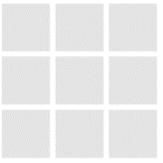




Demystify Your Estate Plan:

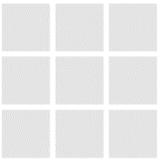
# A STRAIGHTFORWARD APPROACH

Roger Young, CFP<sup>®</sup>  
Prof. Angela Vallario  
Stuart Ritter, CFP<sup>®</sup>



# The Fundamentals

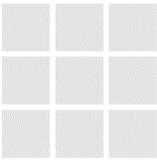
- ▶ Why estate planning is important
- ▶ What happens to you, your family, and your assets if you have no estate plan
- ▶ Basic elements of an estate plan
  - Power of Attorney
  - Advance Medical Directive
  - Will
  - Trust



# Estate Planning Objectives

**An effective strategy helps you protect and preserve some of the things that matter most by directing:**

- What will happen to you and your property
- How to provide for beneficiaries during life and upon death
- Who will serve as a fiduciary (e.g., executor, guardian, trustee)
- Your intentions for any dependents



# Power of Attorney

Designating a power of attorney grants another individual the ability to take specific actions on your behalf.

## **GENERAL**

Broad and sweeping with immediate and full powers

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## **LIMITED**

Grants power over specific, designated activities

## **DURABLE**

Continues arrangement after one's incapacitation

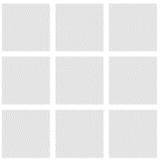
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## **NONDURABLE**

Ends arrangement after one's incapacitation

## **SPRINGING**

Activates powers after a specific event (e.g., one's incapacitation)

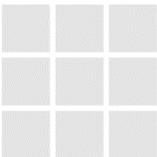


# Advance Medical Directive

**Provisions that allow you to direct your healthcare wishes even if you are physically unable to. Examples include a medical power of attorney and a living will. These directives designate an agent or agents on your behalf with the power to:**

- Make health care decisions for you when you cannot
- Make your wishes known regarding life-sustaining procedure

**Additional medical provisions can be specified (e.g., use of pain medication).**

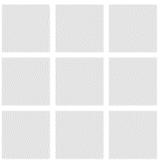


## If You Die Without a Will

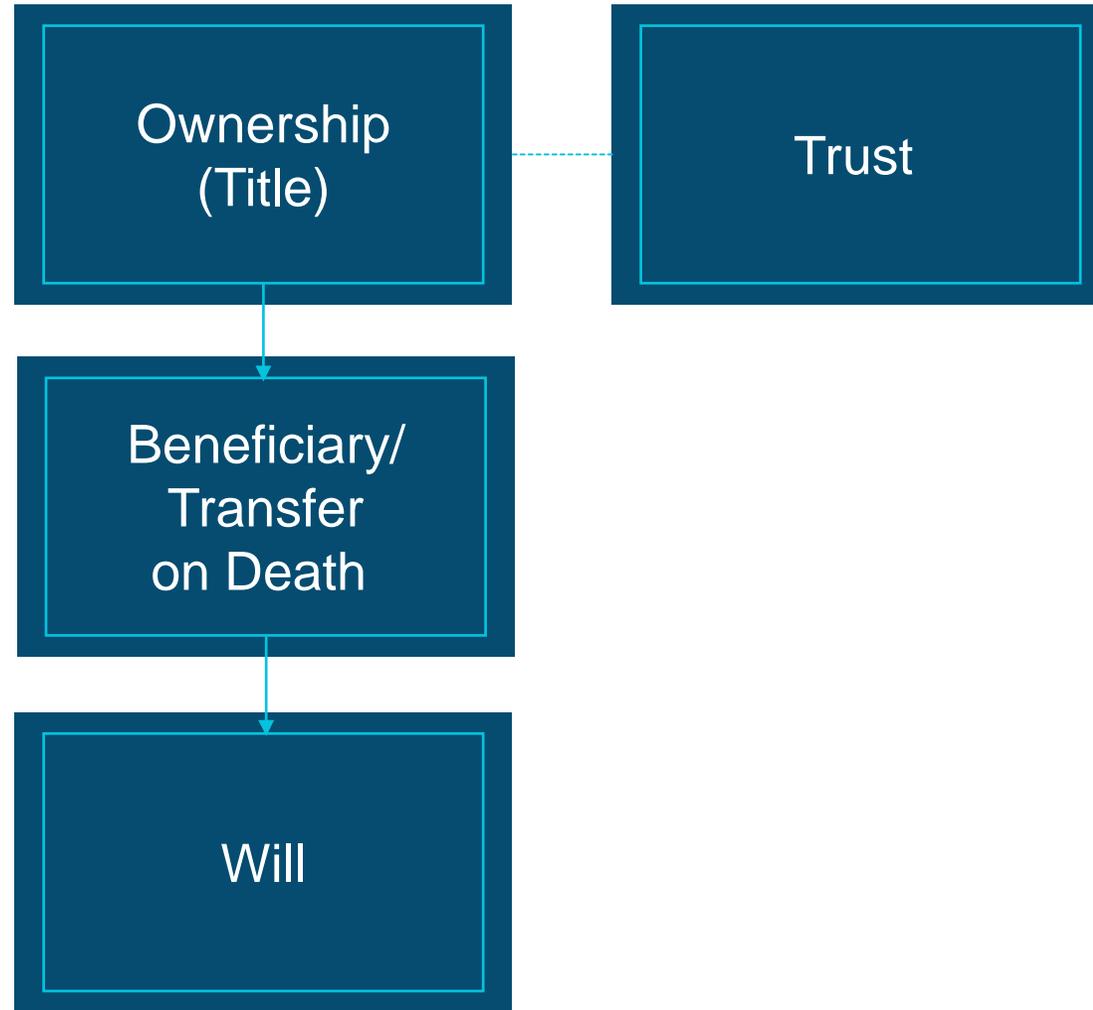
**If you die without a valid will, a legal process is initiated to settle your estate. In this situation, called intestacy, statutes direct the disposition of your assets, and the following will occur:**

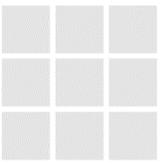
- State dictates who gets your property
- State controls who becomes the executor of your estate
- No estate management for beneficiaries

**A WILL CAN DIRECT OTHERWISE**



# Asset Disposition

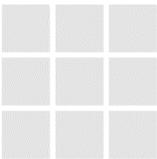




# Considerations for Common Account Ownership Types

Account Ownership	Explanation
Individual	Sole beneficial ownership
Joint as tenants in common	Two or more owners Deceased's share passes to his/her heirs, while the other joint owner retains his/her share
Joint tenant with rights of survivorship	Two or more owners Survivor(s) automatically inherits deceased's share
UGMA/UTMA*	Provided to a minor, allowing him/her full beneficial ownership upon reaching the age of majority
Revocable living trust	Assets placed in a trust on behalf of the owner
Retirement accounts	Tax-deferred (e.g., IRAs) designated for retirement
Transfer on death (TOD)	Inherited by a beneficiary who has survived the account owner(s)

\*UGMA = Uniform Gift to Minors Act; UTMA = Uniform Transfer to Minors Act



## Elements of a Will

**A will is a legal document that takes effect upon your death. It may include, but is not limited to, the following:**

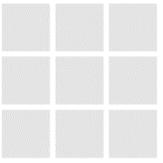
- Who should inherit assets that are in your sole name, how much, and when
- Naming guardian(s) of minor children or adult dependent children (if applicable)
- Naming an executor, his/her powers as executor, and, if applicable, trustee(s)
- Whether a testamentary trust should be created (and any related instructions)

**WILLS MUST MEET REQUIREMENTS OF STATE OF LEGAL RESIDENCE TO BE VALID**

# Considerations for Common Account Ownership Types

Account Ownership	Explanation	Subject to Probate
Individual	Sole beneficial ownership	Yes
Joint as tenants in common	Two or more owners Deceased's share passes to his/her heirs, while the other joint owner retains his/her share	Yes—to the extent of ownership
Joint tenant with rights of survivorship	Two or more owners Survivor(s) automatically inherits deceased's share	No
UGMA/UTMA*	Provided to a minor, allowing him/her full beneficial ownership upon reaching the age of majority	Yes—for parent/custodian
Revocable living trust	Assets placed in a trust on behalf of the owner	No
Retirement accounts	Tax-deferred (e.g., IRAs) designated for retirement	No—if beneficiaries are designated Yes—if no beneficiaries or left to a trust
Transfer on death (TOD)	Inherited by a beneficiary who has survived the account owner(s)	No

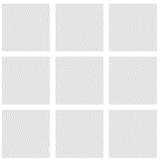
\*UGMA = Uniform Gift to Minors Act; UTMA = Uniform Transfer to Minors Act



# Family Harmony

**Your estate plan often establishes a legacy with the next generation of your family. Considering the importance of this, it is recommended that you:**

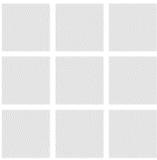
- Understand family needs, desires, and concerns
- Treat children equitably
- Communicate with affected parties



# Understanding Trusts

**A trust is a separate legal entity under which assets are titled. A trustee is typically designated by the trust with the responsibility to manage its assets according to the specified terms.**

- Your will can be used to create a testamentary trust.
- An Inter-Vivos trust is established during your lifetime with terms that may be revocable or irrevocable, depending on your wishes.

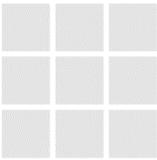


# Evolving Estate Tax Considerations

## **Recent tax law changes have significantly reduced concerns about estate taxes for most individuals and couples:**

- You can pass up to \$11.18 million\* from your estate to your heirs completely free of federal estate tax.
- Wealthier individuals with estates exceeding the exemption threshold should consult with a tax advisor and estate planning attorney for guidance.

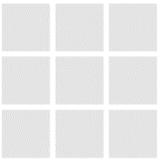
\*That amount is currently indexed to inflation, so it's expected to rise in future years.



# Estate Plan Pointers

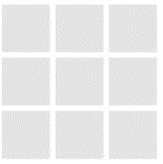
**As with anything important, planning and preparation are critical. When developing your estate plan, you should:**

- Review holdings and understand titling
- Select your executor
- Name a guardian for dependents (if applicable)
- Talk to your family and fiduciaries



# Beyond the Basics

- ▶ Family circumstances that should be considered in your estate plan
- ▶ More advanced strategies that may be used to address specific concerns (e.g., estate taxes and gifting)
- ▶ What information your family needs to know
- ▶ Who is going to help you carry out your wishes
- ▶ How to get started developing or updating your estate plan



# Common Types of Trusts

## TESTAMENTARY

Created upon the death of an individual by his/her will

## INTER-VIVOS

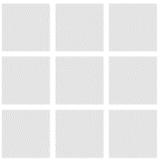
Established during an individual's lifetime separate from his/her will

## REVOCABLE

Terms can be modified

## IRREVOCABLE

Terms cannot be modified



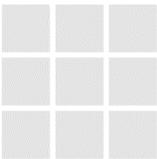
# Trust Considerations

A trust is a legal entity created specifically to determine how and when to pass its assets to the beneficiaries based on a particular set of instructions. Trusts can be used to:

- Transfer wealth efficiently and privately
- Direct the distribution of assets for specific purposes
- Control the timing of asset distribution
- Assist with tax planning

These are valuable benefits, but it is important to appreciate potential drawbacks of a trust:

- Upfront costs can be considerable
- Placing assets in a trust can be time-consuming and tedious
- Requires ongoing diligence to ensure assets are properly titled



# Estate and Inheritance Taxes

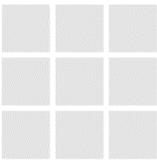
## Federal Estate Taxes

- Individual estates up to \$11.18 million\* are exempt from federal estate taxes.
- Above that amount, your estate will pay tax rates that start at 18% and go as high as 40%.

## State Estate and Inheritance Taxes

- As of 2018, 16 states and the District of Columbia assess a separate estate and/or inheritance tax.
- State estate taxes function similarly to federal estate taxes.
- Inheritance taxes are paid by the beneficiary and are generally in lieu of estate tax or only on non-immediate family members.

\*That amount is currently indexed to inflation, so it's expected to rise in future years.



# Calculating Your Estate Tax Liability

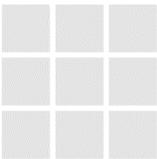


- For 2018, federal estate taxes apply to estate values that exceed the lifetime applicable exclusion of \$11.18 million.
- Heirs receive amount net of federal estate and state estate and inheritance taxes.

# Considerations for Common Account Ownership Types

Account Ownership	Explanation	Subject to Probate	Included in Estate Valuation
Individual	Sole beneficial ownership	Yes	Yes
Joint as tenants in common	Two or more owners Deceased's share passes to his/her heirs, while the other joint owner retains his/her share	Yes—to the extent of ownership	Yes—to the extent of ownership
Joint tenant with rights of survivorship	Two or more owners Survivor(s) automatically inherits deceased's share	No	Half value if joint owner is a spouse; all of the value if a non-spouse
UGMA/UTMA*	Provided to a minor, allowing him/her full beneficial ownership upon reaching the age of majority	Yes—for parent/custodian	Yes
Revocable living trust	Assets placed in a trust on behalf of the owner	No	Yes
Retirement accounts	Tax-deferred (e.g., IRAs) designated for retirement	No—if beneficiaries are designated Yes—if no beneficiaries or left to a trust	Yes
Transfer on death (TOD)	Inherited by a beneficiary who has survived the account owner(s)	No	Yes

\*UGMA = Uniform Gift to Minors Act; UTMA = Uniform Transfer to Minors Act

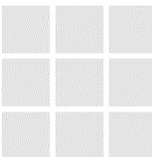


# What Gifts Are Safe From Tax?

## **YOU CAN GIVE A GIFT OF \$15,000 TAX-FREE TO ANY DONEE.**

In addition, you can give unlimited gifts in the following categories without facing a gift tax or having to file gift tax paperwork.

- Anything given to a spouse who is a U.S. citizen
  - If your spouse is not a U.S. citizen, you can give him/her up to \$152,000 per year
- Anything given to a dependent
- Charitable donations
- Political donations
- Funds paid directly to educational institutions covering tuition on behalf of someone else
- Funds paid directly to medical service or health insurance providers on behalf of someone else



# Common Gift Techniques

▶ **Donor-Advised Fund** allows you to make contributions to charity, become eligible to take an immediate tax deduction, and make recommendations for distributing the funds to qualified charitable organizations.

▶ **529 Plan Account** is focused largely on helping a child, grandchild, or other young person pay for education expenses.

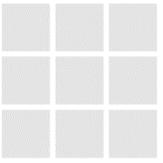
▶ **Charitable Trust** supports significant bequests to charity during your lifetime or at your death. With a charitable lead trust, the charity receives the income interest for a term of years or for someone's lifetime, with individuals receiving the remaining assets at the end of the trust term. A charitable remainder trust provides individuals with the income interest, and the charity receives the remainder.

▶ **Irrevocable Trust** establishes donor control of the assets, even after the donor's death. By setting up a trust, donors can direct how they want the money to be managed, the circumstances under which it can be distributed, and when it should be withheld.

▶ **UGMA and UTMA** are custodial accounts that allow gifts to an account invested in a child's name with the assets in the account used for any expense for the benefit of the child.

▶ **Private Foundation** is structured to allow the donor to permanently transfer assets to it during his/her lifetime and/or upon death. An appointed trustee or manager then distributes the assets over time to chosen charities.

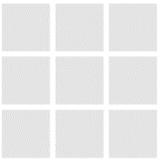
▶ **Charitable Gift Annuity** is crafted such that the donor transfers the gift to the charity, and the charity pays the donor a lifetime annuity for an agreed-upon amount.



# Family Businesses

**The disposition of a family business can present challenges you might address with:**

- Buy/sell agreements
- Life insurance
- Planned gifting of the business over time



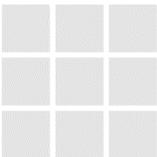
# What Others Should Know

**It may be helpful to share your plans with those who would be most affected by your decisions, including:**

- Anyone relying on your income/assets
- The executor, power of attorney, and trustees
- Those who might expect something specific



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**A STRAIGHTFORWARD APPROACH**



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