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Beyond the Portfolio - Estate Planning for Women: Protecting Wealth, Family, and Legacy.

Transcript

Pratik Patel:

Welcome to Beyond the Portfolio. I'm Pratik Patel, US Head of Planning at BMO Wealth Management. And today's episode is one I've been really looking forward to because it's not an exaggeration to say it's about something that affects almost every woman at some point, whether she realizes it or not. Women tend to live longer than men. And over the next few decades, we're in the middle of what's being called the Great Wealth Transfer, trillions of dollars expected to move into the hands of women. That's powerful, but it also means more responsibility, more decisions, and if you're not prepared, more stressed at moments when life is really complicated. To help us make sense of all of this, I'm joined by Leila Francis. Leila is the national head of fiduciary advisory at BMO. She spends her days working with families on estate planning, trusts and fiduciary decisions, often during some of the most emotional moments of their lives. Leila, thanks so much for being here.

Leila Francis:

Thanks, Pratik. I'm excited to be talking about this.

Pratik Patel:

All right, let's start big picture. We hear these statistics all the time. Women live longer, women inherit more wealth. From where you sit, why does that actually matter?

Leila Francis:

Yeah. Those statistics are going to have really, really big impacts, which we're already starting to see. So women are becoming the sole decision maker during transitions and often suddenly and unexpectedly. It might be after losing their spouse while they're still raising young kids or while also caring for aging parents or really both. And it might involve having to deal with operating a business or other unusual assets. And then women are also living a long time after that happens and they may become susceptible to undue influence or fraud type issues if they start to lose mental capacity, as many of us will. And so planning for all this isn't just about the money. It's about not being forced to quickly make big decisions in the middle of a crisis and about protecting ourselves and our kids. And too often, women are inheriting assets before they inherit clarity about the assets or really how to protect them.

Pratik Patel:

Yeah, it's a good point. So let's get practical then. If someone listening is thinking, I'm not sure I'm set up, what are some of the basics you think every woman should have?

Leila Francis:

Great question. So there's three, I'd say three foundational things that every woman should have. And first is a will. And I think most of us know that's the documents that says where things go when you die. And we all hear about that, whether it's from real life experience of someone passing or in movies, but that's a will kind of foundational. Secondly, ideally is a revocable trust. And that's a trust that's created and funded during your life by you for your benefit. So it's all about you. And people say, well, what does a revocable trust do? A lot of things, but really it helps avoid probates, which can be super costly for your family. It's a court process that takes a long time. So you can avoid probate by having a revocable trust, but it also keeps things private. And since there's no public court, no filings required, and it makes life much easier if you become incapacitated.

And I think an important note on the privacy aspect that I think people don't think enough about in this day and age of electronic access to everything, fraud and AI, you do not want people to be able to see how much you or your kids are inheriting, what their addresses are, the amounts, et cetera. That just opens up too many opportunities for bad actors to step in. So that's the revocable trust. And then third, the third foundational thing to have is powers of attorney. And I'd say both for property and healthcare. And it's so someone that you trust can step in to help you if you can't act for yourself. But I will say that just having those documents isn't enough. You really need to understand what they do and then what they don't do as well.

Pratik Patel:

Yeah. It's obvious why they're so important, but what happens if you don't have those basics in place?

Leila Francis:

Yeah, we see that too often. If you don't have an estate plan in place, then the state you live in creates a plan for you. But it's rarely what you would actually want to choose for yourself. For example, here in Illinois where I live, if you're married and you die without a will or trust, half of your state goes to your spouse and half goes to your kids. But both of those distributions are outright distributions. At first glance, that might sound fine. Okay, fine. Until you think about what that really means. So outright distributions means the assets are not protected for your kids from divorce, creditors, or just being young and inexperienced with money. And then as for your surviving spouse, an outright distribution means those assets could eventually pass to a new spouse of theirs, the new spouse's kids, or just someone else entirely.

And we've seen this state default rule play out publicly. You hear about it in the news. And an example is Amy Weinhouse, who I think we all know died young without a will, and her assets passed under her state's default rules to her father who she was estranged from. If she had had an estate plan in place, she could have controlled where the assets went instead. And we see this play out over and over if people don't have estate plans in place.

Pratik Patel:

Wow, that's frightening. That's worst case scenario for sure. So let's assume someone does have a plan. What should women be thinking about more intentionally?

Leila Francis:

Yeah. So I think two things really stand out to me. First is who's going to be in charge, and that's the person or institution that you name, and they have a huge responsibility. So they're managing the assets during your life if you become incapacitated, making sure you're getting distributions and you're taken care of, and then carrying out your wishes after you're gone. So that person or institution needs to have the right mix of trust, time, expertise. So that's the person in charge. And I think second, super important is how are your assets going to pass to your kids or even to your spouse? And so I think, as I said earlier, passing money outright to your kids really can create more problems than people expect. But if you leave your money to kids in trust rather than outright, it allows the assets to be protected, again, from divorce, creditors, or even well-meaning but risky decisions.

And I'm going to give a personal example because I love personal examples. So I've got two teenage daughters. If something happened to me tomorrow, I wouldn't want either of them receiving a large sum outright because I know my youngest daughter would probably spend it on clothes or other fun things. And my oldest daughter would probably be too trusting and lend it out to friends or others who might not pay them back. And of course I worry about them when they eventually get married, I'd worry about them losing the money if they ever got divorced. But if I leave the funds to them in trust, it'll allow their trustee to make thoughtful distributions for them during their life and to protect them, and then their assets will remain non-marital property in the event of the divorce. And then for your spouse, as I mentioned earlier, leaving money, even your personal property, you think jewelry or a purse collection, if you leave that outright to your spouse, it might result in the spouse's new wife or her kids getting the assets rather than your own kids.

So what I like to see and what most people do is they leave their assets in trust for their spouse instead and maybe make a list of who should receive their jewelry and their personal property. And that all helps assure that it doesn't pass to someone that they don't want it to pass to.

Pratik Patel:

Yeah, you certainly don't want those unintentional consequences, but that's such a good point. It's not just what you inherit, but when that really matters. Shifting gears a little bit, one topic that planners care deeply about that clients sometimes overlook has to do with titling and beneficiaries. We see it all the time on the planning team. What are your thoughts on that?

Leila Francis:

Oh, yes. This is one of the biggest sources of unintended outcomes. So your estate plan can be beautifully drafted and it can say everything you want it to say, but joint accounts and beneficiary designations completely override your estate plan documents. So joint assets with right of survivorship, which is really what most joint accounts are. If you look, it's usually going to be with right of survivorship, which means at your death, that asset or account passes automatically to your surviving joint tenant outright. It does not go through your trust, it goes outright to them. And then of course, beneficiary designated accounts, maybe a life insurance policy or other assets with beneficiary designations, those pass outright to whoever is named as the beneficiary. So if that all doesn't line up with what your will or trust says, your whole plan can completely fall apart. And then families often end up fighting in court and spending money on legal fees for that.

Pratik Patel:

Yeah, what you don't want. Let's talk about the sandwich generation. Many women are also caring for their aging parents. What should they be thinking about with regard to the parents?

Leila Francis:

Yeah. So the sandwich generation that so many of us are either in right now, like myself or will be in at some points. So powers of attorney, both medical and property are absolutely critical to have. If a parent becomes incapacitated without them, it might already be too late, and these forms can save so much time and aggravation. They're easy to find online. You can also ask your attorney for them. And just kind of a side note on that, everyone over the age of 18 should at least have a medical power of attorney. So think about these for your kids as well, especially if they're going off to college out of state. But I will say just having the powers of attorney in place are great, but we really should know where your parents' assets are held. What assets do they have? How do you access the information?

Are there passwords? And then this is a big one that people forget about, how to protect your parents from fraud, which is getting so much more sophisticated, especially with these AI scams. I think just letting them know about the current scams can help avoid issues, but just really keeping them up to date and educating them on what the current scams are I think is super helpful.

Pratik Patel:

That's such a good point. All right. We are coming at time here, but before we wrap up, Leila, if listeners walk away remembering just a few things, what would you want them to remember?

Leila Francis:

First is a tough one. This is don't procrastinate. Planning only works well if it's done before you need it. So we're all so busy and it's so easy to put all this off. But I would just say start with a to do list and set a goal of just being able to cross some of these things off your list. Second, I would say coordination, which we've talked about. Coordination matters. Your estate plan documents, your account titling, and your beneficiary designations all need to align. And then third, and I think this is so important, surround yourself with advisors that you trust and that you like. People who really listen to you, they explain things in a way that you understand and who help you think ahead.

Pratik Patel:

I love that. For me, the big takeaway is this. Estate planning isn't about money. It's about protecting people and making hard moments easier for the ones you love. So if this episode sparks one conversation, one document review or one call to advisor, then to me, it's time well spent. Leila, thank you so much for joining us.

Leila Francis:

Thank you. That was great. Thank you.

Pratik Patel:

And thanks to all of you for listening to Beyond the Portfolio. I'm Pratik Patel, and we'll see you next time.



Mike Miranda:

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