



Make sure your animal companions are taken care of in case of changing circumstances. (ddp)

A financial plan for your pet

11 October 2022, 9:17 pm CEST, written by UBS Editorial Team

October is National Pet Wellness month, a reminder to take care of our beloved companions. Providing for our animal friends means looking after their needs throughout their lives, which can include making sure they are looked after should something happen to us. We examine various plans to consider, including formal arrangements that can be made for our pets as part of estate planning.

In the eyes of the law, pets are considered personal property. But to their owners they often mean more than a sofa or chair—they are best friends, companions, and even family. The estate planning process presents an opportunity to address ongoing pet care. “Sadly, the opportunity is often overlooked and a considerable number of domestic pets suffer because their owners did not know and were not advised to make arrangements for them,” says Christine Kolm, Senior Wealth Strategist with the UBS Advanced Planning Group. “Knowing that pets usually have shorter lifespans than humans means that we tend to plan for our animals’ passing prior to our own. But, that is not always the case. Responsible pet owners may want to ensure that non-human family members will continue to receive ongoing care and feeding.”

Informal arrangements

Begin with a list of expectations regarding a pet’s ongoing care. Such a list, possibly in writing, is the beginning of a plan for the care of a pet in the event of unanticipated absence, incapacity, or death.

Formal, legally enforceable agreements, can take time to discover, verify and implement. As a result, the importance of making a list of informal arrangements for temporary caregiving cannot be overemphasized.

Find two or more responsible friends or relatives who agree to serve as temporary emergency caregivers in the event that something unexpected happens to you. Provide them with keys to your home; feeding and care instructions; the name of your veterinarian; and information about the permanent care provisions you have made for your pet.

Look into documenting this informal arrangement by writing it down to memorialize all parties’ understanding. However, since these informal arrangements are generally legally unenforceable agreements made with family members or friends, you are relying entirely upon the integrity of the person or organization chosen. It is important to choose wisely!

Formal arrangements

A comprehensive plan for pets also includes formal (or legally enforceable) arrangements that specifically cover pet care.

Wills

Wills are legal documents that provide directions to a probate court regarding a decedent's wishes. The will nominates an executor or personal representative and provides direction regarding property distribution. The actual time of the typical probate administration is relatively short ... maybe a year or two. The belief that pets can be adequately protected if they are merely mentioned in a will is incorrect. Consider the following pitfalls of planning for pets with merely a will:

- Wills are typically neither accessible nor enacted immediately. There will be a waiting period before the will is located, filed and verified. It can then be many months before the property actually changes hands. Clearly, additional arrangements must be made for pet care while the will is probated.
- Wills do not allow disbursement over a pet's lifetime. In a will, the owner cannot distribute funds over time, which can be achieved with a free-standing traditional pet trust or pet protection agreement. Such a trust can be created by a will, but such ongoing arrangements must be included at the time the will is drafted.
- Changes to the will are in the court's discretion. Who do you want deciding the fate of your pets: you or a judge?
- Wills are effective and enforceable only upon death. They make no provisions for incapacity. A will cannot address the possibility that the pet may need to be cared for during the owner's lifetime.
- General provisions in a will loosely linking a monetary gift with the gift of a pet may be treated as "honorary." The person who receives the funds is responsible for deciding whether or not to use them for the pet's care. There is nothing to prohibit the recipient from leaving the pet at the pound and using the money for other things.

The presence of these limitations does not mean that wills should not include provisions for pets. Rather, it means that such provisions should be supplemented by a pet trust and/or pet protection agreement.

Pet trusts

Pet trusts stipulate that in the event of a grantor's disability or death, a trustee will hold property (cash, for example) "in trust" for the benefit of the grantor's pets. The "grantor" (also called a settlor or trustor in some states) is the person who creates the trust, which may take effect during a person's lifetime or at death. Payments to a designated caregiver are made on a regular basis.

State law determines the trust's term limits. These trusts usually continue for the life of the pet or 21 years, whichever occurs first. Some states allow a pet trust to continue for the life of the pet, without regard to a maximum duration of 21 years. This is particularly advantageous for companion animals which have longer life expectancies than cats and dogs, such as horses and parrots.

All 50 states and the District of Columbia recognize statutory pet trusts. In these jurisdictions, pet owners who merely include a simple directive in their will (e.g., "I leave my dog Bebe and \$5,000 for her care to my friend Dee") can have some assurance that the funds and pet will remain together.

Unlike a simple directive in a will, a pet trust provides a host of additional protections and advantages:

- Pet trusts are valid during a pet owner's life and after their death.
- Pet trusts may help to prevent a contest to the estate—for example, if the amount left for the pet's care is enough that someone will contest the client's capacity, or if there is a litigious family member whom the pet owner believes may dispute the final documents.
- Pet trusts and pet protection agreements not only provide for the succession of ownership of a pet but also are ongoing and control the disbursement of funds.
- Pet trusts allow for the division and assignment of trustee duties. An investment trustee (separate from the pet guardian or trustee) can be appointed to invest funds with a view toward growth of the principal and future use on behalf of the pet, heirs, and charitable recipients.

Pet trusts and pet protection agreements allow provisions for an owner's incapacity. Pet trusts and pet protection agreements can help ensure that the owner and pets will remain together in the event that the owner moves to a nursing home or other long-term care facility. With a pet trust or pet protection agreement, owners may even leave a portion of the funds remaining after the pet's death to the facilities that kept the owner and pet together.

Limited durable power of attorney

A limited durable power of attorney can be used to designate someone to make decisions regarding the care of your pet should you become unable to do so. This person will only have the ability to make decisions about your pet during your lifetime. Consequently, you still need to consider a permanent arrangement for your pet's future care.

To learn more about planning for the care of your pets, reach out to your financial advisor and ask for a copy of the Advanced Planning Group's whitepaper "Planning for Pets."

Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus.

© UBS 2021. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.