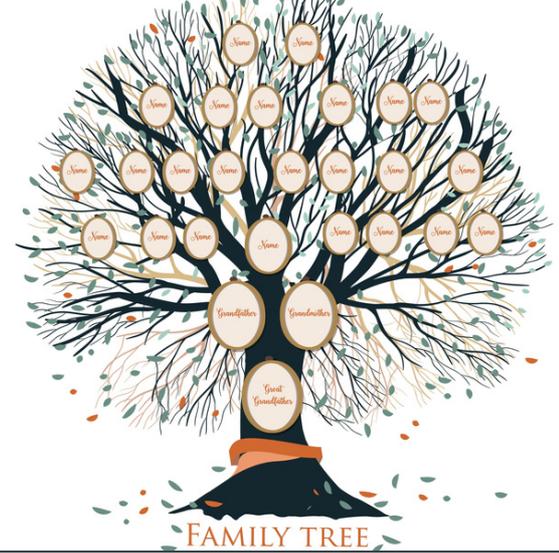


Family Wealth Series II : Post #5

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We are implementing ideas in our estate planning representations that should be more likely to improve the well-being of our clients and their beneficiaries, and we are sharing those ideas with the trusts and estates community. This Post # 5, which explains how we have designed our education trust, illustrates that.

More Than Money: The Effect of Education on Overall Well-Being

By Richard Franklin

Education is correlated with better career, social, physical, financial and community well-being.[1] In recognition of this, we updated our education trust language to better articulate the critical role of education in fostering well-being. We believe that the research supports the overall benefits of investing in the education of others, including traditional higher education programs, technical and vocational programs, and other forms of educational achievement. An education trust is one vehicle frequently used by parents and grandparents to facilitate that investment. Exhibit 1 is an excerpt that depicts our new language.[2] We cite some of the current research that supports (albeit indirectly) creating a pool of financial resources supporting the beneficiary's education.

Most people understand the importance of education without turning to research. This is demonstrated, for example, in the immigrant stories of ancestors that came

to the U.S. and worked hard, frequently under harsh circumstances, and sacrificed to enable their children to receive an education – i.e., all based on the idea that education would be the path to a better

Exhibit 1: Education Trust Sample Provisions

1.1 Distributions to Beneficiary

(a) Discretionary Distributions for Education and Well-Being. The Independent Trustee may pay so much or all of the income and principal of the trust to the Beneficiary as the Independent Trustee deems necessary or advisable to provide an education, including tuition, books, fees, housing, board, tutoring, spending money, travel and including private preschool, elementary, middle and high school, private college preparatory school, college, university, graduate, professional, trade and technical school. The Independent Trustee may also make payments from the net income and principal to the Beneficiary as the Trustee deems appropriate for the Beneficiary's well-being. Any undistributed income of the trust shall be accumulated and from time to time added to principal.

(b) Well-Being Goals. This Section is intended to assist the Trustee in the exercise of the discretion granted to it in Paragraph (a). Any provision of this Agreement that may appear to conflict with or in any way defeat such goals shall be construed or applied to accomplish them.

(1) Comprehensive Well-Being. Our hope and intention is that this trust contributes to the Beneficiary's well-being in all the domains of career, social, physical, financial and community (Rath & Harter, 2010).

(2) Education's Contribution to Well-Being. In particular, establishing this trust is based on our belief that education is broadly correlated with better well-being. Education is fundamental: "Implementing an educational plan is not simply a matter of receiving education; it is often the expression of a desire to belong to the world, the expression of an existential desire" (Baatouche, de Maricourt, & Bernaud, 2022).

life. Many of us have our own personal stories of how education has contributed positively to our lives. We believe that citing the research better predicates the understanding that education is a pathway

Exhibit 1: Education Trust Sample Provisions, cont.

A college education is directly linked to higher-paying jobs. Although the financial incentives related to higher education are certainly worth considering, research has proven that a college degree offers more than just monetary benefits (Oreopoulos & Salvanes, 2011, p. 181). Research shows that advanced schooling benefits each facet of well-being outlined by Rath & Harter's 2010 Gallup model, including one's physical, community, career, social, and financial well-being. These facets work together to better one's overall quality of life.

With regards to one's physical health, education has been strongly correlated with lesser risks for cancer and cardiovascular disease as it contributes to less risky work environments and better health literacy (American Heart Association News, 2019). Many studies have used level of education attainment as a measure or determinate in life expectancy. Higher education levels correlate with longer life expectancy (Bor, Cohen, & Galea, 2017, Chapt. 3). Likewise, survival gaps have also widened over the past 30 years by reference to education's impact on life expectancy.

Community engagement also increases along with educational achievement, as those with college degrees are 50% more likely to vote than those with only a high school diploma (Ahearn, Brand, & Zhou, 2022). Educated adults often feel more satisfied in their career than counterparts without a college degree, giving them a greater found sense of purpose (Pew Research Center, 2016). Those with more schooling are also better poised to have a career in general, as Pew Research Center (2016) reports that those with a bachelor's degree are twice as likely to call their job a "career" than those with only a high school diploma; the latter views work as "just something to get them by." This divide speaks to the benefits of higher education in the workplace beyond just salary.

Perhaps most astounding are the impacts education has on one's social health. In their 2020 book, *Deaths of Despair and the Future of Capitalism*, Anne Case and Angus Deaton note that adults in the U.S. with a university education are more likely to find solidarity among community members and are seen as better prospects for friendship

for the beneficiary being more satisfied with life.[3]

Briefly setting forth this research in the trust instrument helps to demonstrate the robust connection of education to better well-being. The trust creator's positive intentionality in creating the trust is amplified by understanding the correlations between education and improved well-being.

The research also serves to explain the trust creator's goals in establishing and funding the trust. One might surmise that the trust's purpose is to finance education with all its benefits, including how it may improve life circumstances. The picture is more crisply drawn, however, by having the trust language state the well-being benefits of education as set forth in the research. It focuses attention on the ultimate goal – i.e., that the trust beneficiary have access to an education ***because education will help create the circumstances for the beneficiary to feel more fully satisfied with their life!***

The updated language helps the trust creator, trustee, beneficiary, investment

advisor, trust advisor, accountant and lawyer all be more goal oriented – i.e., that the trust beneficiary be more satisfied with their life. Of course, the basics of qualifying contributions for the annual gift tax exclusion, protecting the assets from creditors, and investing prudently are still addressed by the education trust, but all of this is done with a more refined awareness that this trust has the potential to improve the beneficiary's life. In this sense, the trust creator's efforts, as well as the efforts of all the professionals involved (and their teams), are more transformative and meaningful!

Education in the abstract is not the sole focus of everyone's efforts, rather the goal is helping to improve someone's life. By incorporating the research into our education trust planning we are more likely to accomplish that goal than flying blindly or just basing the approach on anecdotal evidence.

Exhibit 2 contains the references we are now including in our education trust. It just makes sense – education trusts and the research supporting it just go together!

Education Trusts are Well-Being Trusts

The language set forth in Exhibit 1 also demonstrates that education trusts are well-being trusts. At many presentations and in my writings, I have proposed that trusts and estate attorneys should be creating well-being trusts. These are trusts intentionally designed to have a better chance of increasing the beneficiary's well-being in all the domains of career, social, physical, financial and community (referring to the Gallup model of well-being).

The idea of focusing on well-being in a trust is not a radical approach. A well-being trust follows the research (e.g., from positive psychology and well-being theory) about what is more likely to improve well-being and help the beneficiary feel more satisfied with their life - i.e., to get the most out of what makes life worth living. Education as noted above does that in all domains. "Voila," I say, "you [the trusts and estates lawyer] are already creating well-being trusts when you help clients create education trusts. Now let's take this intentionality and build on it. Let's use this model of following the research in all of our trusts to help our clients improve their lives and their beneficiaries' lives!"

Exhibit 1: Education Trust Sample Provisions, cont.

or marriage (p. 168). Research also shows that the social skills learned through college can lead to better decision making and improved communication skills (Oreopoulos & Salvanes, 2011, p. 165). The positive impact on decision making is further explained by Oreopoulos & Salvanes (2011) who note that schooling helps one enhance critical thinking skills, with further development coinciding with further schooling (p. 165). All these nonpecuniary benefits work together to produce a generally happier person (Rampell, 2010). Without education, each facet of well-being takes considerable damage, leading to higher risk for physical illness and, worse, deaths of despair caused by depression or addiction (Case & Deaton, 2020, p. 3).

Of course, the pursuit of traditional higher education is not the path for everyone and with that in mind, this trust is aimed to support all types of educational pursuits. Pursuing technical and vocational education and training have been proven to have well-being benefits too, including improvements in confidence, self-esteem, and life/work satisfaction (Schueler, Stanwick, & Loveder, 2017). We recognize also the benefits to society that come with diversification of backgrounds. Research shows that technical and vocational education brings improved social equity and overall improved societal cohesion (Schueler, Stanwick, & Loveder, 2017). Other forms of education, including through travel, workshops, coaching programs, apprenticeships, and beyond are also encouraged. This trust is designed, created, and funded to provide resources for the Beneficiary to pursue educational achievement, whether traditional college, technical or vocational education, or otherwise as the Beneficiary determines in exercise of their own autonomy.

This trust recognizes the proven increases in fulfillment, happiness, and quality of life are directly correlated with educational achievement. We also acknowledge that our own personal experience leads us to believe that education makes us better. By providing resources for education and well-being, we hope the Beneficiary will be more satisfied with their life.

(c) Tax Limitations. Section ___ limits the Trustee's powers and discretion consistent with certain tax principles. If no other Trustee is acting that may exercise such discretion, the acting Trustee or Trustees may appoint an Independent Trustee consistent with the authority granted in Section _____. For clarification purposes, an Independent Trustee's discretion under this Section shall not be limited to the ascertainable standard as defined in section 2041 of the Code and applicable regulations.

We are making estate planning an engine of well-being.[4] "Wow, that's an ambitious goal!" Perhaps it is, but we believe it is a goal worth pursuing. Knowing that everything we do (or don't do) has an impact on well-being inspires our intentional efforts to positively impact the well-being of our clients and their beneficiaries.

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More information

For more information on how to positively use family wealth and inheritance to foster family well-being - thriving in multiple domains of life, see our [Family Wealth and Inheritance Services page](#) or contact Richard Franklin, rfranklin@fkl-law.com, (202.495.2677) or your FKL attorney.

For other posts in this Family Wealth Series II, [click here](#).

Notes:

[1] We are referring to the Gallup model of well-being wherein the domains are career, social, physical, financial and community: Rath, T., & Harter, J. WELL-BEING, THE FIVE ESSENTIAL ELEMENTS (Gallop Press, 2010).

[2] Of course, we also intend that the creator of the education trust would tailor this language to reflect their voice.

[3] Some sources acknowledge that education with all its benefits may have some negative impacts, including that well-paying jobs come with “more responsibility, more travel and more effort, all of which may add stress and pressure to work more.” Oreopoulos & Salvanes, *Priceless: The Nonpecuniary Benefits of Schooling*, p. 172, Vol. 25, No.1, J. Econ. Perspectives (2011).

[4] Dr. Martin Seligman, the so-called father of positive psychology wrote: “It is vouchsafed to us not only to witness the turning of the world but to actually turn the world toward well-being. We can remake politics, religion, the arts, medicine, and science into the engines of well-being.” Seligman, *THE HOPE CIRCUIT*, pp. 390 – 391 (Hachette Book Group 2018).

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