7TH ANNUAL INDUSTRY TRENDS

KEY FINDINGS

A LOOK INSIDE THE ESTATE PLANNING INDUSTRY

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OVERVIEW

This has been a dynamic year for estate planners, and the 7th Annual Industry Trends Survey illustrates the areas with challenges for this vital industry. The survey addresses changes from new legislation, client demographics, client needs, education requirements and desires for estate planners and their staff, business goals, and communication methods.

What concerned survey respondents most was finding time to grow their businesses by nurturing new and existing relationships.

High profile legislative changes in 2013 presented the potential for significant impact within the estate planning industry. Survey respondents reported, however, that the American Taxpayer Relief Act of 2012, which extended tax cuts; the Affordable Care Act which provided health insurance options; and the Defense of Marriage Act had little impact on their practices and there was no need for survey respondents to make drastic changes to client financial plans.

On average, survey respondents spend one to two hours per week developing their client base, but more time is needed to recruit a significant amount of new business.

Although many survey respondents prefer to stay in touch with clients and sources for referrals with personal mailings, more and more estate planners are looking to social media as a means to communicate. Use of LinkedIn, Facebook and Twitter has increased, but survey respondents struggle with how to effectively implement these as use is regulated. In the future, estate planners expect to incorporate these methods in their practices.

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Survey Profile Overview

Respondents are primarily practicing attorneys and financial planners. Forty percent of respondents are currently a member of WealthCounsel.

72% PRACTICING ATTORNEY

19% FINANCIAL PLANNER/ADVISOR

4% OTHER

2% CPA/ACCOUNTANT

1% BANKING/TRUST OFFICER

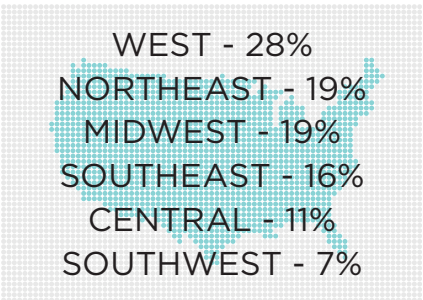
1% INSURANCE PROFESSIONAL

PRACTICE LOCATION

Respondents are located across the country, with the largest percentage located in Western states.

39%

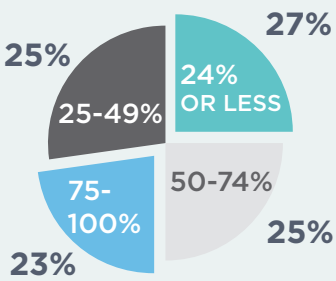
Thirty-nine percent of respondents indicate they practice in a state that imposes a separate state estate or inheritance tax.

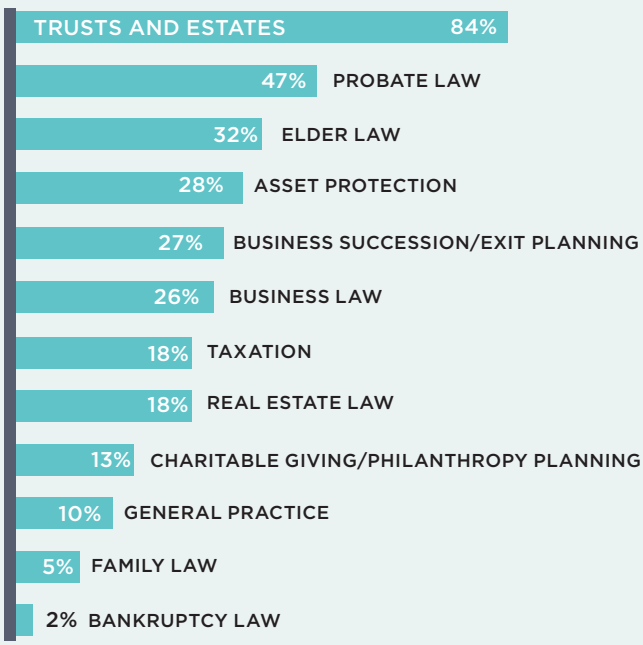


PRACTICE FOCUS

Respondents vary in how much of their business revenue is generated from services relating to estate planning for clients. 48 % indicate it is a majority of their business. Attorney respondents are likely to focus on trusts and estates.

Approximately what percentage of your business revenue is generated from services relating to estate planning for clients?





If you are an attorney, please select the practice area that best describes your focus.

NEW LEGISLATION PACKS LITTLE IMPACT

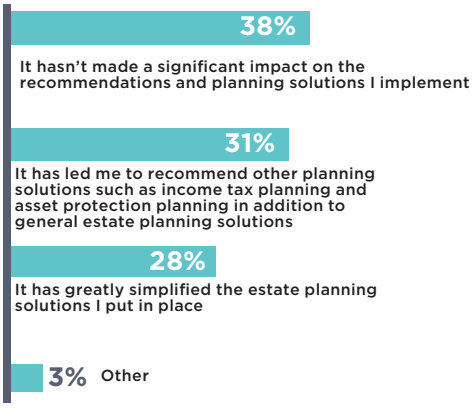
Much-anticipated legislation related to taxes, healthcare, and marriage has had a minimal effect on how survey respondents strategize for clients.

FEW ADJUSTMENTS, POST FISCAL CLIFF FIX

On January 2, 2013, President Barack Obama signed the American Taxpayer Relief Act of 2012 (ATRA) into law. ATRA was passed to help the country steer clear of the "fiscal cliff." The legislation permanently extended most of the "Bush-era tax cuts" and estate planning tax rules, while other tax credits, such as the child tax credit, parts of the Earned Income Tax Credit, and the American Opportunity Tax Credit, were extended through 2017. The Payroll Tax Reduction that reduced the Social Security tax by 2% was not extended. Specifically affecting survey respondents, the estate planning tax rules maintain an increase from 35% to 40% for the highest tax rate, and now make more than $5 million (indexed for inflation) of an estate's asset value exempt from federal transfer taxes.

These changes, especially the increased exemption amounts, have affected estate planning strategies for some respondents: 28% have recommended simplified estate planning solutions while 31% have recommended alternative planning solutions, such as income tax planning and asset protection. However, 38% of the survey respondents indicate that legislative changes will not affect their practice.

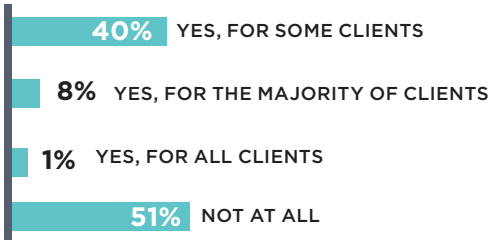
How has the increased exemption amount under the American Taxpayer Relief Act of 2012 (ATRA) impacted the solutions you implement for clients?



HEALTH CARE REFORM: NO CHANGE FOR MOST

The much-anticipated Affordable Care Act has had no impact on planning for 51% of respondents, while only 8% have had to make changes for all clients. Enrollment in Federal and State-based Marketplaces was at 3 million by the end of January, which is lower than the anticipated enrollment of more than 6.3 million eligible individuals. If enrollment increases, the Affordable Care Act may require different estate planning strategies for more individuals.

Has the Affordable Care Act changed your clients' estate planning strategies?

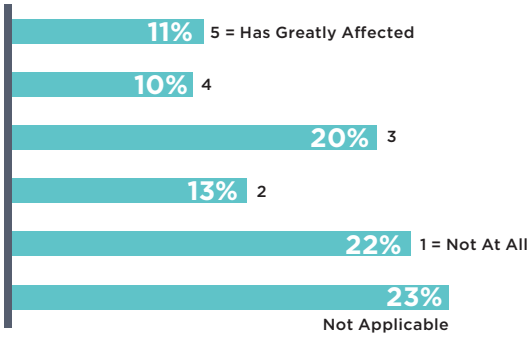


DOMA EFFECT? TOO EARLY TO TELL

Similar to ATRA and the Affordable Care Act, changes to the Defense of Marriage Act (DOMA) and the Supreme Court ruling invalidating Section 3 have not affected respondents. Married couples continue to comprise a majority of clients, about 60%, but there is a slight shift in demographics as the small number of clients who are same-sex partners have slowly increased to 4%. The Supreme Court ruling has caused 21% of respondents to make changes to their estate planning strategies for same-sex couples as well.

Unlike the other legislation, in many ways DOMA is uncharted territory. Whether estate planners have to address this legislation as they help clients strategize and plan their estates remains to be seen.

Using the following scale, how has the recent U.S. Supreme Court ruling invalidating Section 3 of the Defense of Marriage Act affected the estate planning strategies you use for same-sex couples?



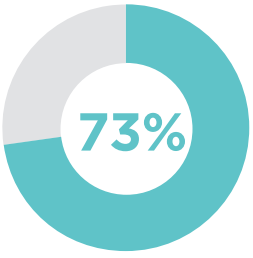
BUSINESS GROWTH OPTIMISM HITS THREE-YEAR HIGH

The economy is starting to recover and respondents feel their businesses reflect that. From 2010 to 2011, 43% of respondents had a decline or no change in business, while from 2012 to 2013, 27% of respondents had a decline or no change in business. In the past year, 24% of respondents had a 20% or more increase in business from 2012.

In the same vein, respondents are more optimistic about long-term growth. In 2011, 38% of respondents projected their practice to grow more than 20%, but in 2013, 42% of respondents expect growth of 20% or more.

Most of the ways respondents hope to grow their business remain the same from last year, including adding new marketing tactics and tools to facilitate referrals and collaborative relationships with allied professionals (64%), developing or revising a marketing plan (63%), enhancing or developing a website (58%) or increasing professionals service offering (40%). Last year, only 22% of respondents planned to write blogs and this year, 39% of respondents plan to use social media tactics, such as writing blogs or using Twitter, LinkedIn or YouTube.

73% of respondents experienced growth, compared to 71% in the 2012 study and 59% in the 2011 study. 92% of the 2013 respondents expect business to grow in the next five years.



Experienced Growth in 2013

Expect growth in next five years

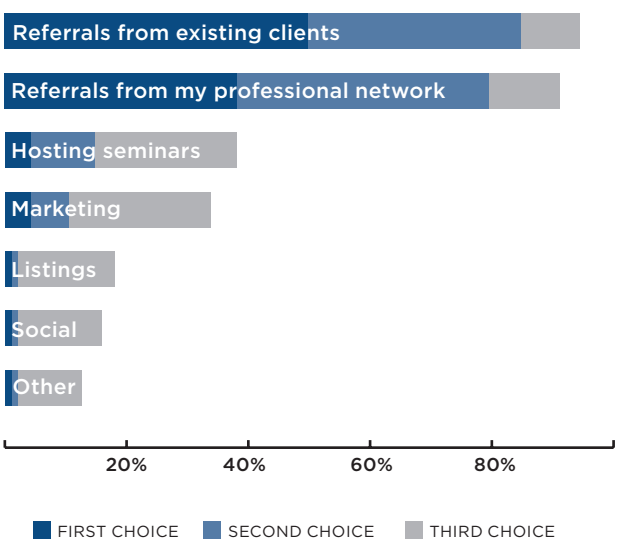
NETWORKING, REFERRAL TIME HARD TO FIND

Developing existing client relationships while generating new ones is key to growing a successful practice. Generating new business requires taking time away from a practice, which can be difficult depending on staffing levels and the number of clients in a practice.

While referrals from existing clients and professional networks are the top preferred methods for generating clients for 83% of the respondents, hosting seminars and workshops for current and prospective clients and marketing and advertising campaigns are the next most popular methods.

Finding the time to proactively nurture relationships is the biggest challenge for survey respondents (73%). About half of the respondents spend between one and two hours a week developing relationships within networks that lead to referrals. Referrals haven't been a big source for new clients though — more than half of the survey respondents (56%) attribute less than a quarter of their new clients to referrals from other professionals.

What are your primary methods for generating client business?

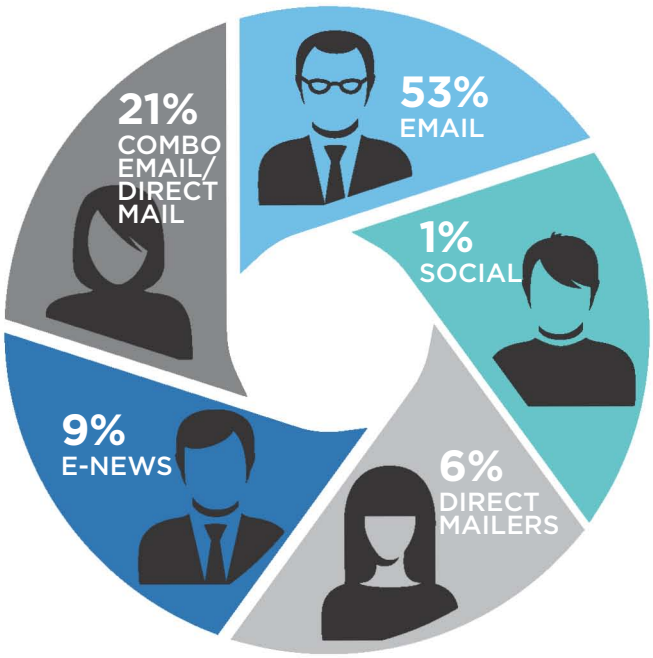


EMAIL, MAIL MOST USED COMMUNICATION TOOLS

Most respondents recognize the need to communicate with their current or prospective clients on a regular basis. In a perfect world, 76% of respondents would communicate monthly or quarterly with potential or existing clients, while 87% would like to proactively communicate with current or potential sources for referrals monthly or quarterly.

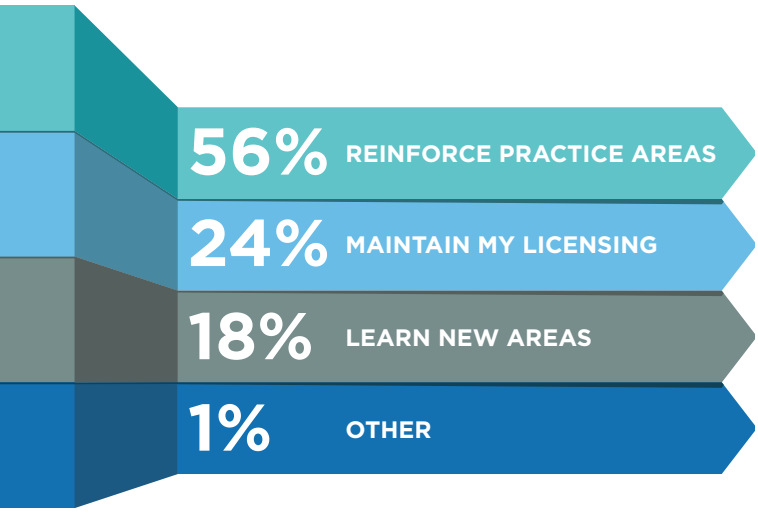
There are different ways to communicate with current clients and referral sources, and a majority of respondents (53%) use personal mailings like notes and cards for birthdays and holidays. Electronic newsletters, providing access to educational materials on websites, and social media are other popular communication methods. Face-to-face meetings are not as popular, as only 21% host in-house events for clients and 19% host in-house events for their professional networks or referral sources.

Estate planning professionals prefer to communicate only via emails (53%) rather than a combination of electronic and direct mail (21%), e-newsletters (9%), direct mailings such as flyers, newsletters, postcards or letters (6%), or through social media websites like Facebook, Twitter or LinkedIn (1%). Despite this, more respondents continue to use LinkedIn (76%) and Facebook (36%) than they did last year.



SOCIAL MEDIA PLAYING NEW ROLE?

Social media does have a stigma, since there are many regulations and limitations on how estate planners can this media as part of their business. Fewer respondents use social media channels than last year, and this number dropped to 19% in 2013 from 25% in 2012. Although more respondents want to use this medium, understanding how to use social media without jeopardizing business is key.



Estate planning professionals primarily use continuing education to stay abreast of their current practice areas. Approximately one in four need continuing education to maintain their licensing.

POST RECESSION, CLIENT NET WORTH IN GROWTH MODE

Client profiles are slowly shifting. Married couples now comprise 60% of clients, down from 64% last year, while clients with same-sex partner increased to 4% from 2% last year. Clients who are single or unmarried increased this year to 17% from 16%, and divorced or remarried clients increased this year to 19% from 17%. Only 21% of respondents have made changes to their estate planning strategies for same-sex couples resulting from the Supreme Court ruling.

Client ages haven't shifted significantly. Most clients are between the ages of 50 and 69 (51% of clients), with a net worth of $1 million or more (52% of clients). As the economy is recovering from the hard hitting downturn of recent years, clients are able to grow their net worth. This year, 45% of clients have a net worth below $1 million, as compared to 55% in last year's survey. In 2011, the average net worth of an American family was $68,828, according to the Census Bureau. Of the remaining client base, 16% are between the ages of 40 to 49 and 14% are between the ages of 70 to 79.

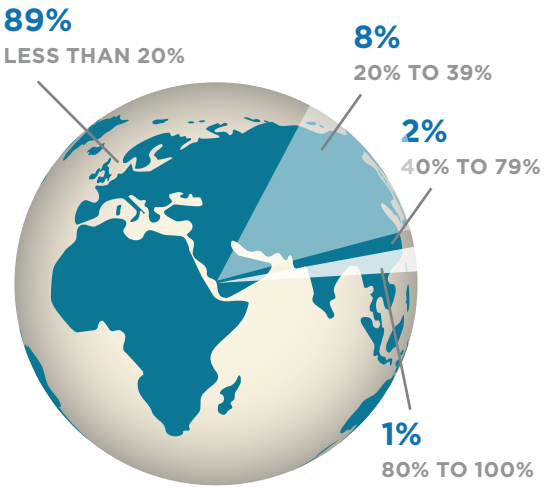
Portfolios are comprised primarily of domestic investments, as 89% of clients have less than 20% of international investments, not including international investments purchased through U.S. financial service companies.

CONTINUING EDUCATION: MORE PREFER TO LEARN ONLINE

Maintaining continuing education credits is imperative to being able to practice. While about 24% of respondents need continuing education to maintain their licensing, 56% of respondents use courses as a way to reinforce their current practice areas.

These classes can take valuable time away from the office, and respondents have had a slight shift with their preferences from live, on-site courses to recorded courses. From 2011 to 2013, the number of respondents who preferred a classroom environment that allowed for interaction with others decreased from 73% to 65%. During that same time period, those who preferred recorded courses that they can access on their own time increased from 40% to 47%.

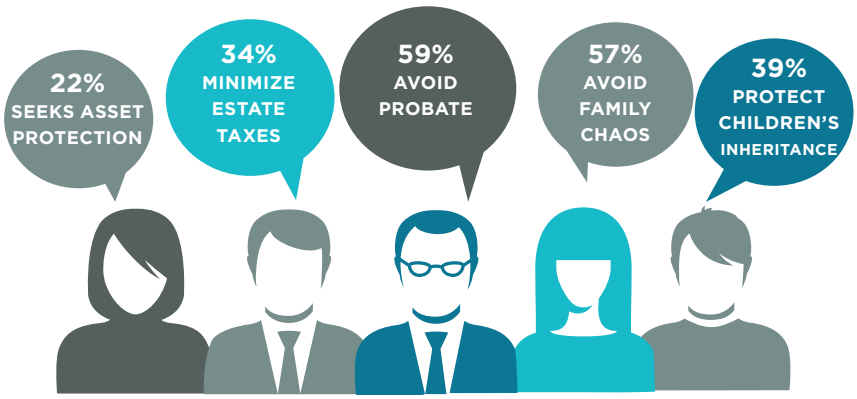
The topics respondents and their staff would like to learn about has remained consistent for the most part, such as asset protection planning, elder law, and estate administration and settlement. During the past year, fewer respondents wanted to learn about business planning and estate tax planning.



The percentage of your clients who own assets abroad (not including international investments bought through U.S. financial services companies).

CLIENTS PLAN TO PROTECT

The reasons why clients use estate planners haven't changed. They are looking to avoid probate (59%), avoid chaos or discord among family and beneficiaries (57%), protect children from mismanaging inheritances (39%) and minimize estate tax (34%).

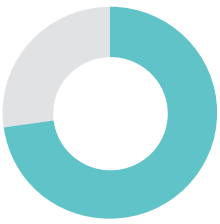


52%
1 - 2 HOURS

27%
2-3 HOURS

12%
4+ HOURS

How much time each week do you dedicate to building referring relationships with allied professionals in your network?



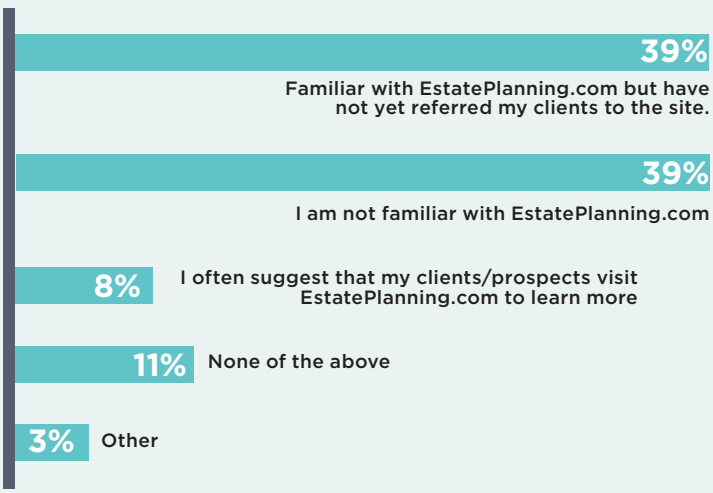
73% YES

Do you struggle to find the time to proactively nurture relationships in your network of professional referral sources?

AN INFORMED CLIENT IS AN ENGAGED CLIENT

When asked about the consumer information website, EstatePlanning.com, 47% of respondents are familiar with the website. Out of that, one out of ten respondents encourage their clients to visit the website as a tool to education them on estate planning. 39% of respondents are familiar with EstatePlanning.com but do not refer their clients. 39% of the respondents are not familiar with EstatePlanning.com.

Please indicate below the extent to which you encourage your clients and/or prospects to learn more about estate planning by visiting consumer information websites such as www.EstatePlanning.com



ABOUT THE SURVEY

WealthCounsel and WealthManagement.com partnered to conduct the *7th Annual Industry Trends Survey*. WealthManagement.com collected and analyzed the data. Surveys were collected from 1,261 participants between November 18, 2013 and December 31, 2013. To distribute the survey, WealthCounsel emailed invitations to participate to estate planning and wealth management professionals across the nation.

Different marketing techniques were used to encourage responses. The survey included live links, and follow-up invitations were sent to those who didn't respond during November and December. Respondents were entered into a drawing. Prizes included tuition for the 2014 Planning for the Generations Symposium, an iPad, or Visa gift cards with either a $100 or $500 value.

The survey findings will be published in the March 2014 issue of *Trusts & Estates Magazine* and available for download at **www.wealthcounsel.com.**

The margin of error is +/-3.0% at the 95% confidence level.