Estate planning made easy:

Ensuring your legacy and empowering your heirs



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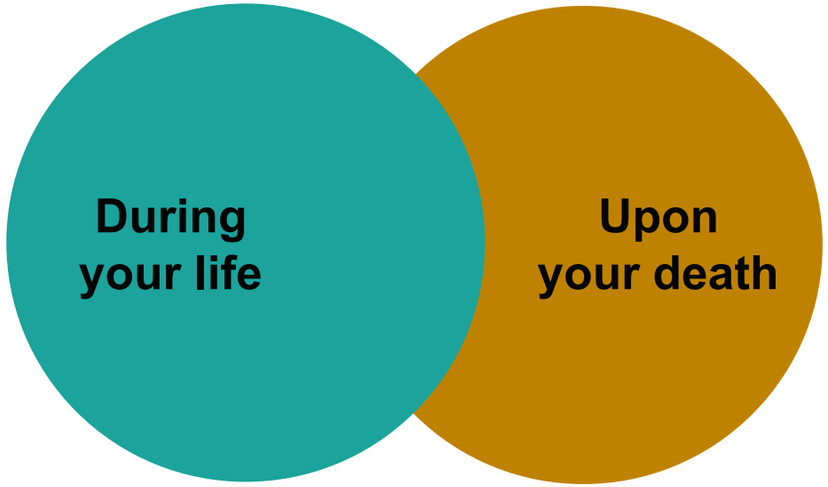
Agenda

1. Importance of estate planning
2. Estate-planning toolkit
3. Taxes and your estate
4. An introduction to trusts and alternatives
5. Building your estate-planning team and putting your plan into action

Your legacy, your voice

Fail to plan, plan to fail

A well-executed estate plan can help achieve a variety of goals during your life and upon death.



- Protect and honor your wishes in the event of your incapacity
- Allow heirs to enjoy and benefit from gifts while you are alive
- Give you peace of mind

- Provide expectations, support, and stability for heirs
- Support your favorite charity with a gift of money, securities, or other property
- Support business succession planning
- Mitigate estate taxes
- Navigate complex family situations

- Distribute assets in a timely manner
- Preserve and protect generational wealth
- Protect your and your family's privacy
- Minimize expenses and ensure adequate liquidity
- Avoid changes to your wishes in the face of legal challenges

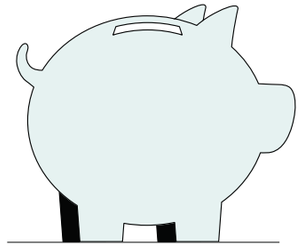
Source: Vanguard.

Size up your estate



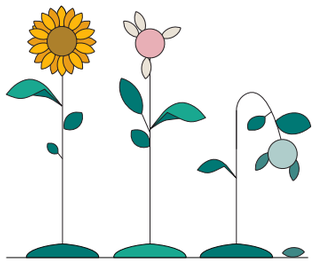
Who?

Identify the key individuals and organizations you want to leave your assets to



What?

- Your property may include real estate, vehicles, investments, business interests, jewelry, or other personal/valuable items
- May be traditionally valuable or purely sentimental



When?

You can gift assets during your lifetime or upon your passing, the choice is yours

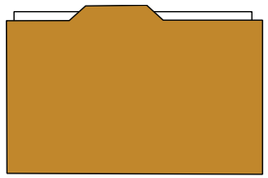


How?

Think through specific wishes and/or restrictions you want to be reflected in the distribution of your estate

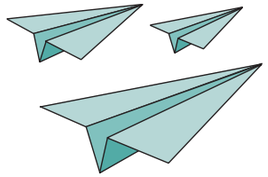
Source: Vanguard.

Inventory your financial world



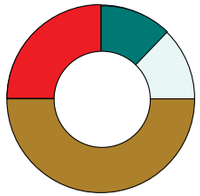
Documents

- Birth/Death/Marriage certificates
- Divorce decrees
- Military records
- Deed to properties, lease agreements, time shares
- Vehicle registrations



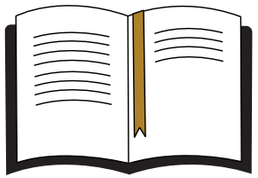
Subscriptions/Digital assets

- Subscription services (Amazon, Netflix, Lifelock)
- Email accounts, social media, blogs



Investment/Bank accounts

- Safe deposit box
- Checking/savings accounts
- Savings bonds
- Retirement accounts
- 529 plans
- HSA plans



Employer benefits and insurance policies

- Pensions
- Social Security statement

Source: Vanguard.

Preparing your heirs



Spouse

- Can they live comfortably if I pass away first?
- Do they have an established relationship with our financial advisor?

Children

- Are they prepared to receive an inheritance?
- Did they receive education around investments?
- Have you accounted for any complex family situations?

Grandchildren and future generations

- Do they understand how you built your wealth?
- Is there a shared family mission and vision?

Charitable organizations

- What are the organizations and causes you believe in?
- Benefit what you believe in!

Source: Vanguard.

Estate-planning ABCs

Estate terminology

Beneficiary

Individual(s) or entity(s) designated to receive part or all of the original owner's property.

Executor

Person named in the will to gather the estate's assets, pay debts/expenses, distribute remaining assets to beneficiaries.

Probate

Based on state law, the legal process of administering the estate.

Trustee

Person or entity that holds the legal title to and responsibility for the assets in the trust.

Estate

Legal entity created when a person dies.

Last will and testament

Set of instructions explaining when and how property is to be distributed.

Trust

Legal arrangement through which assets are held for a beneficiary.

Types of ownership and probate

Probate

- Sole (individual) ownership
- Tenants in common (TIC)
- Beneficiary is “estate of the insured”
- Community property (50% attributed to each spouse)

Avoid probate

- Joint tenancy with rights of survivorship (JTWROS)
- Tenancy by the entirety (TBE)
- Assets with named beneficiaries
- Property held in trust

Incapacity planning

Durable power of attorney for health care

- Legal document that assigns a person (your “health care proxy” or “health care agent”) to make medical decisions on your behalf in the case of incapacity

Durable financial power of attorney

- Legal document that assigns a person authority to manage your finances and make financial decisions in the case of incapacity

Advance directive for health care

- Often called a living will
- Takes effect if you cannot make decisions based on illness or incapacity
- Outlines preferences for life-sustaining treatment

Letter of instruction

- Funeral plans, including cremation or burial
- Obituary information
- Organ donation instruction
- Key contacts, list of people to notify
- Comprehensive list of personal and financial details

Work with your advisor to account for potential long-term medical care costs.



Taxes and your estate

Death may be certain but taxes don’t have to be

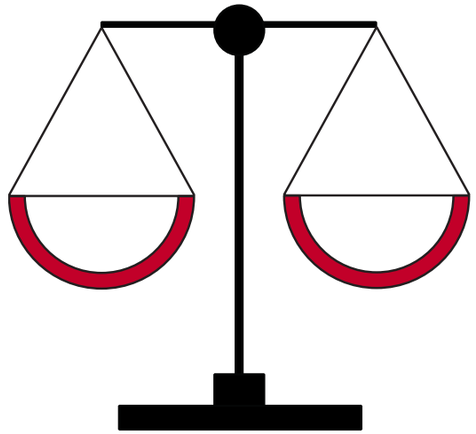
When done correctly, your investment into estate and tax planning is a tradeoff scale.

The more time, effort, and money you allocate toward this planning now …

the more control you have over what happens to your assets upon your passing.

Source: Vanguard.

The larger your estate, the more critical it is to be mindful of your potential tax liability



Gain insight into federal transfer taxes

Federal estate tax

- Forty percent tax imposed on the assets in your estate that exceed the exemption amount upon your death
- Exemption is $13.99 million per person in 2025
- Unlimited marital deduction and deceased spousal unused exclusion amount (DSUEA)

Federal gift tax

- Tax on assets you gift during your life that exceed the exemption amount
- Annual gift exclusion: $18,000 per person in 2024, $19,000 in 2025
- Estate and gift taxes are unified

Generation-skipping transfer (GST) tax

- May be imposed in addition to estate or gift tax
- Applies when assets are transferred to someone two or more generations or 37.5 years younger than you

Year	Lifetime estate and gift tax exempt
2004 to 2006	$1,500,000
2006 to 2008	$2,000,000
2009	$3,500,000
2011	$5,000,000
2017	$5,490,000
2018	$11,180,000
2022	$12,060,000
2023	$12,920,000
2024	$13,610,000
2025	$13,990,000
2026 sunset estimate	$6,805,000

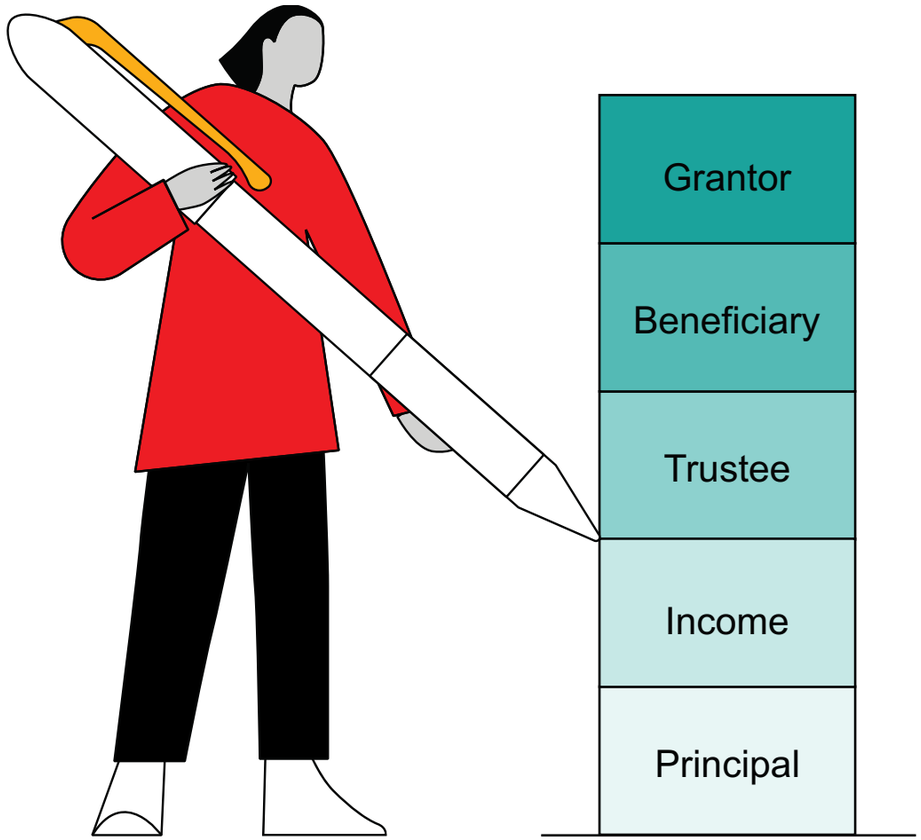
Manage your future estate by transferring assets now

- Take advantage of gifting up to $19,000[1] in 2025 to as many individuals as you wish without owing tax or eating into your lifetime exemption
- Give an unlimited amount to charity
- Contribute to a 529 college savings plan or prepaid tuition plan; consolidate up to five years of annual exclusion gifts, $90,000 in 2024 per person, in one single year to this type of plan[2]
- Pay any amount toward another person's tuition or medical bills, must be paid directly to the medical provider or educational institution
- Give any amount to your spouse, if he or she is a U.S. citizen, non-U.S. citizens are limited to $185,000 in 2024

1 Subject to cost-of-living increases.
2 If you elect this option, you cannot make any additional annual exclusion gifts to the same recipient for the five-year period.

Using trusts and their alternatives

Trust basics



Understanding the differences between revocable and irrevocable trusts

Revocable trust basics

- Created during grantor's lifetime
- Can be changed while the grantor is living
- Effective when trust document is signed and assets are transferred to the trust
- Works in coordination with a will

When to use a revocable trust

- For easier management of trust-owned assets if you become incapacitated
- Avoid state probate process
- Ensure assets are kept private and not a matter of public record

Irrevocable trust basics

- Created during grantor's lifetime or at their death
- Cannot be changed or revoked without permission from a court
- May offer tax advantages as well as disadvantages
- May contain specific restrictions for access and use of assets
- Only way to permanently remove assets from an estate

When to use an irrevocable trust

- Care for and protect assets for a child with special needs
- Mitigate concerns about an heir(s) not being able to effectively manage their inherited assets (ex., a spendthrift)
- Protect assets from a divorced spouse or a beneficiary's creditors
- Provide specific structure for how funds are inherited
- Take advantage of generational tax-planning opportunities

Source: Vanguard.

Alternatives to trusts and wills

Beneficiary designations

- Common way for property to pass outside of a will
- May be on insurance or annuity contracts, 401(k) plans, IRAs, and qualified pension plans
- Pay-on-death and transfer-on-death accounts allow funds to be deposited for the benefit of someone else upon your death

Certain forms of ownership

- Most commonly in the form of property owned jointly with a right of survivorship
- Property owned as a joint tenancy with right of survivorship or a tenancy by entirety will pass the property directly to the other tenant upon your death

Business contracts

- Done through well-executed business succession planning
- Ownership changes to business capital, equipment and real estate may be included

Required distributions and your beneficiaries

IRAs (including Roth IRAs) that pass to your beneficiaries are subject to distribution rules under the Internal Revenue Code and supporting Treasury regulations.

SECURE Act of 2019

Updated the rules which apply to distributions from IRAs owned by individuals that died after December 31, 2019.

Inherited IRAs and inherited defined contribution plans are required to be distributed by the end of the 10th year after the IRA owner or plan participant dies, except for those inherited by eligible designated beneficiaries and non-designated beneficiaries who have their own distributions rules and options. In the case that the original owner had begun required minimum distributions before their passing, a primary beneficiary subject to the 10-year distribution requirement must also continue distributions during years 1–9.

Who is considered an eligible designated beneficiary?

- Account owner's surviving spouse
- A minor child younger than the age of majority (21 years old, regardless of state law)
- Disabled or chronically ill individual
- A person not more than 10 years younger than the deceased account owner
- Certain trusts

Inheritance options for spouse beneficiaries

1

Roll assets into your own IRA

Pros

- Simple due to account consolidation
- Enables you to delay distributions until you reach 73

Cons

- Subject to 10% penalty if under age 59.5 and need to access funds

2

Leave assets in inherited IRA in your spouse's name

Pros

- Can take distributions any time prior to 59.5 without penalty
- Can transfer assets to your own IRA in the future
- Multiple distribution options:
  - *RMDs in the year the deceased account owner would have turned 73*
  - *RMDs calculated on your own remaining life expectancy from "Single Life table"*
  - *Follow 10-year rule*

Cons

- Maintain multiple accounts and distribution strategies between your own IRA and any inherited IRAs

3

Disclaim

- Must occur within nine months of IRA owner's death
- IRA assets will pass to remaining primary beneficiaries or contingent beneficiaries

Pros

- Reduces your estate, which is beneficial if you will exceed your estate tax exemption amount otherwise

Cons

- Lose access to and ownership of inherited funds
- Irrevocable decision

Source: https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-beneficiary

IRA beneficiary implications

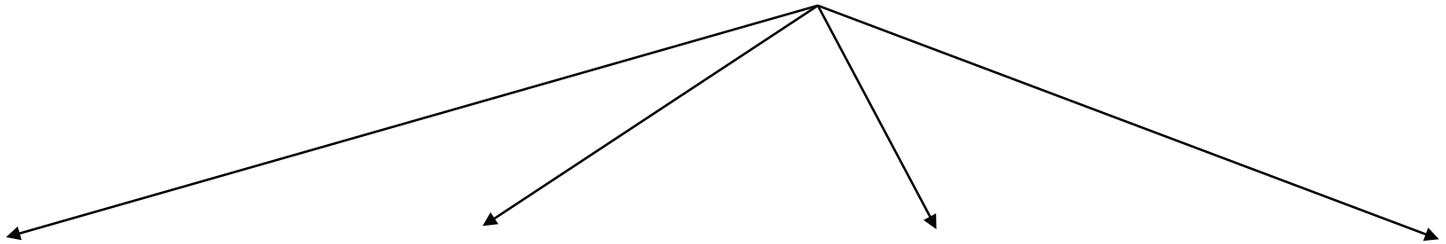
Beneficiary		Asset distribution schedule
Eligible designated beneficiary	Surviving spouse, disabled persons, chronically ill persons, individuals not more than 10 years younger than the decedent, and minor children of the decedent (until they reach the age of majority).	Maintains “stretch" provisions.
Non-eligible designated beneficiary	Individuals not considered an eligible designated beneficiary, certain trusts.	Subject to the 10-year distribution rule and additionally, if the decedent had started taking RMDs, RMDs would need to be continued.
Non-designated beneficiary	Charities, estates, certain types of trusts.	Subject to the 5-year distribution rule (if decedent had not started taking RMDs), or payout over the remaining life expectancy of the decedent (if the decedent had started taking RMDs).

Working with your team of professionals

Your estate-planning team

Financial advisor

Serves as the quarterback for the estate-planning process



Tax accountant

- Ensures tax efficiency in the estate plan
- Should be familiar with estate, gift, and income taxes

Insurance agent

- Determines the type and level of coverage needed
- Helps meet your estate-liquidity and survivor income needs

Attorney

- Provides legal advice
- Drafts legal documents
- Specializes in estate and property law

Trustee

- Administers trust provisions according to trust documents
- May be family member or friend OR someone formally hired

Execution of your plan is key

Get organized → **Put it in writing** → **Communicate early and often** → **Start educating**

Communicate your plan through a family meeting

Considerations

1

Roles of each family member

- Who is responsible for each part of your estate plan?
- Consider responsibilities while you are living versus upon your death

2

Clarify your intentions

- Tell your story around your wealth
- What is your vision for your assets now and in the future?

3

Express your wishes

- Be clear and specific regarding what you want to happen
- Make sure there is alignment between what you say and what is reflected in your formal estate plan

Remember, you are not alone, your financial advisor is here to help!

Key points and takeaways

- Get organized and evaluate your estate
- Reflect on your desires for your life and for after you are gone
- Keep a close eye on the value of your estate and, if you will exceed your lifetime exemption, start planning early
- Pick the right professionals for your team
- Host a family meeting to communicate your plans to your heirs
- Revisit your estate plan every five years **or** when any material changes occur in your life (death, birth, marriage, divorce)

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PID 3001168 (4072040) DOLU 12/04/2027

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