

**OUTLET:** Bergen Record, New Jersey

By Lori Sackler

The late James Gandolfini was a great actor and performer but, according to recent news accounts, his financial planning was not up to the same standards <sup>12</sup>

The articles reported that he left behind a sizable estate, valued at \$70 million. After the first \$5.25 million federal exclusion, some 40 percent of the remainder will likely disappear in taxes.<sup>3</sup> Ouch.

Mr. Gandolfini died at age 51. At such a young age, perhaps he wasn't ready to consider the importance of estate planning. We'll never know. In addition to his legacy as an actor, most notably portraying television mobster Tony Soprano, his passing also leaves us with a significant lesson: you are never too young for appropriate financial planning.

The reports say that Mr. Gandolfini signed a will just six months before his untimely death, leaving 30 percent of his estate to each of two sisters, 20 percent to a daughter, now about nine months old, and the remaining 20 percent to his wife, Deborah Lin.<sup>4</sup>

Inheritance laws will keep the tax collector away from his Ms. Lin's piece of the inheritance. The others, however, may have to fork over some \$30 million in federal and New York taxes.

There are a number of different types of trusts that can be created to keep inheritance taxes as low as possible. An estate attorney can set them up fairly quickly. Here are a few options, among others that can be created.

A testamentary trust controls how your assets are managed and ultimately distributed after your death and may reduce taxes.

An irrevocable trust typically is used to remove assets from the grantor's taxable estate. "Irrevocable" means you permanently give up rights to trust assets and you may not alter the terms of the trust although you may be able to change the trustee.

A revocable living trust is a flexible estate planning tool created during your lifetime that can be used to transfer assets outside of probate at death and to provide for asset and

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<sup>1</sup> "Estate taxes whack Gandolfini's fortune," by Liz Skinner, *Crain's New York Business*, [http://www.crainsnewyork.com/article/20130715/PROFESSIONAL\\_SERVICES/130719932](http://www.crainsnewyork.com/article/20130715/PROFESSIONAL_SERVICES/130719932)

<sup>2</sup> "A Public Debate Over the Wisdom of Gandolfini's Will," by Paul Sullivan, *The New York Times*, July 20, 2013

<sup>3</sup> *Ibid*, *Crain's New York Business*

<sup>4</sup> *Ibid*, *Crain's New York Business*

financial management should you become incapacitated. You can make changes to this type of trust at any time.<sup>5</sup>

Some people find that it is appropriate to purchase life insurance to cover potential estate taxes. It is unclear whether life insurance was a viable option for Mr. Gandolfini; but, if not, a financial advisor or estate attorney could have explained other plausible options.

Whether you have an estate worth \$70 million or far less, good financial planning is key – both to avoiding unnecessary taxes as well as making sure your assets are providing for you while you are living in the way that you desire.

The first step: talk about money.

That's not as easy as it sounds for many people. Like politics and religion, it typically is a topic rarely broached, even at the dinner table with just family. Families that do not talk seriously about money, ultimately increase the danger of missing opportunities.

Of course, learning how to overcome the money taboo and having productive financial conversations with loved ones about life transitions is not a panacea for family dysfunction. But it will go a long way to making a family's financial and emotional lives a great deal healthier and may even help preserve family unity.

The importance of communicating about money cannot be stressed enough. It can mean the difference between leaving heirs cared for and comfortable or, as is seen far too often with many families, embroiled in an endless, unfortunate disagreement. Or, in other cases, heirs may be forced to turn over too large a chunk of the inheritance to the tax collector.

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<sup>5</sup> "Wealth Transfer," by Morgan Stanley, <http://www.morganstanleyfa.com/public/projectfiles/b240b2ad-10c2-4d59-ad38-cd8edcf2854a.pdf>