

A Look Back: Notable 2022 Estates

Every year sees its share of wealthy and notable individuals pass away. Looking back at 2022, the list includes Britain's Queen Elizabeth II, Pope Emeritus Benedict XVI, and former Chinese President Jiang Zemin. From the world of entertainment passed country music star Loretta Lynn, and film and stage legends Angela Lansbury and Sidney Poitier, as well as many other names and personalities long familiar from television: actresses Liz Sheridan and Estelle Harris (Jerry Seinfeld's and George Costanza's TV moms), and actor Phillip Baker Hall (Lieutenant Joe Bookman, also of Seinfeld).

As diverse as the above-named peoples' accomplishments were, though, they all shared one in common: living to great age. All passed away past age 90, allowing them and their team of advisors ample time to plan their legacies.

The Cost of Planning Failures

When we look at some of the younger people who died last year, the picture is mixed. Actress Anne Heche, age 53, died following a car accident. Shortly after, media stories circulated reporting she died with no will in place. Entertainer Aaron Carter died unexpectedly age 34, also intestate. In both cases, California's intestacy law directed the decedents' estates to their children. But in the case of Ms. Heche this was not enough to avoid litigation: the father of her younger son went to court to argue he should manage the estate assets instead of her older adult son. A properly executed will naming her choice of executor might not have prevented the dispute but would have made Ms. Heche's older son's case stronger under the law. (He won.)

Entertainer Bob Saget also died unexpectedly last year as the result of an accident. He was 65. In contrast to some celebrity deaths, his estate is reported to have been meticulously well planned, involving not just a will but also the use of at least one living trust to shield his assets from the publicity and costs that come with the probate process.

One hedge against the costs of settling an estate, whether foreseeable or uncertain, is the use of life insurance in a properly drafted irrevocable life insurance trust (ILIT). The death benefit from the life insurance policy can then be used to address any liquidity needs from the estate. The ILIT is designed to receive the death benefit proceeds without further inflating the value of the insured's estate. There may be federal gift tax consequences associated with the funding of an ILIT.

And liquidity needs are comprised of other factors besides estate tax and potential litigation. For example, the estate may also need to repay debts, as well as cover funeral expenses and ordinary administrative costs (lawyers, accountants and appraisal fees). In conjunction with a federal estate tax rate as high as 40% and state estate tax rates as high as 20% (in Washington, for example, where the late Paul Allen in 2018 left an estate worth \$26 billion), it is still possible to have marginal liquidity needs in excess of 60%, and even higher if other significant expenses accrue.

Prudential is Here to Support You

As you meet with clients to start the year and review their current goals, it's a good time to remind these clients to review their estate plans and update them, if needed.

For questions regarding intestacy, trust planning or any advanced concept or strategy, please contact Prudential's Advanced Planning team at 800-800-2738, option 4.

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