

How
Generational
Differences
May Impact
Estate Planning
And Trust
Administration

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How Generational Differences May Impact Estate Planning And Trust Administration

- Section I – Generational Differences

Discuss the general traits and characteristics of each generation – from the Greatest Generation to Generation Alpha.

- Section II – Current Trends

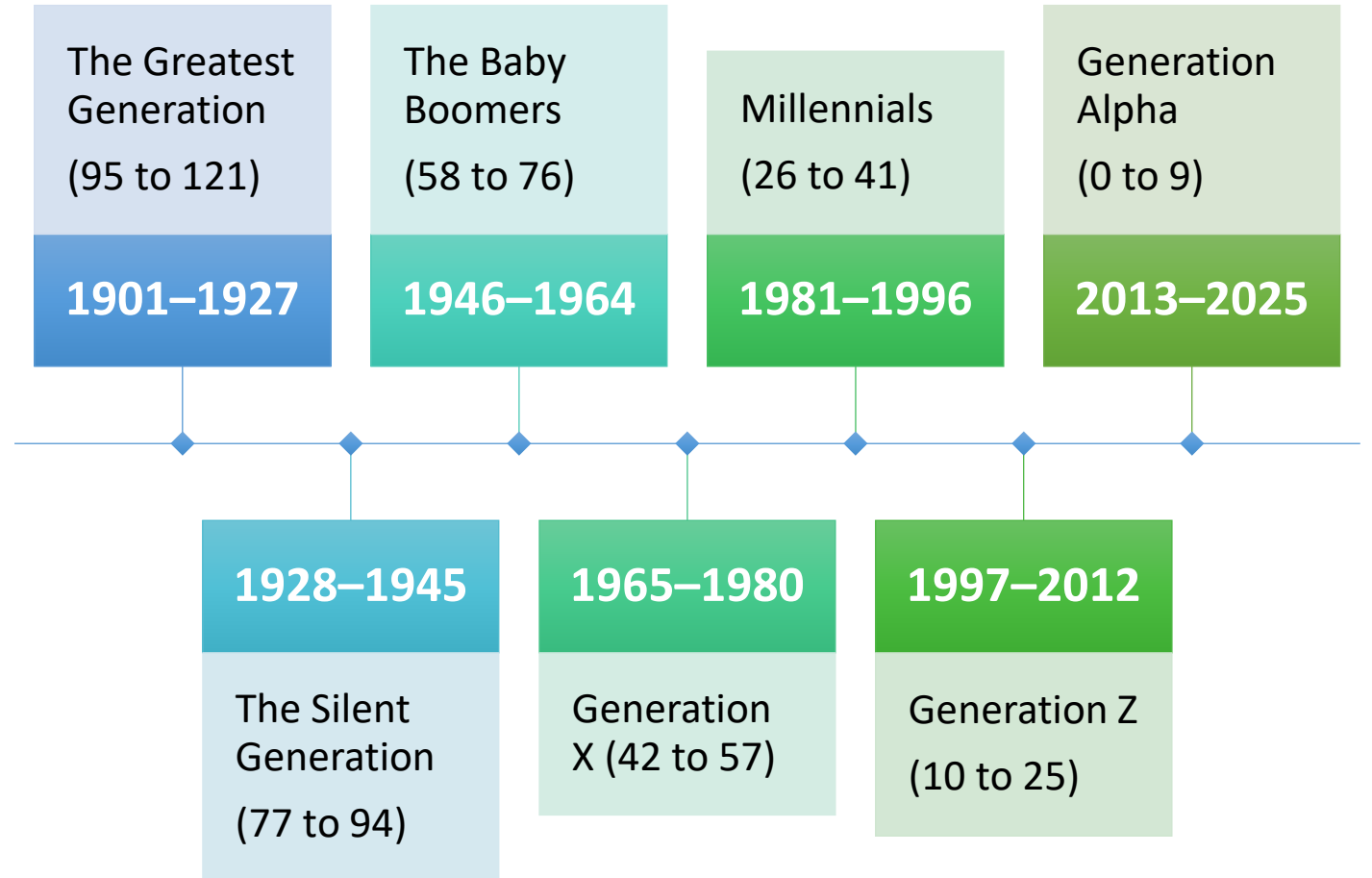
Discuss modern social changes and technological advances and how they could affect Estate Planning and Trust Administration in current and future years.

- Section III – Estate Planning and Trust Administration Today

Review the evolution of the Trust Document and the Trust Experience over the generations.

SECTION I. GENERATIONAL DIFFERENCES

List of Different Generations (ages in 2022)



The Greatest Generation 1901 - 1927

- Also known as the GI Generation
- Grew up in the Depression
- Many fought in World War II
- Fought for what was right as opposed to for selfish reasons
- Moralistic attitude toward the conflict
- Had personal responsibility, duty, honor and faith

Notable Members of the Greatest Generation

- John F. Kennedy
- Margaret Thatcher
- Ronald Reagan
- Rosa Parks
- Lucille Ball

Mother Theresa

Johnny Carson

Queen Elizabeth II

Jackie Robinson

Nelson Mandela

Notable Living Members of the Greatest Generation

- Norman Lear
- Angela Lansbury
- Dick Van Dyke
- Glynis Johns
- Jimmy Carter
- Rosemary Harris
- Anthony Dominick Benedetto
- Janis Paige
- Melvin Kaminsky
- June Lockhart
- William Daniels
- Gina Lollobrigida

The Silent Generation 1928 - 1945

- Also known as the Traditionalists
- About 20 million alive in 2022
- Smaller population than the Greatest Generation and Baby Boomers
- Some were born and lived through the Depression
- Grew up expecting a hard life - endured sacrifice
- Rebuilt U.S. economy after World War II
- Thrifty, respectful, loyal and determined
- Tended to marry and have children at younger ages
- Silent because they did not protest, accepted government - McCarthy era

Notable Members of the Silent Generation

- Paul McCartney
- Joan Rivers
- Bill Russell
- Diana Ross
- Willie Mays
- Barbra Streisand
- Martin Luther King
- Julie Andrews
- Colin Powell
- Anne Frank
- Bob Dylan
- Elizabeth Montgomery
- Muhammed Ali
- Billie Jean King

Baby Boomers 1946 - 1964

- Booming births after World War II
- Preference for structure and discipline - workaholics
- Retiring later than previous generations
- Country's wealthiest generation
- Lived through time of prosperity - absence of World War
- Represents about one-fifth of the population today
- Flower children, protest, civil rights, Vietnam, Kennedy and King assassinations and moon landing
- Strong interpersonal skills
- Had to adapt to advances in technology

Notable Baby Boomers

Bruce Springsteen

Oprah Winfrey

Bill Clinton

Princess Diana

Barack Obama

Charo

- Madonna
- Bill Gates
- Angela Merkel
- Michael Jordan
- Maureen McCormick
- Ray Radigan

Generation X

1965 - 1980

- Often children of two working parents - “the daycare generation”
- Many value work/life balance - work smart, not hard
- Well educated, have appetite for continued learning
- Many are part of the Sandwich Generation - raising children and caring for aging parents
- Marrying later than previous generations
- Passion for charity
- Independent, self-sufficient, value autonomy
- Comfortable with technology
- Lived through many changes - MTV, AIDS, Disco, the fall of the Berlin Wall and the Soviet Union

Notable Members of Generation X

- Tiger Woods
- J.K. Rowling
- Tom Brady
- Liz Truss
- Elon Musk
- Tyra Banks
- Charlie Sheen
- Jennifer Aniston
- Mike Tyson
- Tonya Harding

Millennials

1981 - 1996

- Just starting careers and family
- Motivated by meaningful work
- Largest generation in the U.S. workforce
- Prefer to collaborate (vs. top down)
- Want voices to be heard
- Marrying and having children later than previous generations
- Move more often - many rent vs. own
- Less wealth than previous generations
- Digital natives - grew up on the internet
- Greater use of digital assets

Notable Millennials

- LeBron James
- Serena Williams
- Mark Zuckerberg
- Mala Yousafzai
- Stephen Curry
- Beyonce
- Pete Buttigieg
- Natalie Portman
- Michael Phelps
- Lady Gaga

Generation Z 1997 - 2012

- Value social responsibility and diversity
- Expect to work with modern technology
- Expect to marry later than previous generations
- Less likely to be religious
- Less time in shopping malls
- Less personal interaction
- More concerned with climate crisis
- More focused on mental health than previous generations
- Greater use of digital assets

Notable Members of Generation Z

- Trevor Lawrence
- Olivia Rodrigo
- Billie Eilish
- Justin Herbert
- Amandla Stenberg
- Naomi Osaka
- Greta Thunberg

Generation Alpha 2013 - 2025

- Youngest generation
- More diverse family dynamics
- Higher racial diversity
- Possible higher economic inequality

Notable Members of Generation Alpha

- Prince George
- Carter Radigan
- Brody Radigan
- Dak Zelazny

SECTION II. CURRENTS TRENDS

Historical Life Expectancy Data - US

- 1950 – 68.14
- 1960 – 69.84
- 1970 – 70.78
- 1980 – 73.70
- 1990 – 75.19
- 2000 – 76.75
- 2010 – 78.49
- 2020 – 76.99
- 2021 – 76.60

Interesting Facts About Longevity

- Life expectancy has doubled over the past 150 years
- Over 85 years old is the fastest growing segment of the population
- Women born in South Korea in 2030 are expected to have an average life expectancy of 90 years
- One third of babies born in the UK in 2013 are expected to live to 100
- The estimated US centenarian population in 1830 was 539 (75,000 today)
- The estimated world centenarian population was 95,000 in 1995, 451,000 in 2015 and will grow to 3.7 million in 2050

Facts About Dementia

- Worldwide population of dementia is 46 million
- By 2050, the expected worldwide population of dementia will be 130 million
- A new case of dementia is diagnosed every 3 seconds
- Estimated that 5% - 8% of those over 65 have dementia
- About 47% of those over 85 have dementia
- An estimated 5.8 million Americans have dementia today and an estimate of 14 million will have dementia in 2060

Generations That Report Mental Health Is Good or Excellent (percentage)

- Baby Boomer 70%
- Generation X 51%
- Millennials 56%
- Generation Z 45%

Source: American Psychological Association

Other Factors About Mental Illness

- Higher levels of stigma surrounding mental illness or depression in older adults
- Pandemic has caused a significant increase in depression in all generations
- Generation Z has reported higher rates of depression than previous generations but are more likely to seek help
- Anxious and depressed youth are increasingly given multiple and powerful pharmaceuticals
- 37% of Generation Z has sought help from a mental health professional
- The right treatment might include therapy and proper medication

Maximum Monthly Social Security Benefit in 2022

AGE

- 62 \$2,364
- 66 \$3,240
- 70 \$4,194

The Current Status of Social Security

- More than \$1 trillion of Social Security benefits were paid to 65 million recipients in 2020
- Since 2010, the system brings in less revenue than pays out in benefits, with the shortfall paid from reserves
- Under the current laws, the funds for Social Security will be exhausted in 2034 - if so, benefits must be cut by 22%

Source: 2021 Social Security Trustee's Report

Possible Ways to Save Social Security

- Increase the retirement age
- Increase the payroll tax (6.2%)
- Increase the cap of income subject to the payroll tax
- If the payroll cap is eliminated, it is estimated that this would reduce between one-half to two-thirds of the shortfall

SECTION III. ESTATE PLANNING AND TRUST ADMINISTRATION TODAY

Evolution of the Trust Document

Old

- Use of interested trustee - family member
- Invasions for health, maintenance, education and support
- Distributions at age attainments
- No power to remove the trustee
- Family not involved in trust administration

Current

- Use of disinterested trustee
- Complete discretion to invade income and principal to maximize asset protection
- Fewer outright distributions at age attainments, or trustee's power to withhold that distribution, if need be
- Power to remove the trustee
- Family named as co-trustees
- More flexibility- trust protector, modification by state law, non judicial settlements, decant
- Address ownership of digital assets

Evolution of the Trust Experience

Old - Negative

Lack of communication

Beneficiaries not involved

Lackluster investment performance

No power to remove the trustee

Lack of incentives

Lack of flexibility

Current - Positive

- Proactive communication
- Beneficiaries are involved
- Better investment performance and more elaborate asset allocation
- Power to remove the Trustee
- Incentive Trusts
- More flexibility

Use of Trusts More Commonplace

- Lifetime gifts - take advantage of the Federal gift tax exemption
- Transfers at death
- Retain more control and maximize asset protection
- Provide incentives
- Succession planning
- Plan for possible future incapacity
- Avoid probate
- Increase in depression
- Special needs

Incorporating Flexibility into the Estate Plan

- Give the Grantor the power to substitute assets
- Name alternate beneficiaries if the primary beneficiaries are predeceased
- Empower beneficiaries to make changes - power of appointment, power to replace the Trustee
- Consider decanting, when appropriate
- Designate a Trust Protector
- Appoint successor fiduciaries

New York does not have a statute recognizing the Trust Protector or the Non-Judicial Settlement Agreement.

Using a General Power of Appointment to Obtain a Step Up in Basis - Example

- A Trust is established and includes a farm that was purchased for \$200,000.
- The farm is now worth \$3 million due to potential development rights.
- X, the beneficiary, has a general power of appointment over the farm property.
- X owns other assets worth \$2 million and dies in 2022.
- The farm is included in X's estate , even though X did not exercise the power of appointment and the farm goes to others pursuant to the terms of the Trust.
- Since the total value of X's estate is \$5 million, the estate will not owe any New York or Federal estate taxes.
- The new cost basis of the farm is now \$3 million.

Using a Limited Power of Appointment to Change the Distribution of Trust Assets - Example

- Grantor and spouse have two children.
- Grantor dies and creates a Trust for the benefit of the surviving spouse.
- The surviving spouse has a limited power of appointment where at death, he or she has the power to appoint the remaining property, outright or in further trust, for either of their two children. Otherwise, the trust assets will be divided equally and in further trust for each of their two children.
- Since the creation of the Trust, the first child has become extremely wealthy while the second child is working at a charitable organization.
- The surviving spouse may decide to direct that all or a larger portion of the remaining assets be held in trust for the benefit of the second child.

Potential Powers to Trust Protectors

- Modify the agreement
- Remove and replace Trustees
- Veto, direct, change or consent to distributions
- Terminate the Trust
- Change situs and governing law
- Modify powers of appointment

Drafting a Trust to Plan For Possible Future Incapacity

- Mechanism to remove the Grantor as Trustee if incompetent
- Express preference for home care
- Providing the power to provide care and support
- Trustee's power to retain counsel and physician
- Address medical records – access and release of information, when appropriate
- Provide for travel, leisure and social activities
- Provide for gifts to family members and charities
- Helps protect against financial exploitation

Estate Planning for Older Generations Issues to Consider

- Delegate financial and health care decisions
- Plan for long term care
- Plan for possible future loss of capacity
- Consider the benefits of a lifetime Trust to minimize future transfer taxes
- Retirement planning
- Consider the benefits of a Trust for asset transfers at death

Estate Planning for the Sandwich Generation Issues to Consider

- Primarily consists of Generation X and Millennials
- Additional estate planning concerns include:
 - Establish 529 plan for children's education
 - Plan ahead for parent's long-term care
 - Consider cash gifts to parents
 - Consider buying your parent's house
 - Set up parent's power of attorney and health care proxy
 - Obtain HIPAA authorization

Estate Planning for Younger Generations Issues to Consider

- Guardians for children
- Wealth creation planning
- Life insurance planning
- Addressing potential mental health concerns
- Retirement planning
- Delegating financial and health care decisions
- Asset transfers at death - consider the benefits of a Trust

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Mr. Radigan has more than 30 years of experience managing the administration of complex trust and estate accounts and offering comprehensive financial and estate planning advice to high net worth individuals.

Prior to joining First Republic, Mr. Radigan managed the trust and financial planning activity for TD Bank and held senior leadership roles at US Bank and U.S. Trust. Mr. Radigan was also a member of the board of directors of the New York Bankers Association.

Mr. Radigan is a frequent speaker at estate planning seminars offered by the American Bankers Association, New York State Bar Association, New York Bankers Association, Practising Law Institute and New York State CPA Society. He is an emeritus member of the board of directors of the Long Island Community Foundation.

He is a graduate of St. John's University School of Law and received his undergraduate degree from Boston College, graduating from the School of Management's Honors Program.

Wealth Management Experience: Since 1988



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Richard G. Chalifoux is a Managing Director and Senior Trust Officer at First Republic Trust Company in Garden City, New York.

Prior to joining First Republic, Mr. Chalifoux was a Senior Vice President and Senior Trust Officer at U.S. Trust for 15 years. Prior to U.S. Trust, Mr. Chalifoux headed the Estate and Trust Administration Department for North Fork Bank's Trust and Investment Division and was a member of the Personal Trust Administration Management Division, Estate and Trust Administration Group for Morgan Guaranty Trust Company of New York. He also was a law practitioner for several years, with concentrations in trust and estate administration and planning.

Mr. Chalifoux is certified as an Accredited Estate Planner by the National Association of Estate Planners and Councils which is a graduate level specialization in estate planning.

Mr. Chalifoux is a graduate of The College of the Holy Cross and Albany Law School of Union University. He is the immediate past president of The Estate Planning Council of Nassau County, Inc and also serves as the Council's representative to the NAEPC. He received the inaugural Gary H. Friedenbergs Service Award from the Council in June 2022. Mr. Chalifoux is also a past co-chair of The Suffolk County Bar Association's Surrogate's Court Committee. Mr. Chalifoux is a member of the American, New York State, Nassau County and Suffolk County Bar Associations, as well as The Estate Planning Council of Suffolk County. He is a frequent lecturer on various trust and estate topics.