

LIFE STAGE SERIES:
END OF LIFE / LEGACY

Leaving a Legacy: A Lasting Gift to Loved Ones



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Background

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Within Merrill Lynch, the Private Banking and Investment Group focuses on the unique and personalized needs of wealthy individuals, families and their businesses. These clients are served by approximately 200 highly specialized private wealth advisor teams, along with experts in areas such as investment management, concentrated stock management and intergenerational wealth transfer strategies. Merrill Lynch is part of Bank of America Corporation.

ABOUT AGE WAVE

Age Wave is the nation's foremost thought leader on population aging and its profound business, social, financial, healthcare, workforce and cultural implications. Under the leadership of Founder and CEO Ken Dychtwald, Ph.D., Age Wave has developed a unique understanding of new generations of maturing consumers and workers and their expectations, attitudes, hopes and fears regarding their longer lives. Since its inception in 1986, the firm has provided breakthrough research, compelling presentations, award-winning communications, education and training systems, and results-driven marketing and consulting initiatives to over half the Fortune 500. For more information, please visit www.agewave.com. (Age Wave is not affiliated with Bank of America Corporation or Merrill Lynch.)

METHODOLOGY

This research is based on a survey of more than 3,000 adult respondents in the U.S., with a focus on Americans 55 and older and weighted by age to reflect the U.S. adult population. The survey was fielded in September 2018, conducted by Merrill Lynch in partnership with Age Wave and executed by Kantar TNS utilizing the Kantar Lightspeed Panel, along with selected panel participants.

Additionally, two focus groups were conducted in June 2016, where qualitative information was gathered about older Americans' emotions, preferences, experiences and needs regarding end-of-life planning and their thoughts on leaving a legacy.



Introduction

Americans know they need to plan for their later years and get their affairs in order, especially as retirement approaches. Although they recognize that need, too many of them don't follow through and take action, for reasons they can't quite put their finger on. Yet a well-prepared legacy can be one of the greatest gifts we leave to those we love.

LEGACY is what you leave behind to heirs and loved ones. It includes assets, possessions, instructions and—of greatest importance to most people—values and life lessons that can help subsequent generations navigate their lives. While the majority of Americans leave financial inheritances, 69% say they most want to be remembered for memories shared with loved ones.

END OF LIFE is how you spend your final time on Earth. During this time, priorities include deciding where you want to live, how you will be supported personally and financially, and what medical treatments you may or may not want. Americans say they want to remain in control of those matters late in life, and their number one objective is to avoid becoming a caregiving or financial burden on their families and loved ones.

GETTING AFFAIRS IN ORDER is the process of preparing for one's later years and eventual legacy. This includes establishing a will (and in some cases an estate plan) to manage the distribution of assets, documenting healthcare preferences and discussing those matters with loved ones. Americans in general avoid or delay getting their affairs in order. Among those age 55 and older, only 55% have wills, and only 18% have the recommended essentials of a will, a healthcare directive or proxy, and a durable power of attorney.

The advantages of thorough preparation are significant for people at all income levels. They include more control over both your legacy and your late-life arrangements, including medical treatments and costs, as well as more financial security for yourself and your heirs.

Preparation can also help prevent emotional difficulties and turmoil over settling your estate, such as over matters like making funeral arrangements and distributing personal possessions. Being prepared gives you the simple and satisfying peace of mind of knowing that you've done what you can to organize your life, shape your legacy and leave your family with a roadmap of your preferences.

Many Americans need a nudge or a push from family, close friends, or trusted financial, legal or medical advisors to get their affairs in better order. But this process can be less complicated than the unprepared may assume. It begins with conversations about legacy that people say they are willing to have. It ends with a well-formed personal and financial legacy—a final gift of great value to loved ones and heirs.

18%

of those 55 and older have the recommended essentials of a will, a healthcare directive and a durable power of attorney.

What Legacy Means

What are the most important things to pass on to heirs and loved ones?
There are four main pillars of legacy:

1

Values and life lessons

Often conveyed in conversations but ideally documented in a legacy letter and accompanying photos, videos or personal documents

2

Instructions and wishes

Including for late-life care, health directives, funeral arrangements and distribution of personal effects

3

Financial assets and real estate

Conveyed through wills, trusts and beneficiary assignments

4

Personal possessions of emotional value or special significance

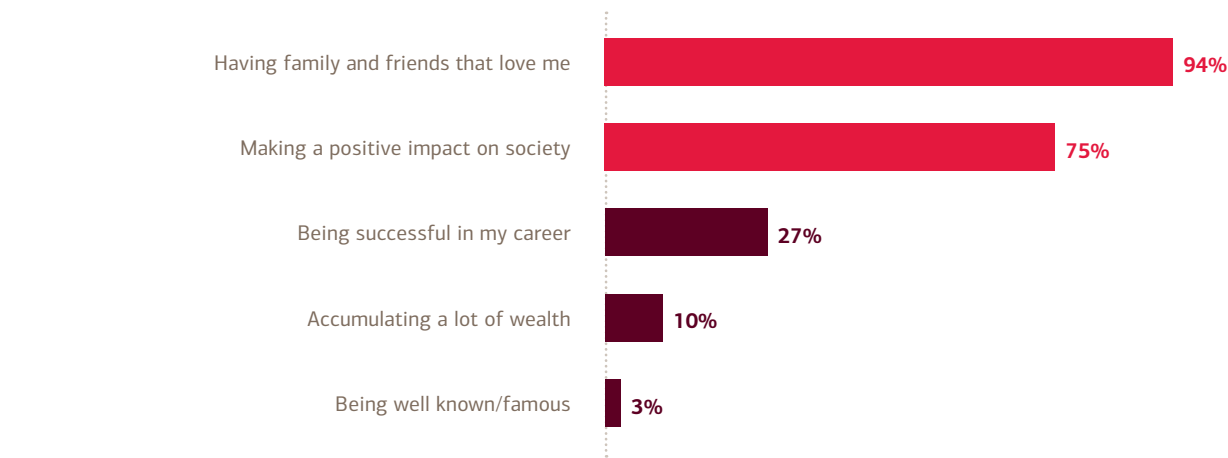
Including family heirlooms and items that have come to represent the individual

All are important, and insufficient attention to any one of them can cause difficulty, even strife, among heirs or leave them without a sense of closure. However, when forced to choose, 59% say that values and life lessons are the most important part of one’s legacy.

In other words, legacy is more about who you are and how you’ve lived than what you’ve accumulated. And what constitutes a life well lived? Americans say it is defined by relationships and contributions far more than career, wealth or fame. Ninety-four percent of our survey respondents age 55 and older say the answer is having loving family and friends (*Figure 1*).¹

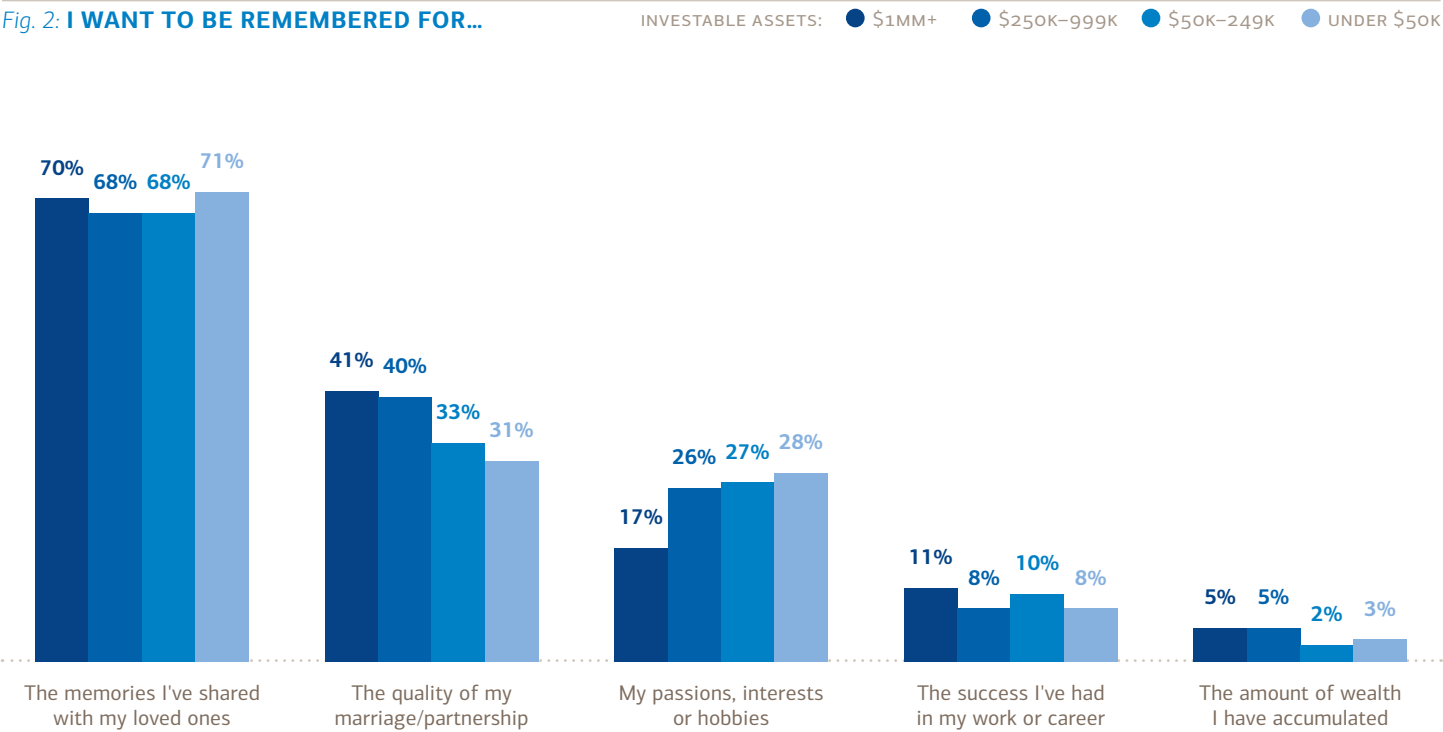
¹ Unless otherwise noted, all statistics refer to Americans age 55+

Fig. 1: DEFINITION OF A LIFE WELL LIVED



Base:
Ages 55+

Fig. 2: I WANT TO BE REMEMBERED FOR...



Base:
Ages 55+

What do Americans most want to be remembered for? More than two-thirds say it's the memories shared with loved ones, and that's the case regardless of their level of wealth (Figure 2).

"I want my legacy to be that I was a good husband and father. I want to leave this world knowing that I've made a positive impact on my family's life."

—Focus group participant

FINANCIAL INHERITANCES

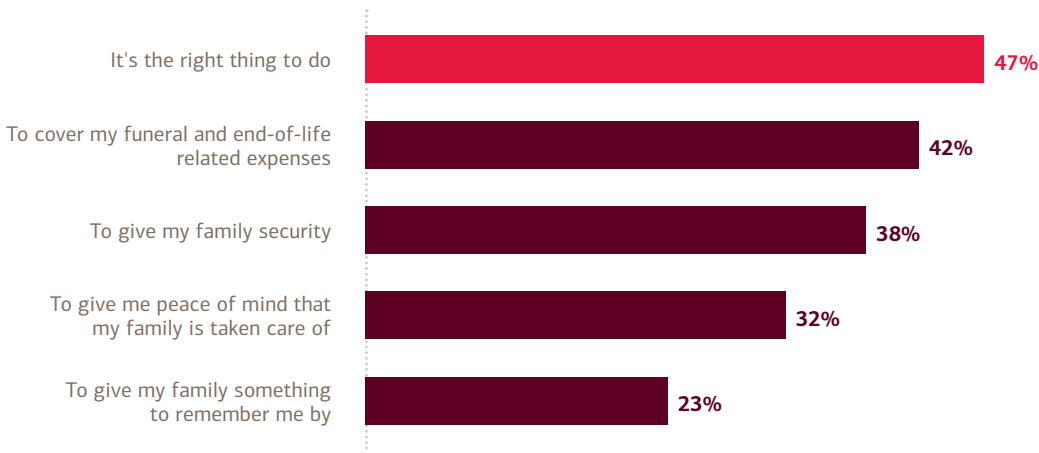
When people pass away, their money and other assets go into motion, typically more than at any point during their lives. Accounts are transferred to beneficiaries, there are often life insurance payouts, and real estate and other financial and physical assets are transferred to heirs through estates. It is estimated that over the next 30 years, approximately \$30 trillion will be passed down from older Americans to subsequent generations.²

Nearly 6 in 10 Americans plan to leave inheritances to their heirs.³ They leave inheritances for both emotional and pragmatic reasons, including providing loved ones with financial security and covering funeral expenses. But the most common reason, cited by nearly half, is that it's the right thing to do (Figure 3).

For those with children, is it a parent's obligation to leave an inheritance? While a majority say no, we found some interesting variations. In general, men feel more obligated than women to do so (Figure 4). Latinos and Asians feel more obligation than African Americans and Caucasians. Fifty-five percent of Millennials say it's a parent's obligation to leave an inheritance, while only 36% of Boomers (the generation most of their parents belong to) agree.

² Accenture, 2016, *The Greater Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth*
³ HSBC, 2015, *Future of Retirement*

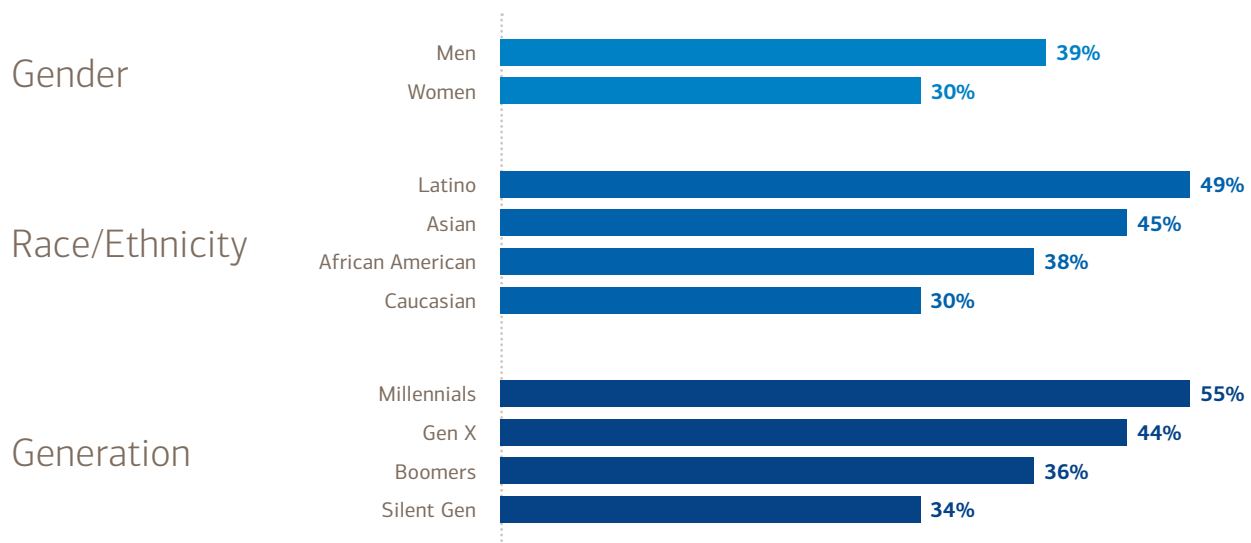
Fig. 3: REASONS FOR LEAVING AN INHERITANCE



Base:
Ages 55+ who plan
to leave an inheritance



Fig. 4: PERCENT AGREE “IT IS A PARENT’S DUTY TO LEAVE THEIR CHILDREN SOME TYPE OF INHERITANCE”



Base:
Ages 55+ except
for generational cuts

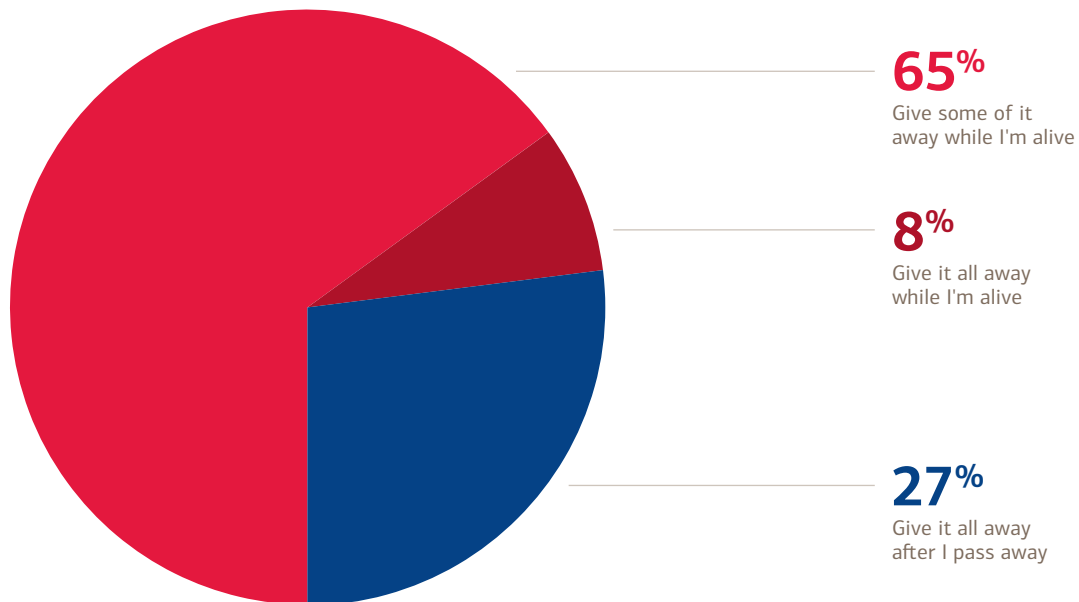
GIVING WHILE LIVING

In the U.S., while distribution to children tends toward equal shares, two-thirds of Americans currently say that a child who provided them care should receive a larger inheritance than children who did not. Nearly one-fourth say that a child who has his or her own children should receive a larger inheritance than one who does not. Sixty percent say that stepchildren should receive the same amount of inheritance as biological or adopted children.

One of the biggest shifts in mindset around inheritance is that most Americans now favor the idea of “giving while living.” Two-thirds say they prefer to distribute part of their estate, 30% on average, while still alive (*Figure 5*). That provides both a means of directing the distribution and the opportunity to see the inheritance benefiting the next generations.

87%
of Americans age 55 and over say it's a parent's responsibility to initiate a conversation with their children about their legacy.

Fig. 5: TIMING PREFERENCE OF GIVING MONEY



Base:
Ages 55+



Inheritances Take Many Forms

Throughout history, in many cultures, the bulk of an inheritance traditionally or legally went to the first-born son (which was the default in Scotland until 1964). But there were many variations. In parts of Africa and Asia, the youngest son would inherit the estate, or would receive it as compensation for having the responsibility of caring for his parents in their old age.

In Western societies today, more egalitarian distribution that doesn't take into account children's gender or birth order has become the norm. If anything, some favoritism goes to daughters and younger sons today.⁴ Under contemporary common law, inheritances can be directed however one wishes—raising the importance of having a will or trust to make those wishes clear.

⁴ Salmon, Catherine A.; Shackelford, Todd K.; Michalski, Richard L. (Feb 2012). "Birth order, sex of child, and perceptions of parental favoritism." *Personality and Individual Differences*. 52 (3): 357–362

Anticipating the End of Life

Increasing longevity is reshaping Americans' later years. Average life expectancy at birth in the U.S. is presently 76 years for men, 81 for women. Nearly three-fourths of all deaths occur after age 65, and 50% now occur after age 80.⁵

That's very good news for most of us. Older Americans enjoy their lives in retirement. People's reported contentment and happiness start rising around age 40 and continue to increase into their 70s.⁶ Half of Americans 55 and over say that the best time of their life is right now, and another 18% say it's still in front of them.

At the same time, many older Americans spend their final years alone in widowhood, 78% of them women,⁷ given their greater life expectancy. Medical advances have prolonged life, and more older people spend a larger portion of their later years with physical or mental infirmities, increasing the need for caregiving services. These trends make it all the more important to plan and prepare for one's later years, as well as one's eventual legacy.

Death is a sensitive, often awkward and avoided, topic. People's attitudes toward death are shaped by cultural traditions, religious beliefs and personal values. One-quarter of Americans—and 40% of those 75 or older—say they are not afraid of dying. And very importantly for this research, 9 in 10 are open to discussing their end-of-life preferences with family and friends.

Health academics worldwide have long been trying to define the ideal conditions associated with what they have come to call a "good death." Our respondents put at the top of the list being surrounded by loved ones and experiencing minimal pain. Only 6% say it includes receiving all medical treatments possible (*Figure 6*). We also asked what a "good death" means in terms of one's family. Respondents want to spare their families from the caregiving burden and from experiencing financial hardship resulting from their death.

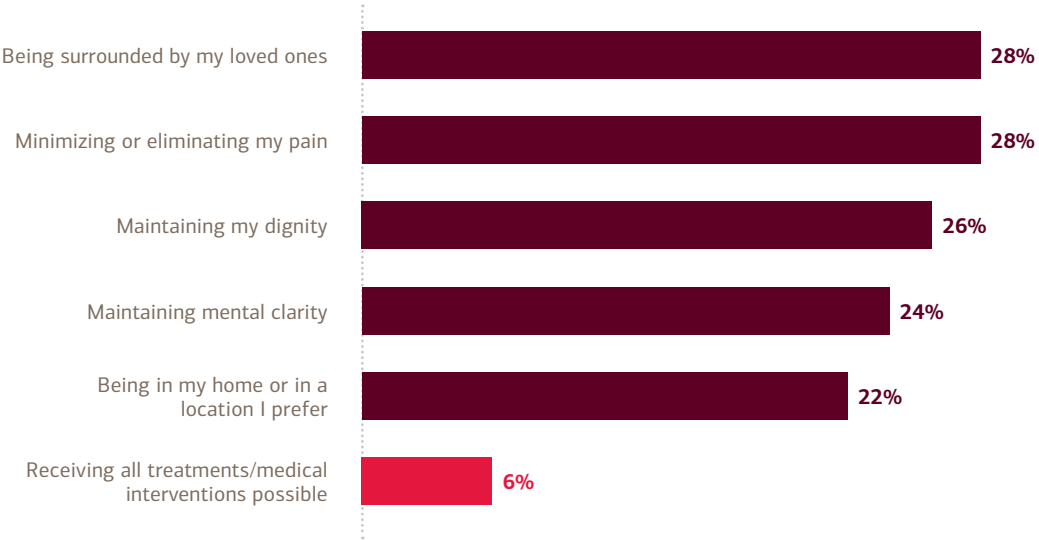
⁵ Centers for Disease Control, 2016, Compressed Mortality File

⁶ Age Wave/Merrill Lynch, 2016, *Leisure in Retirement: Beyond the Bucket List*

⁷ Census Bureau, 2017, Current Population Survey



Fig. 6: CHARACTERISTICS OF A “GOOD DEATH”



Base:
Ages 55+

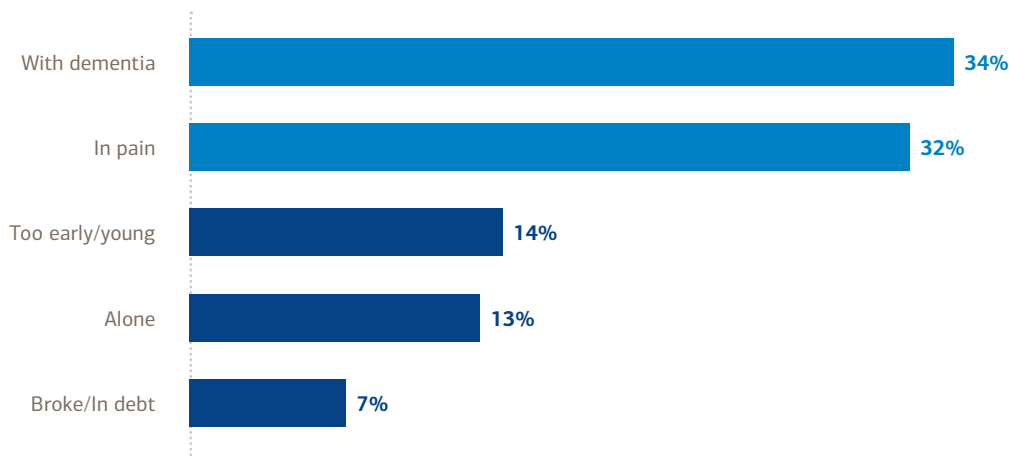


What are Americans’ greatest fears in connection with dying?

Dementia and pain cause the most unease (Figure 7). As for their pragmatic worries at end of life? In addition to becoming a burden on loved ones (66%), these include running out of money due to medical expenses (59%) and receiving unwanted medical treatments (51%).

Americans 55 and over believe strongly in rights and choice at end of life: 96% believe that every person deserves to maintain dignity, and 97% say that people should have the right to die in their homes if they wish.

Fig. 7: BIGGEST FEARS OF DYING—BRAIN AND PAIN



Base:
Ages 55+

“Real preparation for death is identifying what’s meaningful to you and having an opportunity to achieve that.”

—Laura Robbins, Founder, Laura A. Robbins Consulting (LARC)



Getting Affairs in Order

When it comes to formal preparation for end of life and legacy, Americans are fairly informed in theory but don't seem to follow through in practice.

What exactly does it mean to have your affairs in order? It means creating a will or trust, documenting healthcare preferences, having enough money to cover expenses, discussing those matters with loved ones and keeping documents organized where they can be found when needed (Figure 8).

Fig. 8: WHAT DOES “HAVING AFFAIRS IN ORDER” REALLY MEAN?



Base:
Ages 55+

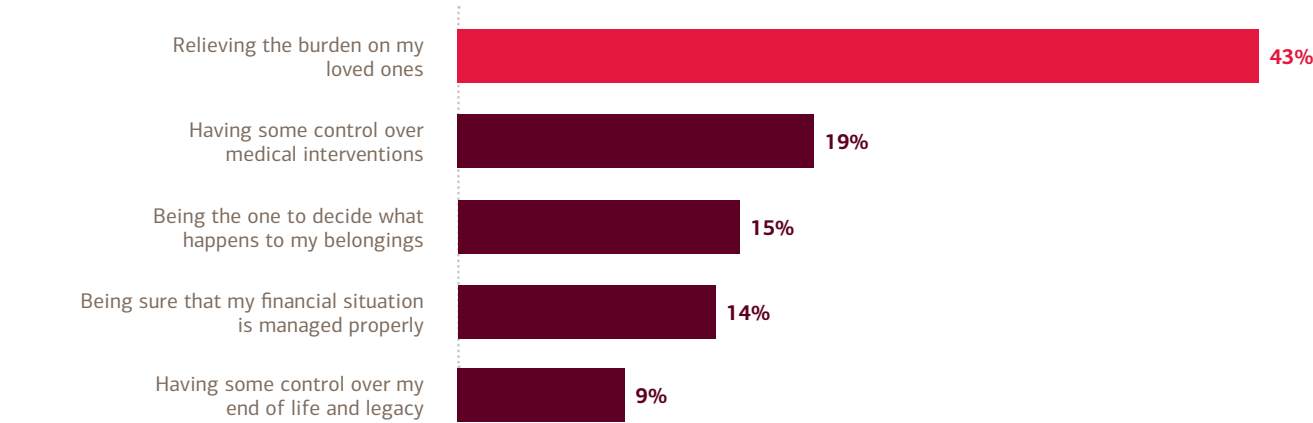
*“Those who love us plan for our beginning.
Those we love need a plan for our ending.”*

—April Koontz, MSW, Founder, Daughters Unite

Respondents say that those documents need to be updated throughout their lives as circumstances and preferences change (93%) and that having open conversations in advance about end of life can alleviate suffering for the dying and their families (91%). They also recognize the benefits of having affairs in order, most importantly to relieve the burden on loved ones (Figure 9).

Following through is a different story. Although Americans say people should have their affairs in order before they turn 50, only about half have a will by that age. And more than half say their lack of proper end-of-life preparation could leave a mess for their families.

Fig. 9: BENEFITS OF HAVING AFFAIRS IN ORDER



Base:
Ages 55+

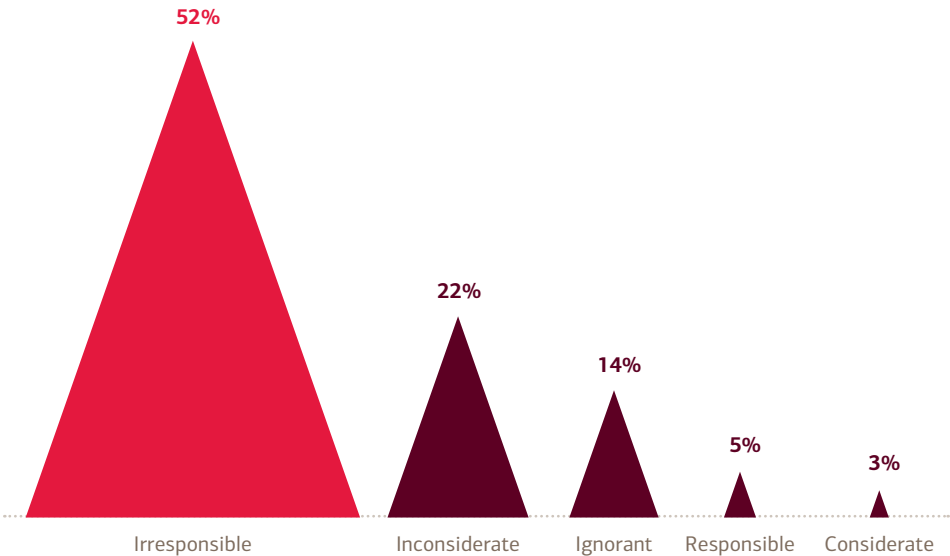
One’s heirs can inherit headaches as well as estates, as these contrasting quotes from focus groups portray:

“We were worried about my mom after my dad died, but he had everything in order. It allowed us to focus on our grief instead of being bogged down in financial paperwork and family bickering.”

“Dad didn’t have a will when he died, and it created a lot of frustration on top of our heartache. It took forever to get matters settled.”

Passing away without affairs in order can not only leave disarray for family and heirs but also diminish one's personal legacy. Our survey respondents see someone who dies without having affairs in order as irresponsible (52%), inconsiderate or ignorant (Figure 10). Yet having affairs in order is still the exception, not the rule.

Fig. 10: DYING WITHOUT AFFAIRS IN ORDER IS SEEN AS...



Base:
Ages 55+



END-OF-LIFE / LEGACY PLANNING ESSENTIALS

Financial and life-planning experts advise everyone to cover three essentials in their legacy plans:

1 A will

A will and/or trust⁸ to designate the distribution of all assets not already directed through beneficiary arrangements, and often to direct assets into trusts to support family members

2 Healthcare directive

An advance healthcare directive specifying end-of-life preferences, and/or a healthcare proxy designating someone who can make health decisions on your behalf if you become incapacitated

3 Durable power of attorney

Durable power of attorney designating someone as attorney-in-fact who can make financial and other asset and legacy-related decisions on your behalf if you become incapacitated

Thorough preparation also includes a variety of other items—real estate, insurance and other ownership papers; documentation of funeral wishes and family medical history; a legacy letter passing on personal values and life lessons; and documentation for designated people of financial accounts, social media accounts, passwords and other practical matters.

Few people, however, have complete end-of-life/legacy plans. Only 55% of Americans age 55 and up have a will (and an estimated 23% of wills are out of date⁹). Fewer have health directives or powers of attorney. Only 18% have all three of those essentials (*Figure 11*).

We found that preparedness varies with marital status. Best prepared are widows, nearly one-fourth (24%) of whom have the three essentials. They have had the experience and know-how from dealing with end-of-life and legacy matters for their deceased spouses. Those who are single and never married (13%) or divorced or separated (12%) are least likely to be well prepared.

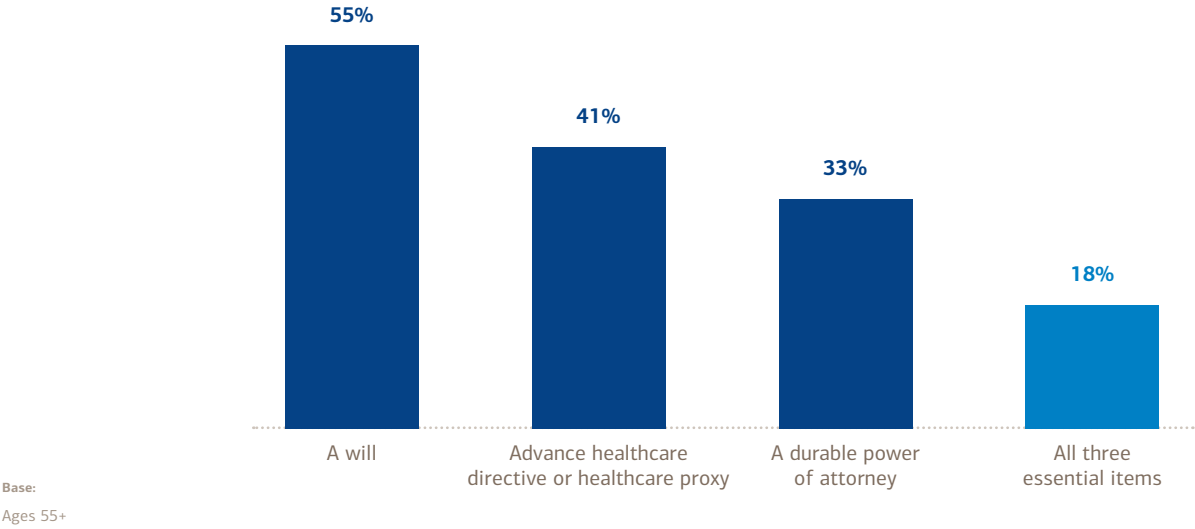
⁸ In some states, trusts are used instead of wills to transfer assets. Wills are then used primarily for personal effects or designating a guardian of a minor child.

⁹ USLegalWills.com, 2016, "Are there even fewer Americans without wills?"

43%

of Americans age 55 and over are concerned that they lack an advocate to look out for their best interests as they age.

Fig. 11: POSSESSION OF “THE ESSENTIALS”



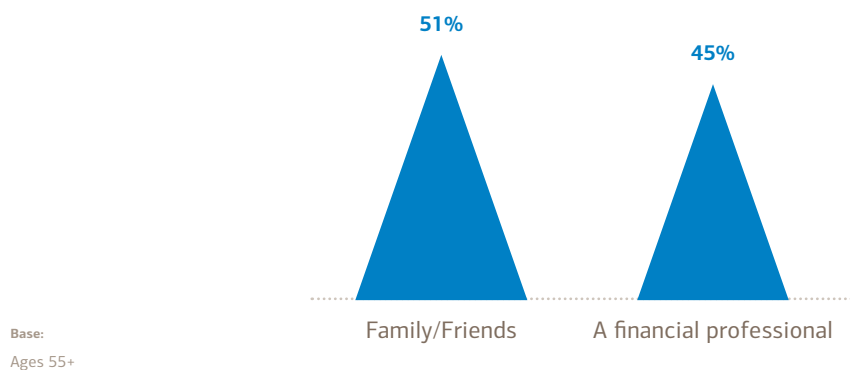
What motivates people to start getting their affairs in order?

It's often a combination of life events and thoughtful advice. People tend to create wills after getting married and protect their families with life insurance upon having a child. Healthcare directives are often created on the advice of healthcare providers or because the individual or someone close has had a serious health condition or scare. Eighty-nine percent of Americans want their doctors to discuss end-of-life issues with them, and Medicare now covers advance care planning.¹⁰

The most common trigger for getting all three of the essentials in place, however, is approaching or reaching retirement, when a good deal of taking stock and planning happens naturally. And the most trusted sources for guidance on legacy and end-of-life preparation are family, friends and financial professionals (Figure 12).

¹⁰ Kaiser Family Foundation, 2016, *10 FAQs: Medicare's Role in End-of-Life Care*

Fig. 12: THE TWO MOST TRUSTED SOURCES REGARDING END-OF-LIFE PREPARATION



The benefits of being well prepared are both practical and psychological. Here are some of the significant characteristics shared by the 18% of respondents who have all three essentials in place:

1 They are more likely to have additional items in their legacy plans, including ownership papers, funeral wishes and medical history

2 They feel more in control of end-of-life medical treatments and costs and more confident that family could advocate for them if they became incapacitated

3 They are more willing to initiate conversations about their end-of-life preferences and communicate how to access their important documents—and twice as likely to feel that their affairs are in order

Personal Action Plan

We've explored what it means, and how much it matters, to shape your legacy and manage your end-of-life arrangements based on the experience of Americans in our survey. Now that the importance of these matters is clear, here is a suggested action plan for getting—and keeping—those affairs in order.



Seek trusted advice from family, friends with experience, or financial, legal, or medical professionals. Initiate conversations on end-of-life and legacy matters. Make sure you have advocates who know your wishes and can make decisions on your behalf.



Get the three essentials in place: will and/or trust, healthcare directive and/or proxy, durable power of attorney. If you have put this off, act now.



Review your existing accounts and investments, paying particular attention to beneficiary designations and ownership structure or titling, as this will determine how assets are transferred at your death and whether they are included in your taxable estate.



If your estate is substantial, work with a financial advisor, estate-planning attorney and/or tax advisor to determine if your estate plan could benefit from trust or insurance strategies to help address inheritance taxes and preserve assets.



Review your plans at least every five years and update when important changes happen, including:

- Major life events: marriage, divorce, addition of a child, death of a spouse or heir, relocation to a different state, or retirement
 - Major changes in assets: purchase or sale of property (particularly if in a different state from your state of residence), receipt of inheritance or insurance proceeds, rolling over retirement accounts, selling a business, or any significant changes in wealth
 - Changes in appointees: any change in your relationship with (or upon the death of) an executor or personal representative of your estate, a guardian for a child or someone who needs care, an attorney-in-fact, a trustee, or a health proxy/agent
 - External changes: to federal or state gift, inheritance, estate tax rates and regulations, or trust or property laws that may affect you
-

Summary

Most Americans care very much about their legacies—how family and friends will remember them and how heirs will benefit from inheritances passed along. They also want to be prepared for whatever may happen as they age—maintaining their dignity, keeping their lives as fulfilling as possible and avoiding becoming a burden on their families. Yet too many Americans fail to take action to get their affairs in order and are insufficiently prepared.

We owe it to ourselves and our loved ones to get and keep our affairs in order. It's an important part of living our best lives as well as providing for our loved ones.



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