

# It's time to protect your family & your future

In support of the Improving Financial Awareness & Financial Literacy Movement personal finance content blitz built around the strategic campaign venues of National Financial Literacy Month (April) and six month later during National Estate Planning Awareness Month / Week (3rd week in October), the following estate planning article contains a very important message.

Over 50% of our adult population (120 million adults) does NOT nor realize the importance of not having a current or up-to-date estate plan to protect themselves and their family's assets; that can include half your family, friends, and associates.

Estate planning is a financial process that can protect you and your family and is a very important component of your overall financial planning. Now is the perfect time to put your estate planning house in order.

If you don't have an up-to-date estate plan and you happen to get hurt or sick and cannot manage your financial affairs, the courts will have to appoint someone to manage them for you.

The person they appoint might not be the one you



would want to perform those tasks. Without an estate plan, when you pass away, your affairs will be settled by default through a complex legal system called "probate." The handling of your financial affairs can turn into a costly and frustrating ordeal for your family and heirs. Your assets may not pass to their desired party, and there is no way for your

assets (significant or modest) to get to their favorite charities or causes unless some advance arrangements are made.

The crafting of a good estate plan starts with planning, followed by the proper drafting and signing of appropriate legal documents such as wills, trusts, buy-sell agreements for business owners, durable powers of attorney for financial management, and an advanced health-care directive or health-care power



## TODAY'S THOUGHT

*"The only person who doesn't need an estate plan is the one who lives forever and never gets sick."* -Your **financial PARTNER**

of attorney. Having these documents in place saves you and your family a lot of money and time at a very difficult and emotional time.

Your estate planning should also address the coordination of the way you hold title to your various assets, your beneficiary selections, and the possible transfer of certain assets while you are alive.

Regardless of the extent of your net worth, estate planning is important for everyone. Complex strategies may be used by wealthy people to reduce death taxes and costs. Others may only require a simple will and/or trust to pass on property to their heirs and provide for minor children.

Even if a simple will and power of attorney is all you require, an estate plan is an essential part of your financial and gift planning. Everybody will need it someday. The time to address or update your estate plan is now.



## CHECKLIST -- SIX STEPS TOWARD SUCCESSFUL ESTATE & GIFT PLANNING

**1. DEFINE YOUR GOALS:** What do you want to happen to your assets in the event of your death or disability? If your beneficiaries predecease you, who are your alternate selections? How will your assets be distributed, and when will these distributions take place?

Decisions on distribution of your estate assets should take into account the size of the estate, the ages and abilities of your children, and your personal desires. For example, a distribution to children over time might consist of 10 percent of the estate at age 18, 25 percent at age 21, 50 percent at age 24 or upon completion of college, and the balance at age 30.

Choose your appointees for important roles: Who will be your executor and, if applicable, trustee and/or guardians? It is advisable to list at least a first and second alternate for each appointment in case your first choice is unwilling or unable to serve.

If you have children who are minors, the appointment of a guardian is probably the most important decision you'll make. With the court's approval, this person, or persons, will raise your children. Consider appointing a family member and spouse, or another close couple who'll care for your children the way you would want.

You may want to consider listing multiple executors, trustees and guardians to serve together in handling the details of your estate. This can provide a check-and-balance system for the appointees and help them avoid oversights or misappropriations. Consider appointing family members, friends, professionals, advisers and/or trust companies for this position.

There is some risk here: If these people disagree and have problems, they can each be represented in court by counsel paid for by your estate, so be very careful in making your selections.

Living trusts have become popular because less administration is required in comparison with a will. Be aware that having a living trust does not eliminate the need for a will and administration at either the first or second spouse's death.

To get the benefits of the trust, certain details must be attended to, and this is the job of your appointees. For example, leaving a trust for the surviving spouse requires that the trust be funded properly and in a timely manner at the first death, or major tax benefits can be lost.

Is estate privacy an issue for you? Do you want your estate to be public record upon your death? Do you have any special gifts you want made to charity? Do you want an elderly parent or friend to be financially cared for? All of these circumstances should be noted in your plan.

**2. GATHER & ORGANIZE YOUR DATA:** There are three basic tasks to be accomplished:

Review and update your financial position.

Review how you hold title to your assets. Is it consistent with your estate plan?

Review your beneficiary selections. Are they aligned with your estate plans?

Did you know that how you hold title to assets has a higher legal priority than your will? For example, if you and your best friend held title to an investment club account as joint tenants and you died, the property would revert to your friend even though you had willed your interest to your spouse.

**3. ANALYZE YOUR SITUATION:** Start by determining your current net worth, assuming your death occurred today. This can be done by totaling your current assets and liabilities, and adding the value of any life insurance.

Try sketching a picture or flow chart of your existing estate plan. Review your appointees:

Executor

Guardian of the Person/of the Property

Trustee

Power of Attorney - Financial Management

Advance Health-Care Directive or Health-Care Power of Attorney

### ESTATE PLANNING ALERT

On December 22, 2018 President Trump signed into law the "Tax Cuts and Jobs Act" (TCJA). This new law contains massive changes to personal and business income taxation. It also touches on Gift / Estate / Generation-Skipping transfers (GST) Tax Exemptions doubling the estate, gift, and GST tax exemptions to \$11.2 million per US domiciliary; that's \$22.4 million per US couple! Like most individual provisions these will expire after 2025 unless it's addressed in future tax acts. The gift tax exclusion per donee increases in 2018 to \$15,000. The top estate, gift, and GST tax rate is 40%.

**Portability** – Beginning for taxpayers dying after Dec. 31, 2010 the estate tax exclusion becomes "portable" between spouses. This means that the surviving spouse's exemption is increased by any exemption not used at the first spouse's death. However, this is not automatic; it must be elected by timely filing a 706 estate tax return.

**Carryover Basis** – For most capital assets transferred at the time of death the beneficiary receives a "stepped up" basis to its fair market value at the date of death.

Check with your financial advisors for updated information.

**4. DEVELOP YOUR STRATEGIES:** With the assistance of your estate planning advisor(s), identify the legal documents that need drafting or make any necessary adjustments to existing documents. Determine any other actions that must be taken for

your wishes to be carried out.

**5. IMPLEMENT YOUR PLAN:** Do what needs to be done -- i.e., create or create new wills, trusts and powers of attorney, adjust title to your properties, change alternate beneficiaries of retirement plans and life insurance policies. Consider making current or planned gifts to family and your favorite causes and nonprofits. Provide your executors and trustee with a location sheet as to where you keep things

**6. TRACK & MONITOR YOUR PROGRESS:** Check your estate plan annually or any time there are changes in your family situation or net worth. Use your financial planning calendar to schedule your next review.

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