

# Adding a Legacy Division

## *Providing Taxpayers with Peace of Mind*

By Sidney Kess, Carol R. Kaufman, James R. Grimaldi, and James A.J. Revels

**B**ecause of the Tax Cuts and Jobs Act (TCJA), more individuals—90% of taxpayers, by some estimates—will decide to prepare their own tax returns. With the simplification of the Form 1040, more people will use the standard deduction and services like Quicken and TurboTax. Consequently, tax preparers should expect to lose a significant portion of that business. There is growing competition for that business, as well; other professionals and other kinds of financial firms—banks, financial planners, and insurance companies—are doing tax work for almost nothing. In addition, with

survey in a LinkedIn group for trusts and estates professionals. Four questions were asked:

- How many of your clients have died in the past two years?
- How many of those clients had everything listed and prepared for settling their estate?
- On average, how many hours did or does your firm spend gathering critical information for clients that could have been pregathered by them?
- What is your firm's average hourly rate for compiling this information?

Based on the individual responses of the participants, 25% of respondents had individual clients who were not, in any way whatsoever, prepared for their deaths. Forty-five percent of respondents' clients were fully prepared, but of that 45%, 97% had left for their service provider work that could have been done by the individual. On average, that work amounted to 12 hours of information gathering; assuming a conservative cap of 25 hours per individual and an average cost of \$271 per hour, costs ranged from \$700 per client to \$10,000 or more per client. The average cost per client was \$3,177, and 34% of clients were charged \$5,000 or more.

While this survey yielded only approximately 60 respondents, the numbers reinforced the authors' idea that people are not prepared for death and that they lean on their trusted advisors to do the heavy lifting. Making proper arrangements before death makes dealing with the estate considerably less expensive for the survivors to deal with. It is easier and cheaper for an individual to tell a trusted advisor where the data is beforehand than for the professional to reconstruct it after the fact.

There are several free or inexpensive physical and electronic options for consolidating critical information, but CPAs know from experience that most individuals rarely do even this leg-work themselves. These tools may be available, but most people, even those that might have them, just aren't using them. The amount of how much personal data people collect is daunting. Piles of documents, personal articles that should be inventoried, information that needs to be available to close accounts or change passwords: identifying all these important items can be frustrating and take a lot of time. In addition, the nature of why this exercise needs to be done can add anxiety, creating a tendency to focus on anything other than on this activity. This dilemma requires a carefully constructed, proven, and



married couples now able to shield as much as \$22.4 million from federal estate and gift taxes, fewer wealthy individuals will focus on estate planning.

This potential reduction of tax return services and increase in estate exemptions means that CPA firms specializing in tax preparation and financial planning must think of new ways to raise revenue. One such source of revenue may be a legacy division, which assists individuals with compiling all the information about their assets that will be needed when the time comes to plan for their death.

Prior to writing this article, the authors conducted an informal

painless method of gathering financial information—and this is exactly what a CPA firm’s legacy division can provide.

### What Legacy Divisions Can Do

While the exact details of legacy services can differ from firm to firm, the basic point is to help individuals take an inventory of their assets—all of them, not just financial—while they are still alive. The service might walk individuals through the process of identifying and documenting all of their critical information. Trained staff members can help set up a series of appointments at the firm’s office or the client’s home to gently and methodically elicit the information from them and put it all into a format that is easily accessible, secure, permanent, and easily updated. The interview process should not only yield the requisite information, but also educate the individual on a variety of topics in a nonthreatening, enjoyable manner. Family trees, home inventories, digital assets, and even secret hiding places are all possible avenues of investigation. Answers to questions should lead to other questions, drilling down to uncover things that one might they have forgotten. This will not only gather the greatest amount of information; it will confirm and increase the individual’s faith in the firm as a trusted advisor.

### Necessary Preparations

The success of a CPA firm’s legacy division depends on creating the proper structure and service for its clients. Simply slapping a price tag on the service will not suffice; it needs to be carefully crafted. Many decisions must be considered, including what types of services the firm will provide, where the legacy division will be based, who will staff the division, and what the different packages and price structures will be. Will the legacy staff travel to the individual’s home to make personal inventories? Will they make recom-

### CHECKLIST FOR CREATING A LEGACY DIVISION

- Evaluate your current business. Conduct your own survey, even among individual clients.
- Evaluate the risks: legal, tax, accounting.
- Document the flow of the proposed division: who will participate, how, when, and where.
- Create a business plan for the division outlining the scope, the process, and the budget. Include which services will not be offered.
- Look at potential strategic relationships. Develop a pool of consultants for clients to work with.
- Create training materials to ensure clear, concise, and consistent service to clients.
- Create implementation guides and procedural manuals, including interview scripts and deliverables.
- Determine the appropriate software to use.
- Train staff on the interview process.
- Train staff on organizational tasks, such as documentation, scanning, and consolidating.
- Train staff on software utilization.
- Create a marketing plan, strategy, and materials.

mendations, such as hiring a professional organizer or an estate attorney? And if so, does the firm have a list of such trusted service providers on hand?

Managing an individual’s emotional reaction to the process will be a key part of any legacy service. If the division has its own dedicated space within the firm’s offices, that space will need to be designed to comfort and reassure visitors. The staff will need certain skills, such as patience, empathy, interpersonal communication and interview skills, attention to detail, and an appreciation of the need for confidentiality. They will also need to be trained in what to do if an individual becomes upset, emotional, or even irrational when discussing sensitive matters. Multiple sessions may be necessary, as individuals may not be able to recall everything in one go. Similarly, regular maintenance—that is, periodic updating of the information collected—will probably be necessary. Finally, any CPA firm will need to consider the possible legal ramifications and be prepared for them (e.g., carry the proper insurance).

### The Payoff Is Worth It

Starting a legacy division is an opportunity for CPA firms specializing in tax preparation and financial planning to step up and organize a much-needed process that, done correctly and methodically, can help both clients and the firm. A well-provided legacy service will differentiate a firm from its peers, allow the firm to pinpoint areas of concern for which it can provide additional assistance, and reassure individuals that an unpleasant but necessary task has been dealt with, thereby reinforcing the firm’s position as a trusted advisor. □

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