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Eight Financial Tips

Secure your family's future with an estate plan

1 Discuss your wishes with your financial professional

Creating an estate plan can be an overwhelming process that can involve several different professionals. Your Financial Professional can be a helpful resource during the process, helping you coordinate all professionals involved, as well as assisting with how you communicate your wishes to family members.

2 Create or update your estate planning documents

Estate planning is more than just writing a will. It starts with putting in place the right documents to make sure your wishes are clear regarding disposition of your assets and any other wishes you would like carried out after you are gone.

During the process, you will want to consider:

- Who should inherit your assets?
- Who should you name as executor, trustee or guardian?
- Should any of your assets pass to trusts for the benefit of individuals, rather than directly?
- Should you include charitable giving into your estate planning?
- Do you want to avoid or minimize probate?

As you prepare or update your estate planning documents, be sure to have these core components in order:

- **Your will**, which lets you legally define who gets what from your estate, how, and when.
- **Trusts**, which let you determine the speed of transfer to beneficiaries and potentially influence the taxes you pay, as well as offer control, flexibility, and privacy. People often use trusts to stipulate control of their assets should they become incapacitated or die before their minor children. They can also distribute wealth in complicated situations, like to children from more than one marriage.
- **Beneficiary Forms**, which are associated with accounts like your 401(k) or IRA and insurance policies. Ensuring these are up to date can allow you to efficiently transfer assets to your beneficiaries outside of probate.

You will also want to review titles and account ownership. How assets are titled is often one of the most overlooked parts of an estate plan. It can have a significant impact on estate administration and estate taxes. Review titles and account ownership with your estate planning attorney.

Why estate planning matters

There are three main goals of any estate plan:

- Caring for your children and/or loved ones
- Directing your own finances and/or care if you are incapacitated
- Distributing your assets after your death

3 Establish rules in case you are incapacitated

Identify who can make health care or financial decisions if you become incapacitated, and what your wishes are regarding your health care.

- A durable Power of attorney lets you grant another person (e.g., a family member, trusted friend, or attorney) authority to manage your financial affairs should you become incapacitated.
- Health care proxy, sometimes called an advance health care directive, lets you select someone to guide health care decisions for you if you become incapacitated.
- Living will provides specific written instructions for health care decisions and end-of-life medical care.

4 Take care of your family

Beyond deciding how your assets will be distributed, if you have minor children you'll also want to have a plan for someone to act in your place until they are adults.

- Designate a guardian who will provide day-to-day care for the child, or children, until they reach the age of majority.
- Consider placing any inheritance earmarked for minor children in a trust, overseen by a trustee, who can ensure assets are distributed according to your wishes.
- Utilize UGMA (Uniform Gifts to Minors Act) and UTMA (Uniform Transfers to Minors Act) accounts to hold assets for your child, or children, in trust until they reach age 18 or 21, depending on state law.

As your child, or children, age, you will also want to revise your estate plan as your situation changes to maintain its impact. You can also consider the staging of distributions of assets to adult children as well.

5 Maintain adequate life insurance coverage

A life insurance policy is an important way to protect your family's long-term financial security after your death. It can also provide liquidity after death to cover end-of-life expenses, including estate taxes if you have accumulated a large estate.

How Will Your Assets Be Distributed?

When creating an estate plan, most people want to ensure that they, and not the state or anyone else, determine how their assets will be disbursed. Generally, assets are distributed based on the following hierarchy:

- **By ownership or title.** Any asset you own jointly with someone else, such as a car or house, passes to the other party after your death, regardless of the language in your will.
- **By beneficiary designation.** Some of your assets—such as life insurance policies and retirement accounts—let you specify who will receive those assets by designating a beneficiary. The companies holding these accounts also have rules in place as to who receives the proceeds if you have not named a beneficiary. Some regular, taxable accounts such as bank, brokerage, and mutual fund accounts may also allow you to designate a transfer-on-death (TOD) beneficiary that will pass ownership of the account when you die, regardless of what your will may say.
- **According to your will.** Assets that don't fit in the above categories pass to the heir or heirs you list for each asset in your will. It's usually worth the effort of hiring an estate planner to make sure your will is properly executed.
- **According to any trusts that exist.** Instead of owning assets in your name, you may have created a trust that owns the assets. Generally, if you become incapacitated or pass away, the language in the trust governs what happens to your assets.

In the absence of a will, your assets will be distributed according to your state's laws, which could have unintended consequences for your heirs.

It's also important to understand that a will generally must be "probated" before assets subject to the will can be distributed to your heirs. This process involves filing the will with a court at your death, where a judge ensures the directions in the will are carried out. Probate is a public process, so your personal documents will be available for inspection by anyone who wants to see them.

6 Evaluate your tax exposure

Current tax laws have reduced concerns about estate taxes for most individuals and couples. In 2023, if you are single, you can pass $12.92 million to your heirs completely free of federal estate tax. In 2023, a couple can transfer twice that amount—up to $25.84 million—without any federal estate tax. Only amounts above this exemption are subject to the federal estate tax rate of 40%. This is in addition to any state estate taxes that your estate may be subject to.

If you believe your estate will exceed the exemption amount, you may want to consider reducing your taxable estate through strategies like charitable bequests and other estate planning techniques. This is where speaking with a tax professional and/or estate attorney can help you identify the right approach for your situation. Even if your estate does not exceed the exemption amount, you may want to consider the tax impact distributions may have on your beneficiaries. Work with your estate planning attorney and tax professional to understand the tax impact of the different type of assets you leave your heirs.

7 Create a legacy

In addition to providing for family and loved ones, you may also want to consider leaving some assets to support a cause you care about or a charity you support. Charitable trusts can also be used in estate tax planning, consult with your tax professional for more information.

- A charitable remainder trust lets you provide income to one or more individual beneficiaries for a specific term or for life, with the remainder being gifted to a charity at your passing.
- A charitable lead trust provides income to a charity for a specific period of time, with the remainder passing to your family members or other beneficiaries.
- A donor advised fund is a fund that is maintained and operated by a public charity. It allows you to make contributions while you are alive, or through your will or trust, and use the funds to make grant recommendations to advise the fund as to which charities you'd like your donation to support.

8 Make sure your paperwork is in order and review it regularly

Our Family Records Organizer provides a comprehensive list. Use it to get started, and then share the Family Records Organizer with family members or leave instructions on where they can be found in case they need to access them.

Be sure to make updates when life changes, like marriage, happen. And share your plans with your loved ones throughout the process.

YOUR FINANCIAL PROFESSIONAL CAN HELP.

A quick conversation with your financial professional can help you take the right steps to putting in place a comprehensive estate plan.