







Navigating life together

Estate Planning

A Sensible Approach

Today's Agenda is Simple

-  What does estate planning mean to you?
-  “Permanent” estate tax law
-  Today's estate tax landscape
-  How you can avoid the 10 common mistakes people make with their estates

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.



What Does Estate Planning Mean to You?

What is Estate Planning?

Estate Planning means different things to different people

- ➔ Determining who will care for your children
- ➔ Structuring your finances so your loved ones are taken care of
- ➔ Strategizing the best way to minimize costs of dying
- ➔ Establishing who will handle your finances
- ➔ Deciding who will make medical decisions on your behalf
- ➔ Determining if your beneficiaries can handle an inheritance

Almost Everyone Needs Some Estate Planning



Parents with young children or financially irresponsible children



Spouses with children from former marriages



Grandparents who want to benefit and protect grandchildren



Business owners who want to pass on their business to children



Individuals who have dependents with special needs

Permanent Estate Tax Law?

**“Permanent” in Washington
really means “Current”**

The Estate Tax Landscape

Federal Estate Taxes



Year

2011-2012

2013 and beyond



Top Tax Rate

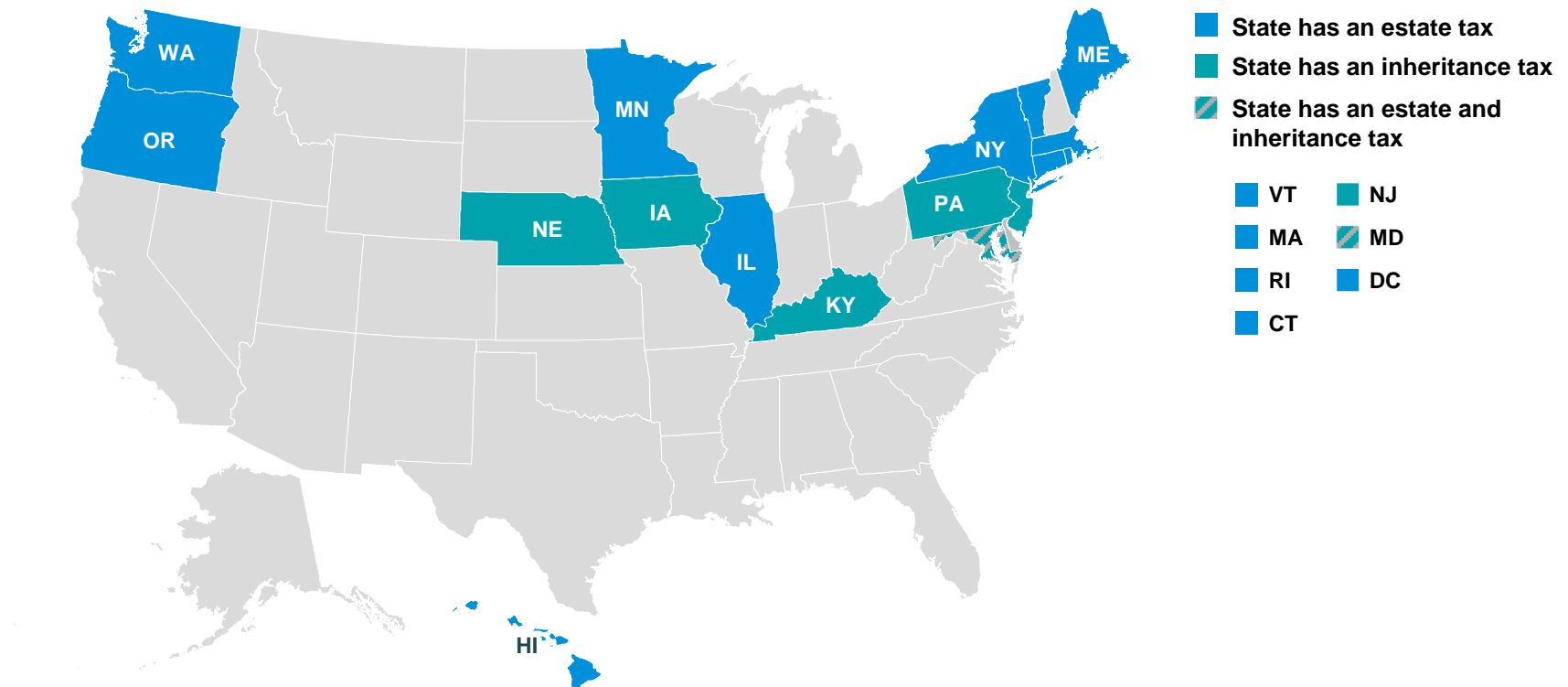
35%

40%

In 2018, the federal estate tax exemption is generally \$11,180,000 for individuals and \$22,360,000 for married couples

Where Not to Die

Does your State have an Estate or Inheritance Tax?



Source: Wolters Kluwer Tax & Accounting, 1/2018

#1 – Make a Plan



Estate planning is about making sure your wishes are carried out



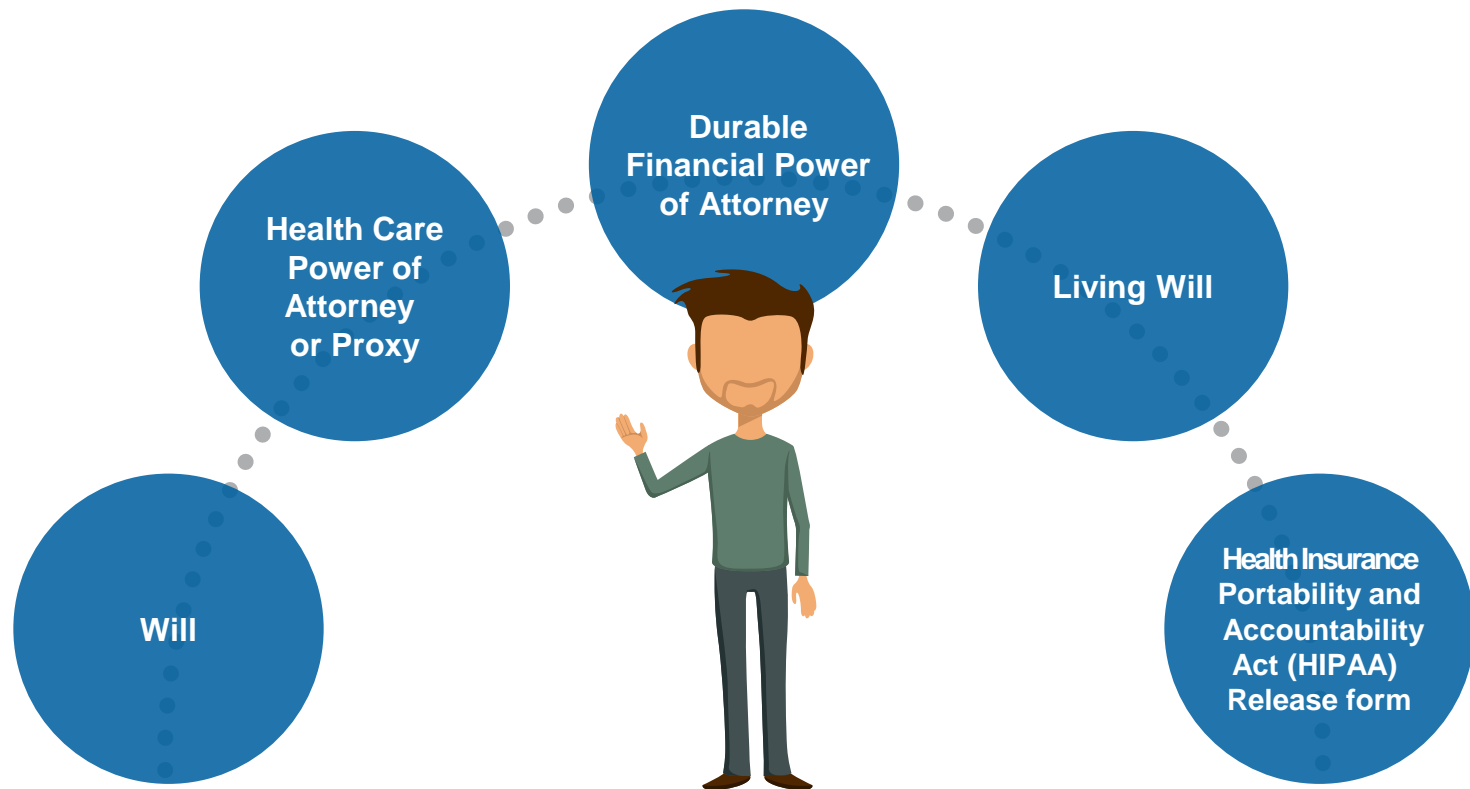
You want to avoid assets passing to the wrong heir at the wrong time and in the wrong way



Working with a team that includes a financial advisor, tax professional and estate planning attorney can help put you on course

#2 – Document Your Wishes

There are five documents that everyone should have to retain control over their wishes and decisions:



#2 – Document Your Wishes

Where there's no will, there's no say



A will

- ☒ Should clearly spell out what you want to have happen to your assets and possessions at your death
- ☒ Names your personal representative (executor) and guardian for minor children
- ☒ Without a will, the state may decide where your things are going to go

#2 – Document Your Wishes

Surviving family members often fight over “things” not money



Talk to your children, friends, and relatives about “nontitled” property (jewelry, furniture, artwork)



If state law allows, consider including reference to a tangible personal property memorandum within your will

#2 – Document Your Wishes

What is an Executor or Personal Representative?



The person who carries out your Will helps get through the Probate process

Submits paperwork to begin proceedings

Takes inventory of assets and manages them during process

Notifies creditors

Pays debts, expenses, taxes

Distributes property per instructions in Will

Submits paperwork to end proceedings

#2 – Document Your Wishes

A Health Care Power of Attorney or Proxy

Assigns the person who will make **health decisions** for you if you are unable

A Durable Financial Power of Attorney

Assigns the person who will make **financial decisions** if you are unable...

#2 – Document Your Wishes

A Living Will

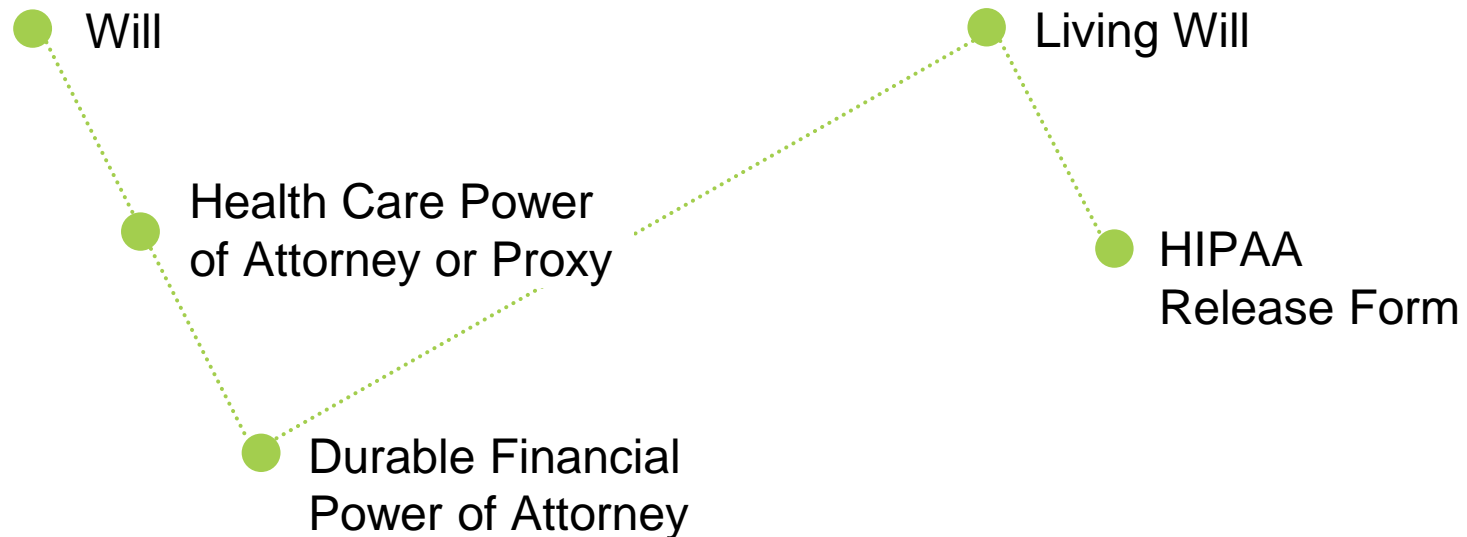
Provides clear instructions as to what **treatment you do** and **do not** want if you are unable to speak for yourself

HIPAA Release Form

Allows named individuals to **have access** to healthcare information

#2 – Document Your Wishes

Consider having these documents created if you do not already have them



Make sure a family member or someone else you trust know where these documents are kept

#2 – Document Your Wishes

Revisit your documents to ensure they are up-to-date and continue to reflect your wishes



Heath Ledger – when the actor died in 2008, it was revealed that the “Dark Knight” star had failed to redo the will he had signed before his daughter was born. This left his entire estate to his parents and sisters.

5 years later the family announced all the money would go to Matilda, Ledger’s daughter

#3 – Set up Guardianship for Dependents



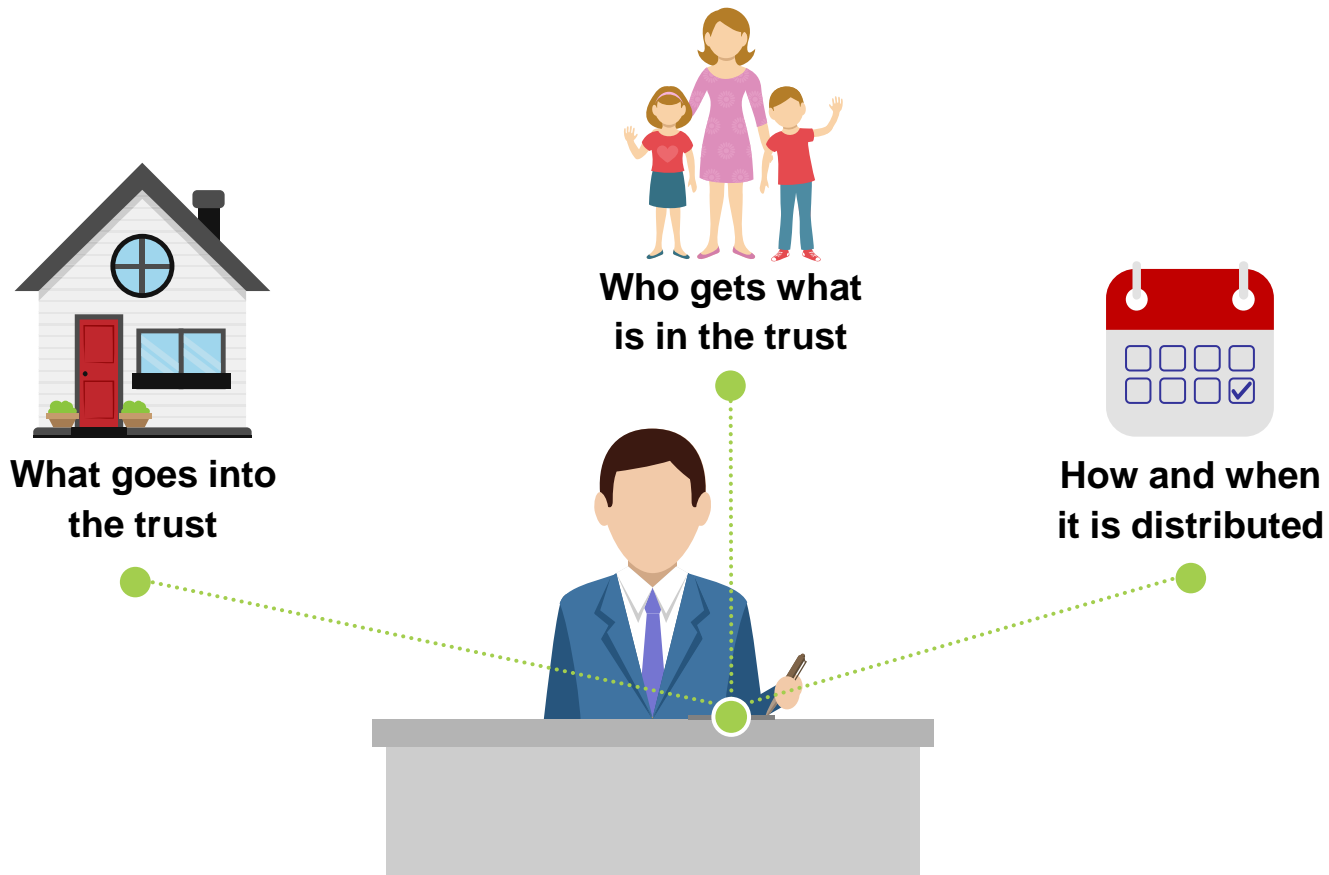
If you don't name a guardian for minor children or a dependent with special needs, a judge will appoint one

Talk to the prospective guardian ahead of time

The guardian does not have to be the same person who manages the money

#4 – Consider Trusts

Trusts can give you additional control



#4 – Consider Trusts

Benefits of a trust

- ➔ Beneficiaries may gain quicker access to assets
- ➔ Less estate taxes may be due upon death because trust assets may not be considered part of the taxable estate
- ➔ Retain complete control even with complicated situations such as children from more than one marriage
- ➔ Protect your legacy from heir's creditors or those who may not be able to manage money
- ➔ Assets pass outside of probate (which may result in lower court fees/taxes) and remain private

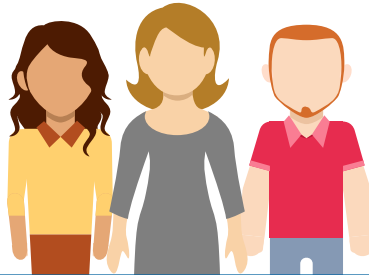
#4 – Consider Trusts

What are the basics?



Grantor

- Sets up the trust



Beneficiary

- Recipient of trust benefits



Trustee

- Similar to Executor/Personal Representative, but for a trust
- Executes the Grantor's instructions found in terms of the trust

#4 – Consider Trusts



#4 – Consider Trusts

What are the basics?



State laws vary significantly and need to be considered



Choosing and creating a trust is a complex process



The guidance of an attorney with estate planning expertise is recommended

#5 – Plan for Federal and State Estate Taxes



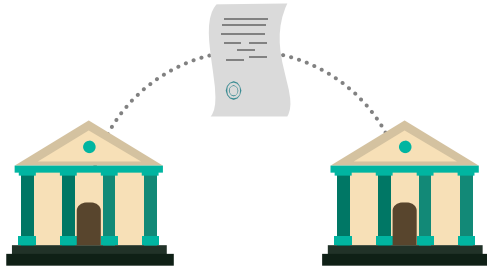
Federal Estate Taxes are due within 9 months of death – in CASH



There are strategies you can take to reduce the amount of your estate to lower your tax burden

#6 – Avoid Probate

What is probate?



Probate is the legal process of verifying your will through the courts



Probate can be slow, costly and it isn't private – it is a matter of public record

#7 – Prepare for Long Term Care

Long term care is costly
and quickly uses up assets
originally earmarked
for your heirs



#8 – Know About Income in Respect of a Decedent or IRD

What is Income in Respect of a Decedent (IRD)?

If you didn't pay income tax on accrued income during your life, your **beneficiaries** will have to pay the income tax when they get the money



#8 – Know About Income in Respect of a Decedent or IRD

How can Income in Respect of a Decedent (IRD) affect your plans?



Jenny's estate

- \$100,000 personal savings
- \$200,000 401(k)



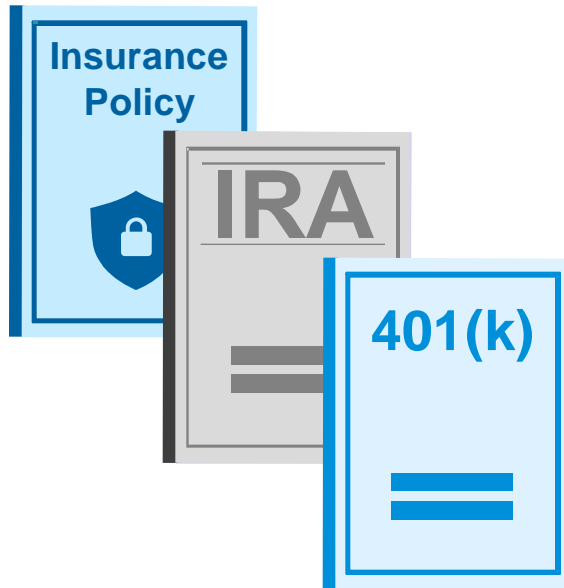
Jenny passes away in 2017 and did not pay income taxes on any of the money in her 401(k)



Her beneficiaries will be taxed on the FULL \$200,000 as ordinary income

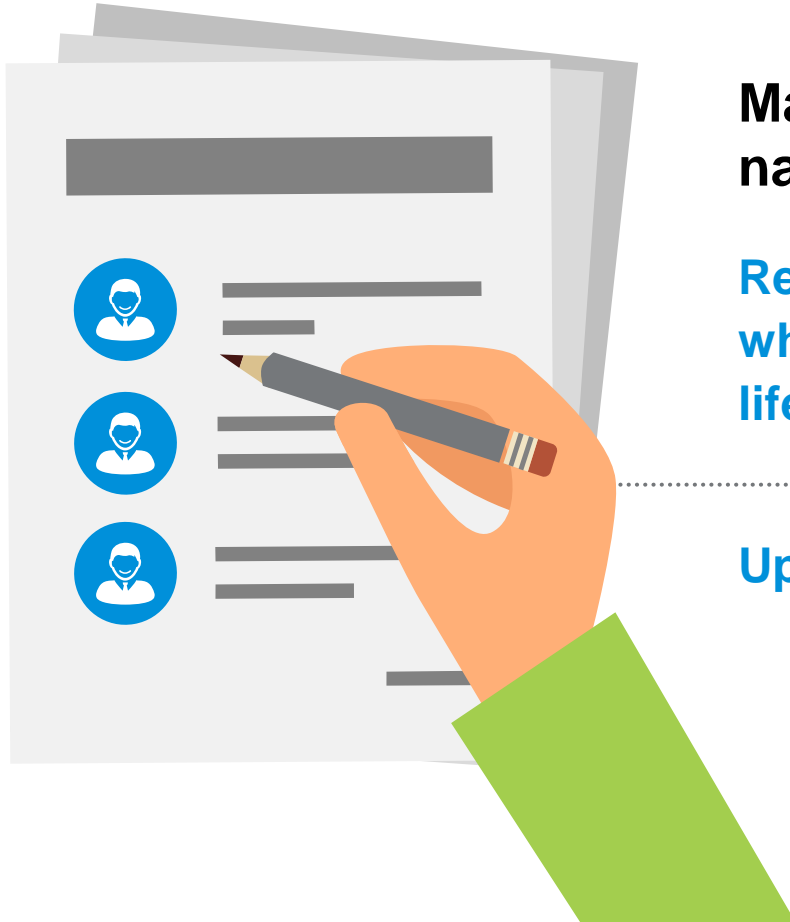
#9 – Keep Your Beneficiaries Up to Date

When does a will not have the final word?



401(k), IRA, Insurance Policies
and other assets with named beneficiaries
will pass based on your beneficiary
designation only

#9 – Keep Your Beneficiaries Up to Date



**Make a list of your assets with
name beneficiaries**

**Review them at least every five years or
whenever there is a major change in your
life (birth, death, marriage, divorce)**

Update as needed

#10 – Don't Forget About Digital Assets

Ask yourself

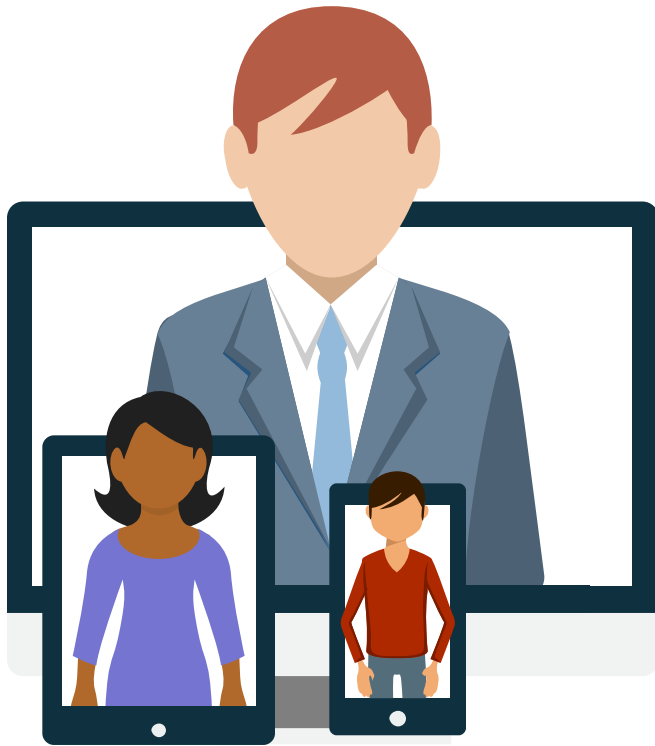
Could you quickly and easily find ALL the valuable documents and files stored online in the cloud or on your computer(s), smartphone, tablet, backup CDs, flash drives, etc.?

What about your accounts with...



#10 – Don't Forget About Digital Assets

Making arrangements for digital assets may be more difficult than those in the physical world



Work with an attorney to designate a “digital fiduciary” who would be give the right to access digital information and define where they would be found

Have a plan to shut down “online” presence

How to Avoid the 10 Common Mistakes?

1

Make a plan

2

Document your wishes

3

Nominate guardians
for dependents

4

Consider trusts

5

Plan for Federal and
State estate taxes

6

Avoid probate

7

Prepare for
Long Term Care

8

Know about Income in
Respect of a Decedent (IRD)

9

Keep your beneficiaries
up to date

10

Don't ignore digital assets

Questions



Important Information

Metropolitan Life Insurance Company, New York, NY 10166

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