A Look Inside The Estate Planning Industry

Key Findings from the 5th Annual Industry Trends Survey

CONTENTS

METHODOLOGY

Investigation conducted exclusively for WealthCounsel and *Trusts & Estates*. Data was collected between Sept. 7 and Oct. 21, 2011. The survey drew 1,085 respondents. Participants included 419 members of WealthCounsel; subscribers to *Trusts & Estates* and *Registered Rep* magazines; and other financial and legal professionals located in 49 states. Margin of error is +/- 3.0% at the 95% confidence level.

In addition to publication in the January 2012 issue of *Trusts & Estates*, the survey's complete findings are available for download at www.wealthcounsel.com.

Survey Achieves Broader Focus

Results are in from the 5th Annual Industry Trends Survey, which drew a record 1,085 respondents.

The data reflects the frustrations many professional advisors and their clients have felt regarding partisan gridlock on Capitol Hill and continued uncertainty over the national economy.

This year's survey had a broader focus, inviting participation from all professionals involved in estate planning and wealth management. More importantly, the survey probed into the mindset of clients as seen through the eyes of their professional advisors.

In addition to providing unique insight into clients' perspectives and fears, some respondents used the opportunity to express their frustrations about the economy and perceived inattention by Congress.

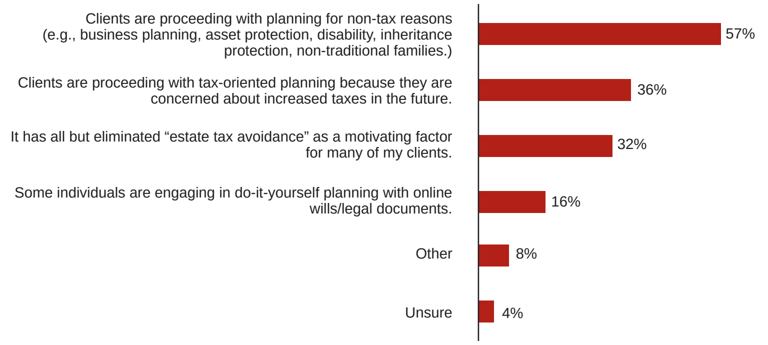
Aftermath of the 2010 Tax Act

One of the objectives of this year's survey was to explore the impact of the 2010 Tax Act, more precisely known as the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010.

While clients are still motivated to plan for non-tax reasons, nearly one in three respondents indicated the 2010 Tax Act has all but eliminated "estate tax avoidance" as a motivating factor for estate planning (Figure 1). Thirty-six percent do indicate, however, that clients are concerned about future tax increases.

More than half (51%) of the respondents believe the 2010 Tax Act is only a short-term patch, requiring Congress to again attempt to address the issue in the near term. Nearly a quarter (24%) felt clients will fail to address many of the non-tax-related reasons to plan, (e.g. inheritance protection, special needs, etc.)

Figure 1:
How has the $5 million estate tax exemption in the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 impacted your client base?



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The Economy's Impact on Business-Owner Clients

The post-2008 recession has caused serious concern among business-owner clients (Figure 2). One in five survey respondents report that many of their clients have simply gone out of business. About 40 percent of those surveyed indicate that business clients have postponed the hiring of new employees and have taken on a "bunker mentality," waiting for an economic recovery.

Impact Regarding Partisan Gridlock

When asked what impact Congress's inability to pass long-term solutions for major tax and budget issues will have on clients, respondents spoke loud and clear. As indicated in Figure 3, 80 percent believe the nation's economy will continue to suffer due to inaction by the federal government.

One respondent noted that, "Partisan politics is the single greatest factor in bringing down my clients' businesses." Another observed that, "The lack of clear tax policy direction and uncertainty is creating economic stagnation."

The Ripple Effect of Declining Real Estate Markets

More than one-third of respondents reported that clients express concern or even panic because they were counting on their real estate assets to fund their retirement or long-term care needs (Figure 4). Nearly the same percentage have clients who lost their homes or business properties to foreclosure during the recent recession. Several respondents indicated that the inability of clients to sell their homes prevents them from moving into assisted living or nursing home facilities.

The Upside to a Down Real Estate Market?

Some respondents noted that clients have taken advantage of declines in real estate valuation for gift tax purposes. Many view the decrease in real estate values as an excellent estate planning opportunity for estate tax avoidance as clients structure creative gifts of real estate to children.

Figure 2:

How has the post-2008 recession impacted your business-owner clients?

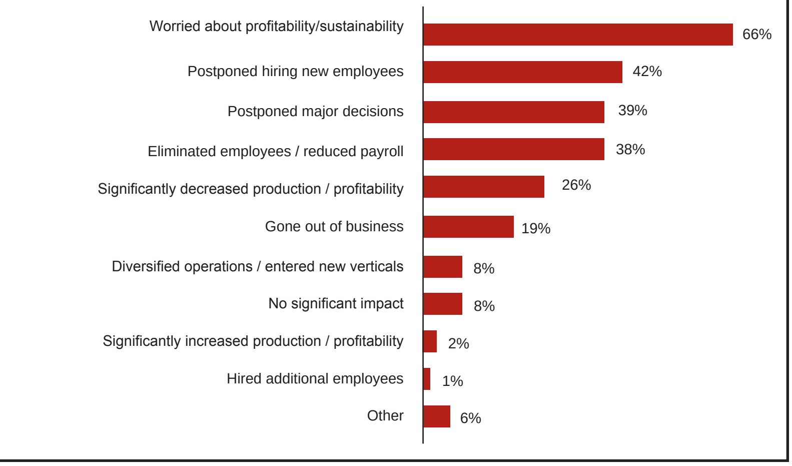


Figure 3:

What impact do you believe Congress's inability to pass long-term solutions for major tax and budget issues will have on your clients?

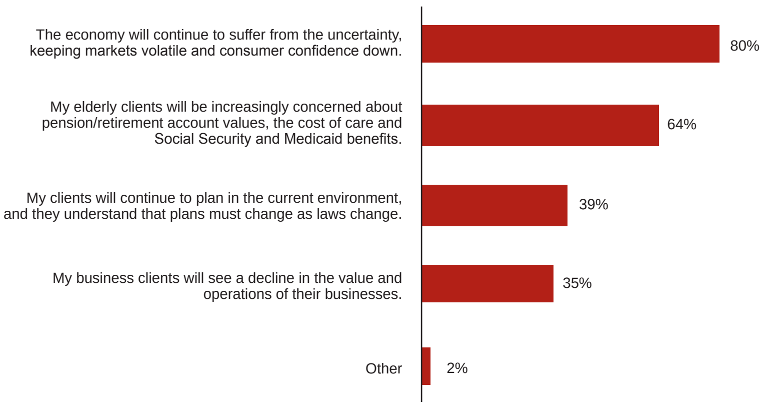
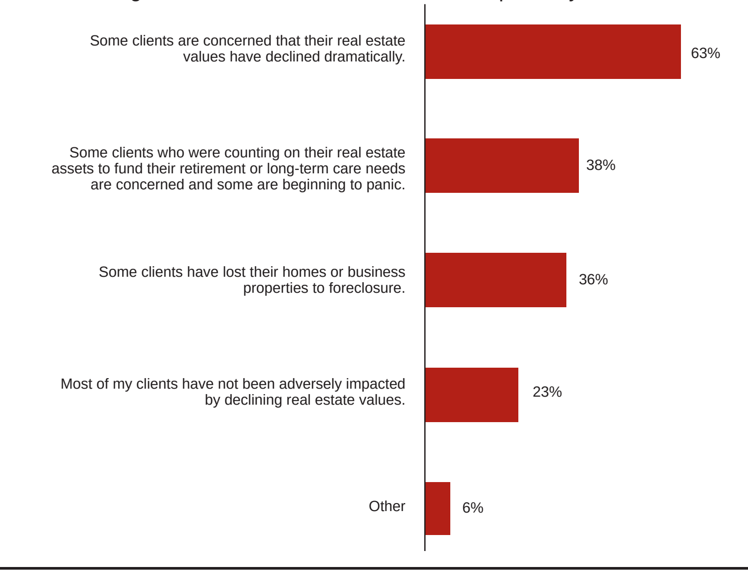


Figure 4:

How has the general decline in real estate values impacted your clients?



Unemployment Crisis and Future Jobs Growth

With the unemployment rate remaining around 9 percent for more than two years, and with the Federal Reserve's prediction that the unemployment rate is not expected to fall significantly through the end of 2012, professional advisors believe strong leadership is needed to put Americans back to work. Most (71%) believe business incentives are needed to help return jobs to the U.S. that had been outsourced to companies overseas (Figure 5). Many also perceive a strong need to rebuild the domestic manufacturing base and create jobs in "clean" industries.

Taxes will Increase Due to the Budget Deficit

Most advisors (Figure 6) believe that the budget deficit will necessitate future tax increases. Many respondents indicated that they are already working with clients to prepare by taking advantage of current planning opportunities before tax increases take effect.

Baby Boomers Have Not Saved Adequately for Retirement

Survey data again indicates that the massive baby boom population is not financially prepared to fund a 20-year retirement (Figure 7). Respondents say an average of only 29 percent of baby boomers have saved adequately for retirement. But, as reported in the October 2011 issue of *Inc. Magazine*, the definition of "retirement" has changed over the years. Many boomers are seeking "encore" careers or are otherwise not even interested in "traditional" retirement.

Financial "Illiteracy" is a Major Concern

Nearly three-fourths of respondents believe that the lack of financial literacy on the part of American consumers contributed to the purchase of adjustable rate mortgages involved in the subprime mortgage crisis (Figure 8). However, many felt strongly that the primary causes were a combination of unethical mortgage brokers, failed government policies, absence of accountability, and greed on the part of financial institutions, consumer borrowers, lenders and investors.

Figure 5:

Do you believe political leaders should explore incentives for American businesses that are willing to participate in the 'reshoring trend' that brings overseas jobs back to the U.S.?

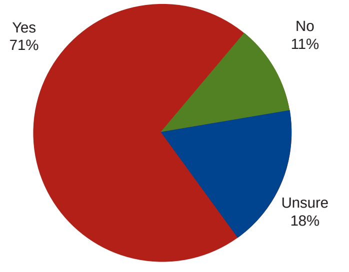


Figure 6:

Do you believe the current and ongoing budget deficit in the U.S. will ultimately lead to increased taxes in the future?

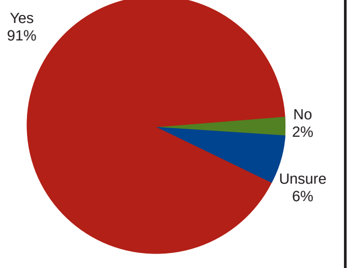


Figure 7:

To what degree do you believe this demographic group has saved adequately for a 20-year retirement?

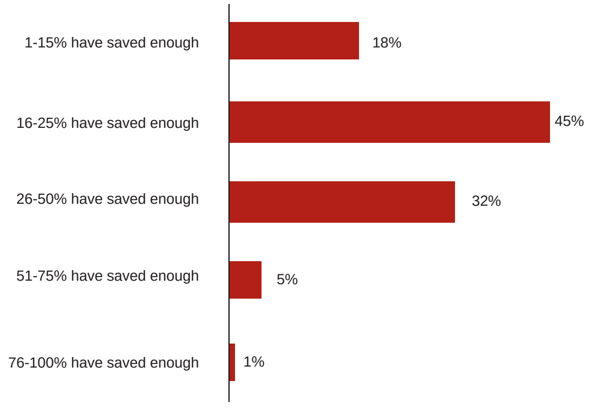
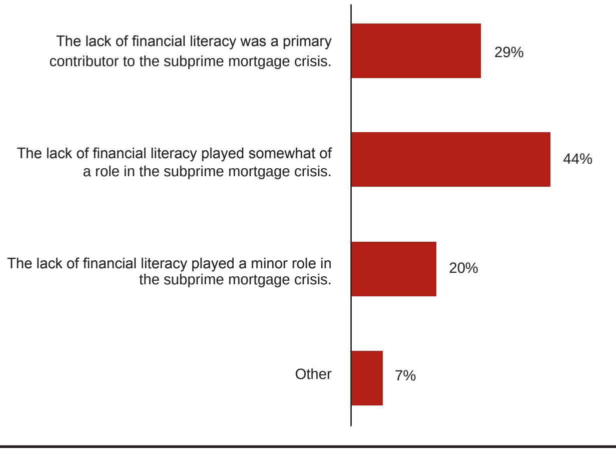


Figure 8:

To what degree do you believe that the lack of financial literacy on the part of American consumers contributed to the purchase of adjustable rate mortgages involved in the subprime mortgage crisis?



Professional Profile and Five Year Focus

Eighty-seven percent of survey respondents were estate planning attorneys, while the remaining professionals were comprised of CPAs, certified financial planners (CFPs)[1], registered reps and insurance professionals. As indicated in Figure 9, respondents plan to focus on basic estate planning, trust administration/estate settlement, and probate over the next five years.

Most Clients are Between the Ages of 50 and 69, and Solidly "Middle Class"

Although industry leaders generally agree that estate planning is appropriate for all adults, clients are likely married and between the ages of 50 and 69 (Figures 10-11). The majority of the respondents' married clients would likely be considered middle to upper middle class, 85 percent of whom have an average net worth of $5 million or less. Twenty-three percent of married clients had an average net worth of less than $500,000, while only 15 percent had an average net worth of $5 million or more. Single clients generally have lower net worth than married clients.

Why Do Clients Plan? Motivating Factors Changed in 2011

While the top reasons clients plan had remained fairly consistent over the previous four years, things changed when this survey was conducted in fall 2011 – in large part due to the 2010 Tax Act as discussed in Figure 1.

Clients perceive estate tax to be less of an issue from a planning perspective. As Figure 12 illustrates, clients are most motivated by a desire to minimize chaos and conflict among family members and beneficiaries. Clients are still concerned about avoiding probate, and generally express a desire to protect children from mismanaging their inheritance. Minimizing estate taxes dropped to fourth.

Figure 9:

What areas of estate planning do you intend to focus on most over the next five years?

Figure 10:

Marital Status of Clients

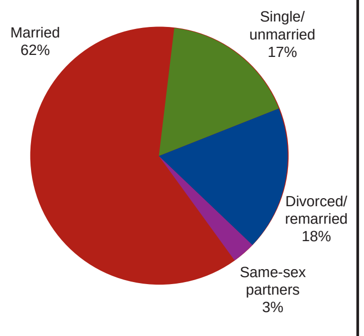


Figure 11:

Age of Clients

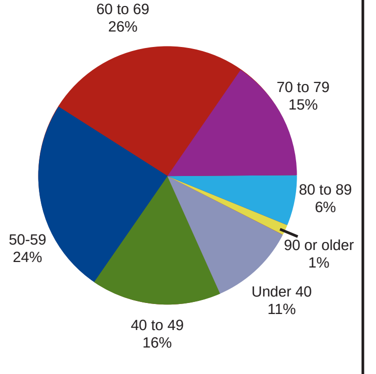
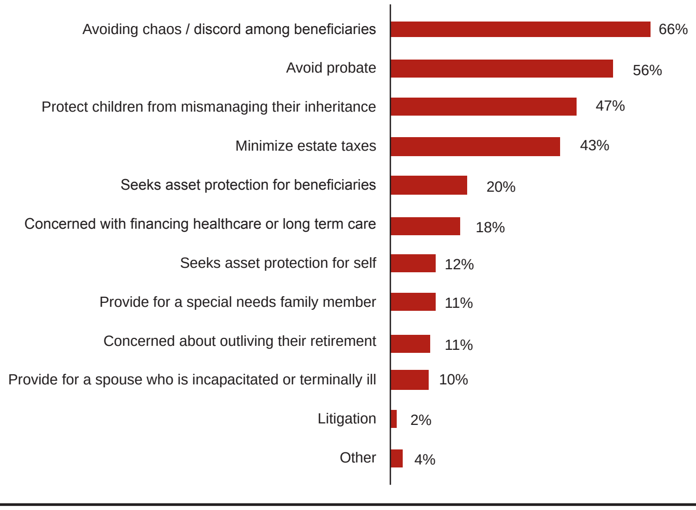


Figure 12:

What would you consider to be the top three pressing concerns or reasons that clients seek estate planning?



[1] CFP is a registered trademark of Certified Financial Planner Board of Standards, Inc.

The 2010 Tax Act Has Had Little Impact on the Way Most Professionals Practice

Nearly 60 percent of estate planning professionals have not made changes to their practice as a result of the 2010 Tax Act (Figure 13). However, some noted they have added new specialized areas, such as business planning, bankruptcy, creditor protection, asset protection, elder law, etc.

Most Estate Planners Expect Business to Grow Over the Next Five Years

While clients may have shifted focus in terms of the factors motivating them to plan, the good news for professional advisors is that clients have not stopped planning. While 43 percent of respondents have seen revenue decline or remain the same in the past year, 89 percent expect to see their practice grow over the next five years (Figure 14).

New Business is Generated Primarily from Networking with Other Professionals

As shown in Figure 15, 46 percent of respondents indicated that networking is the primary method for generating referral business. This number represents a 14 percent increase over last year's survey. In the 2010 survey, the top source for obtaining new business was referrals from existing clients followed by referrals from non-attorney practitioners.

Respondents who provided written comments noted a variety of activities as their primary methods for generating clients, including:

- Client maintenance programs
- Speaking engagements
- Internet searches
- Involvement with charities
- Writing newspaper columns
- Church activities
- Reputation in the community
- Listings in Martindale Hubbell and Avvo
- Referrals from senior centers

Figure 13:

How has the 2010 Tax Act impacted the way you practice?

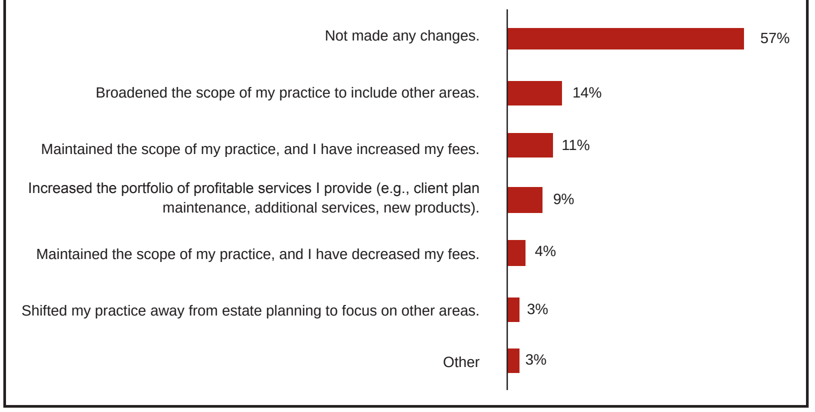


Figure 14:

By what percentage do you project your practice to grow (aggregate growth) over the next five years?

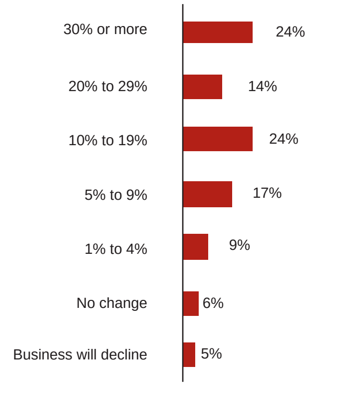
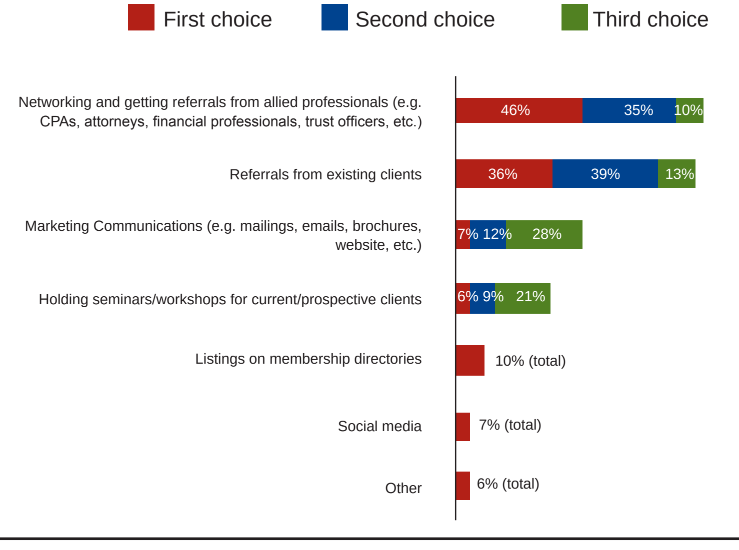


Figure 15:

What are your primary methods for generating client business?



Making Time to Network is a Challenge for Most Professionals

Estate planning professionals struggle to find time to nurture professional relationships (Figure 16). The majority indicate they spend a minimal amount of time each week doing so.

Staying Connected with Clients and Referral Sources

Estate planning professionals use many different tools to stay in touch with clients and referral sources. Personal mailings, such as birthday cards, hand written notes, holiday greetings, etc., were among the most popular tactics used (Figure 17). Social media and writing blogs are among the least-used methods. This may be due in large part to regulatory organizations that have not yet addressed the ethical issues concerning social media.

For the 23 percent of respondents who chose "Other," examples of write-in answers include:

- Email updates
- Breakfasts, lunches, or other in-person meetings
- Involvement in the community
- Recreational activities with referral sources
- Phone calls just to say "hello"
- Personal visits or socializing
- Teaching seminars
- Client appreciation events
- Generally being accessible to take their phone calls.

Education: Most prefer Live, On-Site Instruction

Seventy-three percent of survey respondents prefer live, on-site instruction where they can interact with others (Figure 18). Live, online webcasts and webinars are preferred to online recorded courses. One respondent noted that "it is always easier when you don't have to leave the office" and another commented that "family obligations make it difficult to travel." Some respondents indicated that they are able to fulfill their education credits by teaching continuing education courses to other professionals.

Figure 16:

Do you struggle to find the time to proactively nurture relationships in your network of professional referral sources?

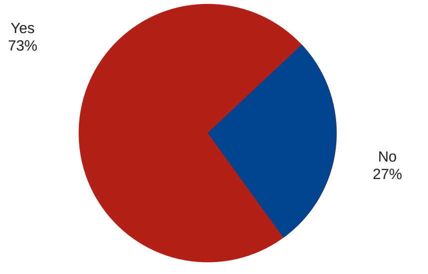


Figure 17:

Which of the following tools do you use on a consistent basis to stay "top of mind" with your current clients and referral sources?

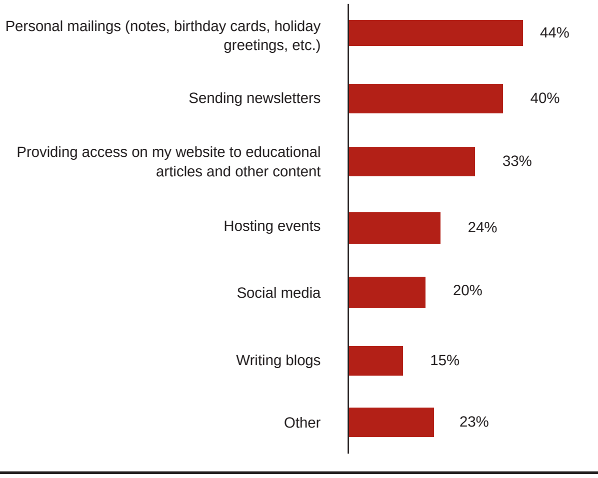
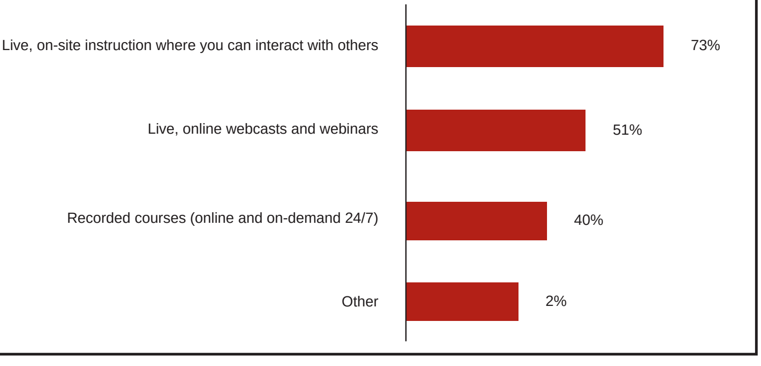


Figure 18:

Which method(s) of delivery do you most prefer for your continuing education credits?



Many Professionals Are Motivated to Be the Best in Their Field

When asked their primary reason for pursuing continuing education, the majority stated they wanted to reinforce their knowledge in their areas of expertise (Figure 19).

Some professionals indicated they are motivated to expand their knowledge in advanced topics in order to handle more sophisticated strategies and to serve more high net worth clients.

What Publications Do Estate Planning Professionals Read?

Estate planning professionals are likely to read state bar publications, *Trusts & Estates* magazine, *The WealthCounsel Quarterly* and the *Wall Street Journal* to stay abreast of estate planning issues (Figure 20).

Examples of publications that were cited in “Other” include: ACTEC publications, Barons, Bloomberg, BNA, NAELA publications, New York Times, Fortune, Money, CCH, Investors Business Daily, Journal of Financial Service Professionals, Kiplinger, Lawyers Weekly, NAPFA Advisor, RIA newsletter, and WealthCounsel listservs.

Preferences of Estate Planners Regarding Online Versus Print Publications

Estate planning professionals are likely to prefer print publications, or the convenience of having both print and online versions of publications (Figure 21).

One respondent noted that while having the convenience of both is preferred, online versions of publications facilitate the ability to save selected content to their personal database of articles on their computers.

Figure 19:

Which of the following is your primary reason for pursuing continuing education during the next 12 months?

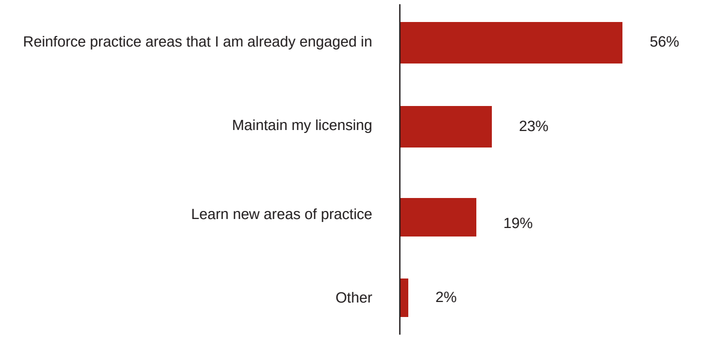


Figure 20:

Which of the following publications (either print or online) do you read regularly to stay abreast of issues relating to estate planning?

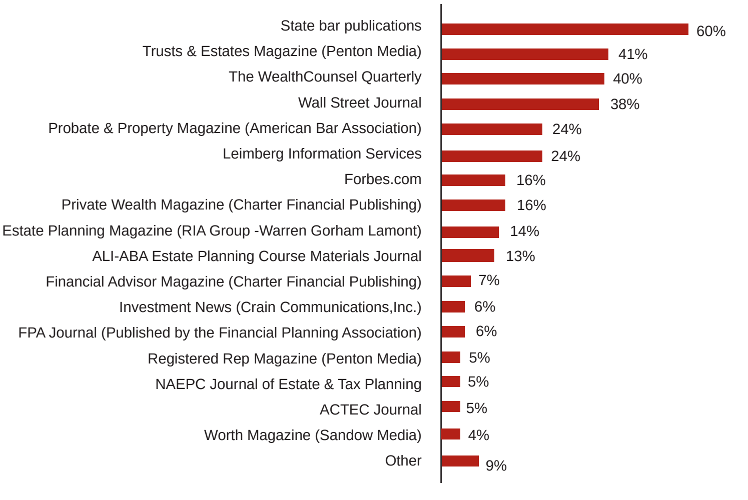
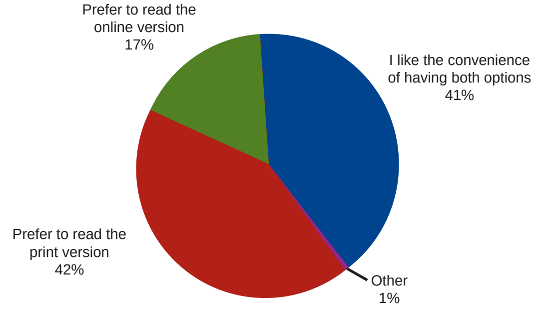


Figure 21:

Do you prefer to read industry publications online, or do you prefer to receive and read them in print?



Preferred Methods for Receiving Professional Communications

Estate planning professionals prefer to receive professional communications and notices via email, or through a combination of both email and direct mail. Printed material and social media are less preferred (Figure 22).

Social Media Remains a Controversial Topic for Many

More than one in three estate planning professionals have added social media to their marketing efforts (Figures 23-24). Of these, LinkedIn is most preferred.

While social media for business purposes has gained some traction over the past year, we were curious to know what the obstacles were for others who choose not to use it.

This year the survey was designed to facilitate write-in comments so that respondents could provide greater clarity to this issue.

Next to the number of comments regarding financial literacy, this topic drew the largest number of written responses (more than 400). Specific comments include:

- Institution's compliance officer prohibits it.
- State bar advertising limitations.
- Clients are not comfortable with the medium.
- Concerned about privacy issues.
- Do not wish to mix personal interactions with business.
- Do not have knowledge of how they work and research has shown it is not profitable.
- Don't have the time.
- Don't think it is effective, and annoyed by others who use it.
- Social media seems impersonal.
- Inappropriate use of personal contacts.
- My target audience (i.e. wealthy individuals aged 60-80) does not use social media.

Figure 22:

Preferred methods to receive professional communications (e.g. notices about webinars, educational events, practice solutions, etc.)

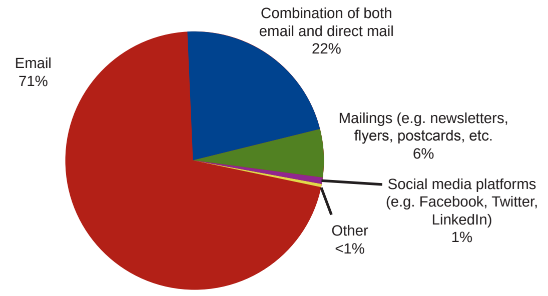


Figure 23:

Do you use social media as part of your marketing efforts?

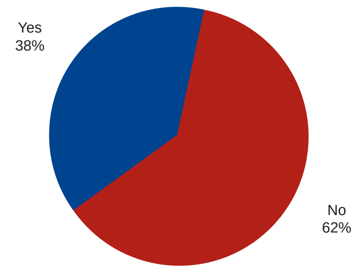
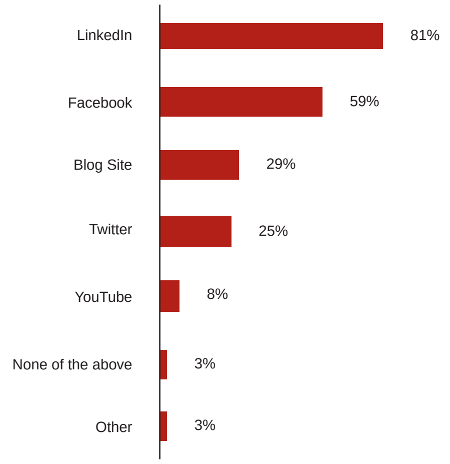


Figure 24:

Which of the following do you prefer to use most often?



Base: 417 who answered that they use social media in the question above.