

# Estate Planning for Digital Assets



By  
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## **Kelly Pedersen's client was in his 60s and needed some estate planning help.**

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The client told Ms. Pedersen that he had recently digitized his file cabinet by scanning estate, financial and tax documents that the adviser needed in order to work on the estate plan.

The client had uploaded all of these documents to a cloud storage service, which made the adviser wonder: What would happen to those digital files as well as the client's other online holdings when he dies?

In addition to the digital documents, Ms. Pedersen learned that her client had an [eBay](#) account, a PayPal account with nearly \$30,000 in it, and an iTunes account worth \$2,000.

"The client had never seen his digital assets as an issue that needed to be addressed in an estate plan," says Ms. Pedersen, founder of Caissa Wealth Strategies, which manages \$71 million for 52 households in Minneapolis, Minn.,

So, the adviser did some research on digital estate planning and discovered that as a fiduciary, she needed to distribute digital assets in addition to tangible assets. However, even if she were acting as a fiduciary, many of the businesses who hold these digital files would not allow her access to her client's accounts when he passes away.

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The adviser realized leaving her client's eBay and PayPal accounts open after his death could leave his heirs vulnerable to having those accounts hacked, a logistical nightmare if she didn't have access to them.

"Anyone could hack into the accounts—which are connected to bank accounts—and take the money or rack up huge debts that the estate is then responsible for," Ms. Pedersen says.

Hoping to head off problems like this one, Ms. Pedersen teamed up with a local estate attorney to address the issue. They researched service agreements at social media, e-commerce and file storing sites. In accordance with those agreements, they came up with an amendment to the client's revocable trust that they hoped would give the trustee, Ms. Pedersen's firm, access to all of the client's digital accounts when he dies.



Kelly Pedersen  
PHOTO: CAISSA WEALTH STRATEGIES

The language in the amendment certified that the trustee has access to modify, control, archive, transfer, and delete all digital assets. It also defines where those assets might be stored, including on the client's computer, other digital devices, and in the cloud.

The adviser says that adding this language gave her client and his spouse a sense of relief. "I think more than the monetary value of any account, they were personally relieved that there was an actual plan to shut down (his) online presence," she says.

Since working on this case, the adviser has made it a policy to add this language to her other clients' estate documents. She suggests that other advisers do the same, educating their clients about digital assets and working with an attorney to make sure client documents are updated.

"It's so simple and easy to do, and if you don't have this language in there, your clients' heirs will be stuck," she says. "If they do this in their lifetime now, it can relieve so much pain in the estate process later."

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