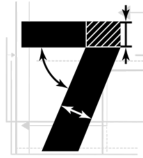

NATALIE PERRY, J.D., CPA

Legacy Matters: Exploring Estate Planning

You have worked tirelessly, you are driven to accomplish great things, your focus has been built on a passion to live an incredible life, to be the best that not only you can be, but also a person of impact for generations.

Often times the difference between being where you are and getting to where you want to be is razor thin. It may seem so thin, like a couple sheets of paper. In reality, I have seen the difference between an aspirational life and a fulfilled life is truly an actual couple sheet of paper.

Estate Planner and Trust Administrator Natalie Perry has encountered this situation many times before. These often sad circumstances could have had a much greater impact if they had been aligned more closely with core values, simply by applying a couple of sheets of paper correctly after a meaningful discussion filled with deep questions.

After this conversation, my wife Stacy and I started to revisit our own journey and began another deeper discussion. As you read, begin to ask yourself big question.

SCAN ME TO LISTEN TO NATALIE'S FULL INTERVIEW

John Creekmur: Natalie, would you take some time to introduce yourself, your background and where you're situated right now?

Natalie Perry: I am a practicing attorney in the estate planning field, and I started my career back in the late eighties with Arthur Anderson doing tax planning and tax structuring for clients. But I ended up leaving to go to law school, which I really enjoyed. I've been practicing law for about 25 years. I enjoy the practice I'm in. It's great to be able to work with the families and the people. You really feel like you're making an impact on someone's life at a difficult time when you're dealing with the administration of an estate or even just helping them tie everything together. That way, when something does happen, they can feel a little bit more prepared and try to minimize some of the stress of that time.

John Creekmur: When should a person begin looking through their estate planning? Is it whenever their spouse has passed away or is it many years in advance?

Natalie Perry: Ideally, we would say many years in advance because when your spouse passes away, you want to make sure your spouse had an estate plan depending on your family situation. If you're married, no kids, everything's maybe joint, depending. Now, this is disregarding taxes of course, but perhaps in that situation, your joint assets are going to flow right to your spouse, no issue. But that is rarely the case. We see much more complicated situations: kids from second marriages, assets titled with a beneficiary. There are so many things that can end up not being as simple as people expected. Having a conversation ahead of time can give people peace of mind when they dig into some of those questions.

John Creekmur: Can you identify some of those things people need to be aware of in second marriages, either from the first spouse having passed away or they walk through a divorce situation? Can you walk through some of the pitfalls people don't think about how that affect their estate planning moving forward?

Natalie Perry: It's important to think about those relationships and how your passing away will affect your kids and your spouse. For example, maybe you've got kids that don't get along with your second wife or second husband depending on the situation. Typically, you might name your spouse as your executor or trustee of your estate plan, but if that's going to create a problem because they don't like each other, you might want to rethink that. Maybe a bank makes sense. You could go with a trusted advisor like an accountant or an attorney, somebody a bit more neutral to let you get assets transferred and administered without pulling teeth. That, I'd say, is the biggest issue we try to avoid: this friction or this difficulty in that relationship.

Another issue is deciding who should get what, because maybe your spouse does need the rest of your money for the rest of his or her lifetime. That's an important feature. Maybe some should be in a trust so that when your spouse dies, some of it goes to your kids from the first marriage. There are a lot of ways to set that up. That's something you should talk about with your advisor.

John Creekmur: I had a couple as clients who were on their second marriage and whose previous spouses had both passed away from cancer. But they both came in with their own children, and then they had children together. Whenever the husband passed away, everything was titled to the wife, and when she passed away, all of his

money was passed on to his second wife's children. The families ended up working together for a good solution. But often, we don't see that.

Natalie Perry: You hate to see them fighting or spending a lot of money on legal fees over who should have gotten what. It sounds like your situation ended up with a great result, which is good.

John Creekmur: But it doesn't always work that way. That's why you want to make sure you actually have these discussions ahead of time. I had a client last week who was getting ready to head into retirement. He was at the executive level. He was asking, "Now that I'm heading to a new life stage, when should I go through reviewing my estate plan?" Do you think heading into retirement would be a good time to review your estate plans?

Natalie Perry: Yes, I think that is a good time to review your plan. Probably for the most significant reason is you'll have a little more time to devote to it. I think that is a great time to rethink where you are going to live. Maybe you're going to move to Florida or take up residency in another state, even if it's part-time. That may be something that changes your estate plan. Maybe your assets have grown significantly since the last time you looked at your estate plan, and that would cause you to want to update some things. Then, like you said, maybe you're closer to one child than the other, or your one child is nearby, and they ought to be tasked with some of the administrative items in your estate plan. Maybe you had named somebody else before. All those things make it important to review.

We do sometimes get clients who come in and say, "I want to update my estate plan," and we look at it, and we don't need to change

anything. But keeping on top of those decisions and refreshing your memory about whom you named, and why, is always a good exercise to go through as it really helps keep things fresh.

John Creekmur: You have both a CPA and your law degree. Do you see a real benefit in having both of those backgrounds when you're walking through estate planning issues?

Natalie Perry: Yes, I do. I tend to work with a fair amount of business owners, and that's partly because I have the accounting background and the tax planning background, so I have a good understanding of financial documents. I also spent some years at JP Morgan, so I learned a fair amount about investing and the types of accounts out there, and that has also been a real benefit. But I think having that background is very helpful to be able to advise clients on all these issues, because it is such a big-picture practice area. It's not just about who gets what; it's, what are the tax implications? If I leave money to my kids in trust, what are the tax implications of that? What are the income tax implications of having money in a trust? Thinking through all those issues is very important and helpful to clients.

John Creekmur: Many people think they don't really need to do estate planning because they're not billionaires. From an estate tax standpoint, are there certain thresholds where all of a sudden, we have estate tax issues? Below that threshold, is estate planning still beneficial?

Natalie Perry: Tax is one, and I think probate avoidance is sometimes an issue as well. Then planning for minor children. But let's start back with the tax concept. Here in Illinois, we do have a

state estate tax that taxes assets. Once you've hit $4 million of assets, they tax all of your assets. That is a much lower exemption than the federal exemption, which is currently $13,610,000 per person, so it's really very high. Under the Trump Tax Act from 2017, that amount is set to revert in 2026, and if they don't do anything, it's automatically going to go back to $5 million, but indexed for inflation, so we think it might end up at $6 million or $7 million per person. That is a pretty significant change that clients are already starting to think about and wonder what they should be doing, if anything. That's obviously going to affect the clients with a little bit more wealth who may be in a position to give some away or do some additional planning.

We've got the estate tax, and then we've got the probate avoidance. A lot of people don't like their assets to become public record or to have their wills filed with the county where they reside. Sometimes, we end up doing a trust which can avoid that and keep some of those things more private.

John Creekmur: You've mentioned that in 2026, we're reverting back to what the tax law was before the 2017 tax code change as it relates to estate planning and income tax planning. We have this window of opportunity over the next year and a half to start working through some estate planning and income tax planning decisions. How far in advance do you think it's wise for a person to start that process, knowing that we have this window starting to close a bit?

Natalie Perry: I think lawyers and advisors like yourself are going to be quite busy having these conversations over the next year and a half, and the sooner the better, even if they don't pull the trigger. Be aware of the issues and understand what might make sense for

your family, whether it is some sort of gift trust or a straight gift to your adult children, if you've got them. Thinking about that ahead of time is wise. My guess is a lot of estate planners are going to be quite busy next year figuring out solutions for clients. The banks will have to open up new accounts or get tax ID numbers. All of that also takes time.

John Creekmur: So many people wait until April 15th to think about things. We're a country of procrastinators. I would encourage everyone to spend some time thinking about estate planning topics before they actually get to the end of the year in 2025.

We briefly touched on charitable giving. What does charitable giving look like within someone's estate plan?

Natalie Perry: It runs the gamut of types of techniques depending on the client's intentions. You may see, on the higher side, somebody starting a private foundation, and those are not as popular as they used to be with the onset of the donor-advised fund. We see a lot of people putting money into donor-advised funds, which are accounts at financial institutions or charitable institutions where that money can sit and then be doled out over time. A private foundation is for the client who has a little bit more to give and is able to set up more of an ongoing, business-like entity put in place for the purpose of making charitable gifts or grants for a certain charitable purpose or multiple purposes. Those can be great for families who want to leave a legacy or get their kids involved in their charitable giving.

Then, we might see straight gifts, gifts to my church, gifts to my alma mater, my favorite local charity, whatever that may be, or a bigger national charity given some of the disasters we've seen happening. In

between, there are some trusts that allow for a gift to charity over a limited time period, say 10 years. There are trusts for charity that can terminate at a person's death, and then the balance goes to children. There's a lot of creativity involved in charitable giving depending on the client's interest and desire, how they want to give it and what the numbers look like.

John Creekmur: You mentioned the donor-advised fund. It's interesting that in the last five to seven years we have seen so many clients in a lot of different spots from a socio-economic standpoint utilize the donor-advised fund as one of their charitable giving tools. It has been a phenomenal way for people to build up some legacy even in their families as they donate some highly appreciated assets or receive higher deductions as far as the current year, but then a couple have actually set up what they would call family boards. It's not an official board, but they have a family meeting and each child and grandchild has to present a charity that's near and dear to them. Then, they have to do research and present it, and the whole family then votes on what's going to be given to and what's not. It's been a way to teach legacy topic to that next generation instead of just the actual dollar amount. I love that thought and that concept.

Natalie Perry: Those are really great and much simpler for clients to manage. There's not so much administration.

John Creekmur: For sure. People are living longer now, which is really a great blessing. But that means that our family dynamics are actually growing and expanding. We have children and then grandchildren and sometimes great-grandchildren. Sometimes, we have families that are growing through adoption. How does all of that

change impact a client's estate planning? Are those things that they need to be considering regularly?

Natalie Perry: I think that's very client-specific, because some clients do like the idea of a dynasty trust, where they can put some money aside and have it grow over generations. It's exempt from tax and it can sit there and accumulate and serve multiple generations or pay for college for these kids and grandkids that they might not even meet or know. Other clients just want their money to go to their children outright. They'll say, "I don't want a trust. That's so complicated. That's only for rich people."

But it really depends. If you're comfortable with a trust, there is a lot of impact to be made for future generations, and it doesn't have to be $20 million; it can be a few million or $5 million. There's no limit on what is given, so it is a very powerful tool as we are living longer. That ties into our earlier conversation about the exemption going down. People may want to start thinking about whether they should set aside money in some sort of trust that could go on for generations.

John Creekmur: You did mention that you work with a lot of small business owners, and I know the definition of a small business owner changes depending on where people are at and how their businesses have grown over the years. Can you walk through pitfalls they may not see and also opportunities they might not consider?

Natalie Perry: That's a great question. There are some additional issues I always tell my clients to think about when they do have operating businesses. The first one goes back to that control point I've made a few times. If you have an ongoing business and when you die,

you anticipate that business will continue to exist, what should happen to it? Who should be in charge of it? It could be that your spouse is the best person. Perhaps they've been very involved, and they're familiar with your accounts and your customers and how the business is run. But then there are probably other situations where the spouse isn't the right person. Maybe they were raising the kids or they had their own profession of some sort. In that case, you may need to look for another advisor or perhaps an employee or manager at the company who can step in and help with those business decisions once the owner isn't alive to make them.

That's where we see some plans go awry or some disputes come up: when there isn't someone named with the capability and skill to make the decisions. We can end up selling the business for less than anticipated, or there could be an abrupt shutdown if customers decide this isn't the same business as it was. That is a really big point. A buy-sell agreement often can make sense, or the right of first refusal might be built into a shareholders' agreement if you have an LLC. If you have partners or investors, you must know their expectations in case something happens to them. Should that person have the right to buy out your shares first and then your spouse ends up with the cash?

Similarly, should you be able to buy that person out if something happens to them in order to have continuity in the business? There, we might want to look at life insurance or some sort of valuation mechanism. How are we going to value that business? We probably don't want to use book value, but fair-market value with an appraisal might not be the right number either. We have to come to an agreement and really dig into what's going to work for all the parties involved.

Those are probably the two biggest things I see, but there can be others with real estate. Perhaps the business is sitting on some real estate. Is there a lease? Should that real estate be separated out? Is it okay for the kids to get that? There's really a lot to think about.

John Creekmur: There are so many details to think through, so make sure to work with an attorney that has the background and the knowledge to say, "Hey, consider these things."

I've had a number of clients who've done extremely well either owning a small business or as executives of large companies, and one of the questions they're asking is, "We have accumulated a large amount of net worth. How much is appropriate to leave to our children and grandchildren?" It always comes back to, "That's a personal question." Is there a professional way to view that?

Natalie Perry: We see that a lot. A lot of people don't want their kids to just walk into this money they didn't earn. Some people might fix what the kids get; each person gets $5 million, and that's it. The rest goes to charity or some sort of foundation or maybe grandchildren or a trust for grandchildren. But we can do a lot with formulas for clients like that because they can escape tax. If we've fixed the dollar amount that goes to the kids, then we can have the rest be a charitable gift that we've structured to be exempt from estate tax. For somebody with a large amount of wealth who doesn't want the kids to get every dollar, that can be a great way for charity to benefit but also for those kids to get a meaningful amount of money.

Often, if you are over the exemption, the kids aren't going to get that money anyway. It's going to go to taxes, and a lot of people don't

like that idea. They don't want the government getting their hard-earned money. Depending on your views, there are definitely options for structuring gifts to children.

You may also want to look at what they're going to get outright. Maybe you have an IRA or a 401k, and those are harder to retain in trust for a longer time period. If they're going to get some sort of seed money from these retirement accounts, maybe the rest of the wealth they get should be kept in a more restrictive trust that they can access eventually.

What's the right age? Is it 50? Is it 60? Is it when some things happen in their lives where you feel like they might be ready to handle some of that money? You can really be creative in a trust and work with the client to get deep on what they care about but not in a heavy-handed way.

John Creekmur: I love the concept of the formula. I think that does take into consideration the estate tax issues and also helps give some framework for the family to walk through those decisions. That's an excellent recommendation. Natalie, you're based in Chicagoland. But let's say somebody is searching from LA or Texas or Florida, and they're looking to work with an estate planning attorney. How do they decide whom to work with?

Natalie Perry: Obviously, you want to look at the credentials and ideally work with a specialist. It depends on your market. You might not be able to find somebody who does the estate planning day-in and day-out, but those are really the people that are going to have the deep expertise that I have. That's all we're doing every day: talking to clients

about who gets what, the tax implications, the family issues. You can look at the person's background for sure.

There's also a group called ACTEC, which is the American College of Trusts and Estate Council. Their website is www.actec.org. I'm part of ACTEC. It's made up of peer-nominated estate planning attorneys all over the United States who are recommended by their colleagues in their local markets. That might be one place to look if you're in a region where you don't have a local contact who can help you. You could look on their website and search by your state.

John Creekmur: That's a great resource. Natalie, we've covered a lot of information over the last 30 minutes. Is there anything we've not covered that you really think readers should be aware of concerning tax and estate planning?

Natalie Perry: A big misconception we didn't get to talk much about, is that lot of people think they don't need an estate plan either because they don't have enough money or because they want everything to go to their wives and kids. Often, that's not the case under state law. If you're married with two children, even if they're minors, state law often says that the assets go half to the spouse and half to the kids. That could create some real complications for people who may not have awareness. You could get a very simple will online or with a lawyer. Lawyers are always better in my opinion. People don't always realize that's how things work, and when we go back to that second-marriage scenario, that could definitely be a concern, or maybe you've got kids from multiple marriages. Just having a basic estate plan is more important than people think. I'm not saying that everyone will

hire a lawyer. It can just be so much easier and less expensive to have the planning done up front.

Natalie M. Perry, J.D., CPA is a partner at Harrison LLP with over two decades of experience in tax-efficient estate planning and income tax planning.

She is a registered Certified Public Accountant (CPA) and an attorney with expertise in high-net-worth estate planning, trust disputes resolution and probate administration.

Natalie has also worked as a tax consultant for closely held businesses and is a frequent speaker at professional education events. Additionally, she has been recognized for contributions to the estate planning community and is involved in various professional organizations.

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