

Wealth Management Update

Planning in the Digital Age

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In this Wealth Management Update:

- » *As more and more of us spend our lives in the digital realm, the footprints we leave behind are increasingly left online, which make it difficult for the transition of these types of assets.*
- » *It's important to safeguard these digital assets and think about capturing this information in the context of your financial plan as these digital assets may impact the transition and transfer of wealth to your heirs.*
- » *We recommend that you document your digital assets, share this information with your heirs and trusted advisors, and monitor this information on a regular basis.*

"If anything ever happens to me..."

For generations, these six words served as the opening salvo for an often brief and uncomfortable conversation between generations—parents or other family members offering up advice to the next generation about how to move on when they passed. It was estate planning at its simplest level and was often followed with instructions about where you could find the key to the family safe deposit box, just in case. For many people, this was perhaps the only conversation they ever had with their loved ones about their end of life wishes.

In the past, when a loved one passed, you often found all of the artifacts of their financial (and sometimes personal) lives laid out in paper and precious metal. Back then, an accounting of someone's financial life often included physical objects like stock certificates, account statements, bearer bond, and other items, stashed at the local bank in a safe deposit box or somewhere in the house. That is if they were organized. For others, the discovery took weeks and likely involved poring through boxes and desk drawers.

In the end, the documents were found and the result was the same. Assets were dispatched to the next generation—a generation that gained more clarity about the decedent's finances in death than they ever had during their lives.

Fast forward to the digital age where today, this is a less likely scenario. While you can still maintain a safe deposit box at a bank, this might not be as common practice as it used to be. Not only are individuals less likely to maintain a safe deposit box, those that do often have as much excluded as included.

Wealth Management Update

As more and more of us spend our lives in the digital realm, the footprints we leave behind are increasingly left online, which make it difficult for the transition of these types of assets. In this Wealth Management Update, we'll discuss the types of digital assets that you may have and how to think about safeguarding these assets, especially in the context of planning for a smooth transfer in case of death or disability.

Blogs, web pages, domain names, and online businesses

One example is online businesses, domain names, and other items that exist almost exclusively in the digital realm. While "virtual" in nature, these assets may hold tremendous value, and this value can drop precipitously in a short period of time if a proper estate plan is not in place. An online business that sits stagnant due to the lack of a proper succession plan could face a loss of revenue or worse. If hosting and support fees are not paid in a timely manner, entire sites may be decommissioned and entire businesses may be lost.

Online financial accounts

For some families, bill pay services and online investment accounts may be entirely managed by one member. What happens to these accounts when that person is gone or incapacitated? Missed payments on a debt instrument could result in late fees or have impacts to credit. Additionally, unless an executor is aware of or has access to all accounts, settlement of this estate may be delayed.

Other online accounts

In addition to accounts and items with financial value, many items with a less explicit value are also stored or created online. Family pictures, genealogy work, frequent flier programs, and other items are sometimes exclusively digital in nature. Password protection and other safeguards can prove challenging for the next generation to retrieve and transition these assets.

Social networking sites

With a myriad of social networking options to document our opinions, friends, and lives available, any estate plan should include the decommissioning and transitioning of this valuable data. Information should be archived or risk being lost forever or even stored in perpetuity.

Action items to consider

All these types of asset represent a challenge for proactive people. What can be done to help mitigate these issues? How can we close the gaps, protect our heirs, and begin to plan in the digital age?

- **Action Item 1: Document**

First, consider logging all of your virtual assets and keeping that log updated and in a safe place. Your heirs cannot transition assets they know nothing about and documenting the scope of your online presence is imperative to help them. This process may be easier than you think. Remember, this document is for you, your family, and trusted advisors only. It should be kept in a secure place and safeguarded.

- **Action Item: Share**

While the document should not be shared broadly, it is imperative to use it as a basis for a conversation with your heirs. Let your family members know that you have taken this action. Review the list of items (not passwords) with them, discuss the breadth of your digital life, let them know where your document is stored, and commit to updating it.

Additionally, you may want to consider sharing this information with a trusted advisor outside of the family. It may make sense for someone like an estate attorney or wealth planner to include digital assets in a complete picture of everything you have and the legal framework that is in place to protect it. This may help in the event of your passing or even in a short- or long-term incapacitation.

- **Action Item: Monitor**

The online realm changes very quickly and estate laws have not caught up to this changing environment. Therefore, digital estate planning cannot be a one-time event. Simply documenting your assets and having a conversation with your family and trusted advisors is a great start but may not be enough. State laws related to digital assets vary and are evolving quickly, meaning that a course of action that may make sense today may not make sense tomorrow. The only way to address this is to review your plan regularly with a trusted advisor. Consider setting a reminder on the calendar to review your document and meet with a trusted advisor at least annually. Just as your life, priorities, and assets change, your plan should adapt.

Conclusion

The loss or incapacitation of a loved one is always challenging. By taking proactive action today, you can help ease the burden of the financial impact to your heirs. The key is to take action by documenting your digital life and discussing that with a trusted advisor. If you aren't sure how, we encourage you to talk to your relationship manager.

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