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# ChatGPT And I Discuss Estate Planning And Living Benefits: What Grade Would I Give AI?

Created by OpenAI, ChatGPT is one of a few different platforms that people are talking about today. This is a chatbot where you can punch in questions and it will answer you back. This is a class of artificial intelligence that uses "Machine Learning." Machine learning is where the system basically "learns" and collects data as time goes by. Think of a chess game. If you are a veteran chess player, the history of the moves that the other person takes as well as your predictions on what they will take usually informs us of what our next move should be, based on our history

of success with making that next move. If you are a newbie to chess, you don't have much intuition about your competitor's previous moves and you have very little prediction powers on next moves. Well, "machine learning" has an almost infinite capability of remembering the past patterns and then drawing inferences into the future. ChatGPT does this not with chess, but with almost any question you throw at it.

What is my verdict on if AI is going to replace the financial professional anytime soon? I will opine on that at the end of this article. But first, feel free to eavesdrop

on a conversation between me and AI (ChatGPT).

On my LinkedIn page (have you “followed me” yet?) I recently discussed a bit of a case study where a client came to me and said his dad wanted to either “gift” the farm to him now or wait until after he (the dad) dies to pass the farm on via inheritance. I think this is a great topic to discuss with ChatGPT because it is very nuanced in that there are many things to take into consideration; estate taxes, stepped up cost basis, gift taxes, Medicaid, etc. So, let’s see if the system can hang with us mere mortals.

Without boring you with the nuances of this exact case, my preliminary recommendation without speaking with his dad—as we will—is that the land will likely be better passed on **after death** rather than via gifting, largely because of the stepped-up cost basis tax treatment. Don’t know what that is? ChatGPT will tell us in a bit.

Now, in hindsight, let’s take the above example and see if my client could have received the same advice that I gave him by using ChatGPT.

My question to ChatGPT:

*“Should I gift my assets, or should I wait until I die?”*

ChatGPT answer (cut and pasted):

*“Deciding whether to gift your assets during your lifetime or to wait until you pass away is a personal decision that depends on your individual circumstances and goals. Here are some factors to consider:*

1. *Estate taxes: If your estate is large enough to be subject to estate taxes, gifting assets during your lifetime can help reduce the taxable value of your estate and minimize your estate tax liability. However, it’s important to consult with a qualified estate planning professional to ensure that your gifting strategy is structured in a way that is tax-efficient and meets your long term financial goals.*
2. *Medicaid planning: If you anticipate needing Medicaid benefits in the future, gifting assets during your lifetime can help reduce the value of your assets and make you eligible for Medicaid sooner. However, there are rules and restrictions around gifting for Medicaid purposes, and it’s important to consult with an experienced elder law attorney*

*to ensure that your gifting strategy is structured in a way that is compliant with Medicaid rules and regulations.*

3. *Control over assets: Gifting assets during your lifetime means that you are relinquishing control over those assets and transferring ownership to someone else. If you want to maintain control over your assets and continue to manage them, it may be better to retain ownership of them until your death.*
4. *Gift tax: If you gift assets during your lifetime, you may be subject to gift tax if the value of your gifts exceeds the annual gift tax exclusion amount. However, there are ways to structure your gifting strategy to minimize or avoid gift tax liability, such as using the lifetime gift tax exemption or making gifts to a qualified charitable organization.*

*Ultimately, the decision to gift your assets during your lifetime or wait until you pass away depends on your individual circumstances and goals. It’s important to consult with a qualified estate planning professional to assess your options and develop a comprehensive estate plan that meets your needs.”*

I would give ChatGPT’s response a grade of about a D. After all, it didn’t even discuss the notion that when one inherits property upon death, the cost basis “steps up,” which can ultimately lead to less taxes later on. However, if you ask ChatGPT specifically about “stepped up cost basis,” it does a very good job of explaining what it is.

I do like that it brought up Medicaid planning! If assets are gifted today, then the dad may be able to qualify for Medicaid later on. Of course, there is a five-year lookback to take into consideration but at least ChatGPT showed us Medicaid as an item to take into consideration. I also like the fact that it teased on the “annual gift tax exclusion” as a way to gift assets!

My verdict? I want to split my verdict into three areas:

1. **Recommendations:** When a client wants to get down to brass tacks on recommendations, the system does not (yet) cover all the bases that need to be taken into consideration. The peripheral vision when it comes to financial advising is not on par with a seasoned

professional. Again, for our purposes, I would give it a D grade.

2. **Fine Details:** When I asked the system, “What is stepped up cost basis?” it knocked the ball out of the park. Like I mentioned, it does a very good job of explaining what something is, but so does Google. However, I did ask the system about other topics like estate taxes, etc., and it did OK. In this area, I give the system a B+. As time goes on, the “machine learning” will make it more precise.

3. **General Knowledge/Marketing:** For this, I give it an A! Not an A+, but an A. I think ChatGPT makes a good living/breathing brochure! This is where you—the financial professional—can save a significant amount of time via articles, blogs, teasers, social media posts, etc. I have begun to do this with my clients while **always** making it clear that the article was “Powered By AI.” (Sidenote: I do fear that AI will make the writings in our world less “genuine.”)

Anyway, you be the judge of its effectiveness below as I take a random topic of living benefits on life insurance. Is this an article you would find worthy for general education? I think so!

My question to ChatGPT:

*“What are living benefits on life insurance?”*

ChatGPT answer (cut and pasted):

*“Living benefits on life insurance are features that allow the policyholder to access a portion of the death benefit while they are still alive, in certain circumstances. These benefits can provide financial assistance to policyholders who experience a qualifying event that impacts their health and ability to work. Here are some examples of living benefits on life insurance:*

1. *Accelerated death benefit: This benefit allows the policyholder to access a portion of the death benefit if they are diagnosed with a terminal illness that is likely to result in death within a certain timeframe. The accelerated death benefit can be used to cover medical expenses or other costs associated with end-of-life care.*
2. *Critical illness benefit: This benefit allows the policyholder to access a portion of the death benefit if they are diagnosed with a critical illness, such as cancer, heart attack,*

or stroke. The funds can be used to cover medical expenses or other costs associated with the illness.

3. *Chronic illness benefit: This benefit allows the policyholder to access a portion of the death benefit if they are diagnosed with a chronic illness that results in the inability to perform a certain number of activities of daily living, such as bathing, dressing, and*

*eating. The funds can be used to cover long term care expenses or other costs associated with the illness.*

*Living benefits on life insurance can provide policyholders with greater financial flexibility and security during challenging times. It's important to review the terms and conditions of your life insurance policy to understand what living benefits are available and how they*

*can be accessed. Additionally, it's important to consult with a qualified insurance professional to determine if living benefits are appropriate for your individual situation."*

Overall, I still feel very secure in my job not being replaced anytime soon, while having the ability to leverage AI instead of competing against it. 🌐