



SUN TZU & THE ART OF PLANNING- PART 1



"He who knows when he can fight and when he cannot, will be victorious."

— Sun Tzu

About 2,500 years ago, the coolest kids wanted to be strategists like Sun Tzu. That's when Sun Tzu wrote his famous book of strategy, *The Art of War*.

You may know that the book and its timeless lessons have been studied at West Point. However, you may be unaware that many smaller and underfunded forces throughout history have relied on the principles of *The Art of War* to defeat larger, better-funded, opposing forces. This is analogous to today's relatively underfunded taxpayers doing battle against better-financed state and federal taxing authorities.

As you know, today all the cool kids want to grow up to be estate planners. So if Sun Tzu were alive today, he would undoubtedly be an estate planner and author *The Art of Estate Planning*. So let's review the chapters of *The Art of War* and apply Sun Tzu's strategies to the world of estate planning.

Chapter One – Laying Plans. In chapter one of *The Art of War*, Sun Tzu writes about the importance of laying plans. He notes how laying plans can be the road to safety, while failure to plan can be the road to ruin. General Eisenhower also observed planning as indispensable. While everyone can appreciate the importance of estate planning, too few Americans actually have a will and fewer keep their plans up-to-date. When folks do look at their plan, they're typically surprised by who they have named as a beneficiary or trustee and, often, some important element of their plan requires significant changes. This is especially true as tax exemptions have substantially increased.

As the general noted, making numerous calculations can lead to victory, while making few calculations may well lead to defeat.

Chapter Two – Action. Failure to act can be very expensive. It's common to meet new clients who've crafted a plan but have never implemented it. As Sun Tzu wisely noted, "Cleverness has never been associated with delay." Action inevitably improves clients' positions and can be as simple as better balancing assets between spouses or re-titling an out-of-state home into a trust. It's been said there's opportunity in every circumstance. Opportunity can best be seized by action.

Chapter Three – Attack by Stratagem. Sun Tzu appreciated the concept of winning without bloodshed. Many an experienced estate-planning attorney will puff out his chest and declare, "We will prevail on audit or on appeal!" While this may be fine for the attorney or other advisor, most clients would prefer to completely avoid an audit or legal appeal.

As Sun Tzu warned his subordinates, "Do not besiege a fortified town." The enemies of a modern family know what can be assaulted and what cannot. For example, making taxable gifts of cash generates little interest in the eye of the Internal Revenue Service auditor. Similarly, taxable gifts which are well within the taxpayers' gift tax exemption are also less interesting to a government auditor. The auditor knows that ample exemption remains in the hands of the taxpayer if the auditor challenges a valuation or a discount; meaning the government is unlikely to receive cash, even if it wins the challenge.

Chapter Four – Tactical Dispositions. Sun Tzu observed that it's often wise to conceal your intentions. This could mean several things in the estate-planning world. It could mean being discreet in the use of abnormally large discounts. It can also mean avoiding interviews with *The Wall Street Journal* about how a new idea or technique can beat the system.

Chapter Five – Energy. The Chinese general observed that success may be gained if one acts with the well-timed swoop of a falcon. Unlike a client who has waited to strategize until it was too late, deploying ideas early and creatively can bring great rewards. Sun Tzu noted that combining different ideas together can create innumerable solutions to planning situations.

