

A New Affliction: Post-Traumatic Gift Disorder

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In my consulting activity the last few months of 2012, I saw the emerging symptoms of a new disorder in many family business owners: Post-Traumatic Gift Disorder, or PTGD.

This condition is prone to affect parents who have just completed, or are about to complete, significant gifts to the next generation, and who then, over the ensuing weeks, find themselves wondering if they made the right decisions. The condition might also be descriptive of accountants and attorneys who put important practice management projects on the backburner so that they could deal with their clients' urgent gifting strategies. This article explores some of the antidotes to PTGD for professional advisors.

Complexity: the driver for multi-disciplinary teams. For those whose clients have a net worth above the gift and estate tax exemption amount, the big picture choices are pretty clear: plan to pay tax or look for strategies to lessen the estate tax burden. Either option will cost money—the only question is when, who and how much clients will pay for their choice.

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If they choose to lessen the tax burden, as their advisor you generally have to enter a paradigm of more complexity. New legal entities and their associated bylaws or operating agreements, the transactions that will need to take place between those entities, individuals or trusts, and the explanation of those entities to other interested parties such as lenders or family members combine to make it feel harder for them to do business, and perhaps it even feels harder to be a family. It also requires that you interact with a broader range of experts or specialists to accomplish the client's goals.

To some degree, then, clients become more dependent on the advisors that have helped with the implementation of more complex strategies. No one advisor can know everything, and the likelihood that you will at some point or another be in "over your head" is highly likely. Thus, a key skill for the accountant is the ability to work as an interdisciplinary team member with other advisors to bring a solution to the client. In larger firms, some of those team members may be within the firm; in smaller firms those resources will be part of other organizations. Some of the techniques that foster collaboration among advisors include joint goal setting with the client, regular communication in the form of conference calls and meetings to discuss progress, and frequent updates on each advisor's action steps. Being part of a collaborative, multi-disciplinary team helps to share the burden of work brought on by new opportunities.

Uncertainty: the driver for a process. There was no shortage of frustration with Congress at the end of 2012, as professional advisors and family members rushed to complete gifting strategies, only to find that they could have slowed down a bit since Congress did not significantly change the estate and gift tax exemption in the new year.

In order to relieve the client's PTGD elements of frustration, accountants should remind them to view estate planning as a process, not an event. That is, clients should expect uncertainty, they should expect a need for changes to their current estate plan, and they should expect to sit down every one to three years to evaluate their current estate and ownership transition plan.

Accountants, as the most trusted business advisor, can and should help to manage such expectations: Instead of fostering a goal or sense of "getting it all done," you should reframe the goal to one of "taking advantage of certain tax law provisions at this point in time," building an expectation with the client that they will need to revisit and change their plans based on political winds and market forces. The client may be less likely to operate in a crisis mentality, and you will be the beneficiary of a recurring revenue stream depending on how you structure the review and update process.

Appreciation: the driver for deep and lasting results. In a number of cases, clients do a tremendous amount of work with their year-end gifting and estate planning—often making the next generation multi-millionaires—only to face within that generation a lack of understanding, a sense of indifference or an absence of gratitude. Part of the reason may be that the gifting has been done with a focus on what it means to the senior generation: lessening the estate tax burden. The next generation simply may not have a full understanding of what the gift means to them. Furthermore, if the gift came in the form of partnership units or shares, the next generation may not have any control, and because they were gifted a minority interest in a closely held company, the asset may not hold much value in the eyes of a lender or other outside party looking at their balance sheet. To top it off, they may have to pay taxes on the income associated with the gift in future years, so any perceived immediate financial gain is offset by a tax bill!

I believe the answer to this particular symptom of PTGD is an opportunity for the accountant to cultivate a more profound notion of client—and ultimately advisor—success. The education and dialogue family members have both before and after the gift provides you a chance to cement your relationship with the client. You have the ability and opportunity to educate family members about what the strategy means to the whole family. After all, you've just helped to save the goose that lays the golden eggs! Your significance to their long-term sustenance as a family or closely held business cannot be overstated. If you take initiative to educate and promote dialogue, the family will feel this way too.

Offer to host a series of family meetings to go over the structure, answer questions and even get input about the future of the business or family asset. Use your knowledge of other clients' situations to affirm the current client's strategy. Some accountants I know even offer to provide a reference to other clients that have seen the benefits of such conversations, as "peer" advice can be a powerful and motivating call to action. The point is to keep the family conversation alive; the gift presents a wonderful opportunity to engage your client in thinking about how to secure a business opportunity for future generations. In short, become an advocate for sustaining the business and family relationships. While the conversation may at times be tough, your care for their long-term success will create a lasting business opportunity.

Post-Traumatic Gift Disorder among clients may be characterized by sleeplessness, feelings of regret, astonishment at legal and accounting fees, stacks of documents, lender questions, or concerns about multimillionaire kids' spending habits. But the answer to these symptoms—and the opportunity for you as a trusted advisor—lies not in any wonder drug. The opportunity is how you and your team consider the estate planning process—and how you approach the conversation about your clients' gifting strategy with their family members and business partners.

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