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Can Your Client's CPA Assist Your Estate Planning Efforts?

Estate Planning

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Over the course of my career, I have had the chance to work with many excellent estate attorneys. Often, the attorneys will ask, "What role can you play to support my client's estate planning process?" What follows is a brief summary for your consideration of the ways in which a CPA can assist you in estate planning for your clients.

The CPA can often sell the project for you. CPA's spend a lot of time with their clients and even the client's family members, usually having discussed the need for estate planning or succession planning many times before the client is set to take action. No one likes to deal with or think about his/her own mortality, especially in the case of a successful entrepreneur who has spent most of his/her life building their wealth. Since the CPA normally has a "close view" of the client's situation, they often times recognize the need for estate planning long before the client does. Bringing the need for planning to the client's attention and convincing the client to take action are important services the CPA can provide. However, the plan cannot be completed without the input and assistance of the client's attorney. Many times the CPA has the "project sold" so the attorney doesn't need to spend his or her efforts on the marketing aspect, but can jump into the planning or drafting phase.

The CPA has the trust of, and familiarity with, the client. Stated differently, the CPA knows the practical issues already and can lessen the attorney's investment of time to get up to speed on a particular situation. Due to the CPA's role as the client's "trusted advisor," the CPA can provide invaluable input into the process. The CPA usually already knows which child is a spendthrift, or who in the family may have a substance abuse problem. Often times, parents wish to treat all of their children equally, which does not always equate to being treated fairly. For example, mom and dad may want to leave the business equally to their three children. However, only one may actually be involved in the business; or perhaps none of the children may have the skill to run the business. The CPA likely has the history needed to bring these issues to the forefront, and with the assistance of the attorney, solve these difficult situations.

Many CPA's have extensive knowledge about estate planning. For the CPA profession, the days of being a generalist are long gone. There are a number of exceptional CPAs in Western New York that spend a majority of their time practicing in the area of estates and trusts. Usually, their skills include an in-depth knowledge of income tax law as well. Marshalling these two areas of expertise allows the CPA to be a great sounding board for the attorney, participate in the idea generation stage and "crunch the numbers" as needed to determine the impact of a planning technique on the client's unique situation. Recently, I was involved in a rather complex estate planning matter. All of the parent's estate planning was handled by one law firm, while the legal affairs of the business were handled by a separate firm. Unfortunately, there was little coordination between the two. To complicate matters further, the father passed away before all of the relevant issues could be addressed. Literally hundreds of hours of brainstorming were needed to fix all of the issues, the majority of which concerned income tax and trust tax. It would have been almost impossible for these issues to be corrected if both law firms did not involve and seek advice from the client's CPA firm.

Accountants understand and have experience with tax compliance. Frequently, estate planning includes gift tax planning, trust taxation or eventually the preparation of estate tax returns. Virtually all CPAs who practice tax have an in-depth knowledge of tax compliance. The CPA can make sure that your planning ideas and strategies are correctly handled on the respective tax return. Many law firms have stepped out of the tax return preparation business as it becomes more difficult to stay abreast of tax law changes and more costly to purchase the required software. Tax compliance is a core service offering for nearly all CPA firms, with an abundance of good firms to choose from in our area.

On the surface, the documents appeared to make perfect sense. The issue was that the husband had no assets in his name, other than a large IRA, that would pass outside of the Will by beneficiary designation. Our role was not to challenge the documents that were put in place, but rather to make sure that certain assets were eventually re-titled; and that the ownership of all their assets was confirmed and in line with what made sense to support the plan.

Most CPAs love getting into the details of a situation. As a result, they often catch items that may have been overlooked by the person drafting the document. Recently, an opportunity came across my desk to review an executed set of Wills for one of my clients, again, a husband and wife. Apparently, the husband's Will must have been drafted first and then used as a template for the wife's will. They were identical in every respect (other than the name at the top). We took no issue with the husband naming his wife as executor, but knew something was wrong when her Will also named her as executor! We quickly brought this to the attention of the attorney who remedied the situation immediately.

Above are just some of the areas where CPAs can assist attorneys with the estate-planning process, either behind the scenes, or as a key component of the team. There are certainly many others. Whenever you think that a client may have a complex or potentially complex estate situation, it is always advisable to enlist the assistance of a qualified, experienced CPA. While it is a given that the attorney should be involved in the process, the CPA can play a major role in making the process easier and hopefully more profitable for you.

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