



Will Power

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WHAT CAN HAPPEN

Last week I wrote about the problems one might encounter when one's investments are housed at a discount brokerage firm and how that model doesn't fit very well when one has a somewhat complex estate plan. When you have irrevocable trusts, life insurance trusts, revocable trusts, family partnerships and other such planning, using a discount brokerage firm to house those trust assets is like trying to get Ruth's Chris steakhouse service at McDonalds.

When discussing this very issue with a client, he challenged me on it. "I've used a discount broker for years and everything's fine," he said. And I believed him. But let me tell you about another client, who I will name "Victor" to protect identities.

Victor was a self made man and enjoyed trading stocks. In fact, he became quite good at it. Victor opened an account at a national discount brokerage firm that advertises trades for \$7 or some other very low amount.

As time went by Victor's mental acuity faded. Despite the fact that Victor had his attorney create a Revocable Living Trust, he apparently never properly transferred his discount brokerage account into the trust. The attorney asked for the information on the account, but Victor never got around to giving it to the attorney.

Victor's wife died, and depression set in. Victor's children suspected that he had several hundred thousand dollars, if not millions, in this discount brokerage account, but when Victor died there was no trace of the account.

When my office went to contact the discount brokerage firm to inquire about the account, we got the run around. We spoke to several account representatives who said that they had no knowledge of Victor or of his account. The children found some tax filing information from 2004, but nothing from 2005 or 2006, the year

of Victor's death. Since Victor prepared his own tax returns, there is no CPA we can ask whether he or she would have useful information.

As of today, no one knows whether Victor lost all the money trading, whether Victor spent all of the money, or transferred it to another institution.

Eventually we wrote the compliance department at the discount broker's home office. We forwarded copies of the tax reporting from the discount brokerage firm, a copy of Victor's death certificate and the papers appointing his children as the personal representative of Victor's estate. After several months, we have yet to receive answers about Victor's account.

My experience with these types of accounts is that we'll eventually find out what happened to the account and its assets, but it's taking countless hours of attorney time. We regularly encounter frustrating dead ends speaking with unskilled workers manning the discount brokerage offices telephones. When my office attempted to obtain a name of anyone with authority in the discount brokerage office's internal legal department, we were forwarded back to the manager of the Fort Myers office who already told us that he had no information.

There is no comparison between this experience and that which you encounter with the reputable money management, bank and trust companies.

So when a client challenges me about whether everything will be alright when coordinating one's estate planning documents with discount brokerage firms, I bring up Victor's plight. Not that this happens to everyone, but it happens more often than I care to relate.

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