track. Meanwhile, the trustee can redirect the assets to assist the child by paying for counseling, drug testing, or whatever is necessary to help the child get back on his feet.

The goal is to set up your estate plan so that the assets left to your children will provide a positive structure within which they can make the most out of their lives. By using a legacy trust with detailed instructions, values and guidelines, you will succeed in protecting your hard-earned wealth while providing your children with valuable guidance. This kind of forward-thinking planning will create a legacy that will benefit your descendants for generations to come.

For more information on how you can create a legacy of more than just money, call us. We'd be delighted to show you how your estate plan can be transformed from a bunch of sterile legal documents to a "final conversation" with your loved ones that has lasting impact (719)-444-0300.

**Children's Control
of the Inheritance**

Outright Distribution

Staggered Distribution

**Asset Protection &
Values Based Planning**

Legacy Trust

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PEACE OF MIND. BY DESIGN.

"Your estate plan is the final conversation you'll have with your loved ones.

What do you want it to say?"

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Douglas G. Goldberg, Esq.

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