



# Legacy and Estate Planning

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## Agenda

- 1 Building a plan
- 2 Identifying your choices
- 3 Planning for the unexpected
- 4 Giving strategically
- 5 The bottom line

# Everyone has a unique vision for their legacy

## A legacy may encompass many things



ESTATE PLANNING



NEXT-GENERATION  
EDUCATION



PHILANTHROPIC  
GOALS



MAINTAINING FAMILY  
HARMONY

Everyone's situation different. We're just providing some ideas to consider.

Do what works for you.

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YOUR LEGACY

# Building a plan

## Effective planning can make a difference

### AN ESTATE PLAN CAN:



Protect your assets and aid you in preparing for the unexpected.



Help you plan for your goals.



Support you in investing in people and causes you care about.



Reduce unnecessary administrative expenses, taxes, and family conflicts when you pass away.

Estate planning is a strategy designed to protect, manage, and distribute your assets **during and after** your lifetime, while helping to minimize taxation.



An estate plan will help protect your legacy and those you care about most.

## Start by thinking about your goals

Legacy planning isn't just for older people. You can consider how to provide for people and causes you care about while balancing your own goals at any age.

Life happens quickly. Make it a priority to coordinate your financial and estate plans.



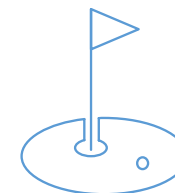
TRAVEL



START OR  
FUND A  
BUSINESS



GIVE TO  
CHARITY



RETIRE  
ON YOUR  
TERMS

## Build your support team



To help you assess your options and prepare your next steps, there are professionals who specialize in estate planning.



### ACCOUNTANT

Advises you on tax tactics and strategies that are specific to your financial situation.



### ATTORNEY

Safeguards you and your family's interests. Can objectively and unemotionally deal with complex issues that may arise.



### FINANCIAL ADVISOR

Helps you understand your assets and your cash flow needs. Identifies strategies to help you reach long-term objectives, like retirement or education planning.



### PERSONALLY APPOINTED ROLES

You may elect to ask friends or family members to play a role in ensuring your legacy. This may include trustees, guardians, healthcare proxies, executors, and more.



## Structuring your plan requires forethought

Setting expectations early and often can help with any transitions and prepare your family for the future.

### ESTATE STRUCTURE



Your estate plan can help your entire family feel confident on a path forward.

### PREPARING FOR THE UNEXPECTED



Insurance can play an important role in protecting you and your family.

### PHILANTHROPIC GOALS



A clear articulation of the causes you support can help define your legacy.



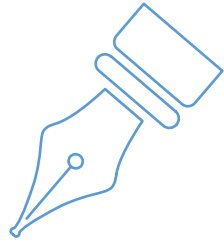
Estate planning can be an uncomfortable topic for some, but thoughtful planning and communication can keep your family on the same page as your situation evolves.

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YOUR LEGACY

# Identifying your choices

## Four crucial estate planning documents



Every estate plan should include four key documents that outline your wishes.

1

### Last Will & Testament and/or Revocable Trust

Identifies the person you want to handle your affairs after you pass and how you want your assets distributed.

2

### Durable Financial Power of Attorney

Appoints the person you want to make financial decisions on your behalf if you are unable to make them on your own.

3

### Health Care Directive

Identifies the person you want to make health care decisions on your behalf when you are no longer able to make them for yourself.

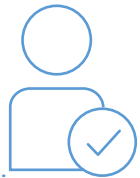
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### Living Will

Expresses your end-of-life wishes to whichever health care provider reads it.

## Estate structure options

An effective estate plan can help preserve your wishes while balancing the needs of your entire family.



### DIRECT GIFTS OR BEQUESTS

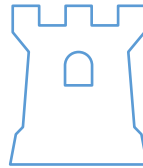
#### Pros

Simplicity

Low/no cost to implement

#### Cons

Beneficiary may not be prepared to or capable of managing assets



### TRUSTS

#### Pros

Your wishes can be fulfilled as intended

Family harmony may be maintained

#### Cons

More expensive to implement

Estate planning attorney services are required

## The basics on trusts

Trusts can be used to transfer assets. A trust will remain a private document after you're gone.

### Assets that can be put into a trust include:

- Investments
- Stocks and stock options
- Businesses
- Life insurance policies
- Cash
- Real estate

### There are two common trust structures:

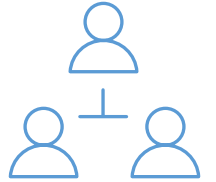
Revocable trust



Irrevocable trust



### WHO'S WHO

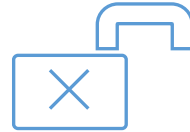


The **Grantor** creates the trust for the **Beneficiary** – the individual(s) designated to inherit assets.

The Grantor appoints a **Trustee** who manages the trust and ensures that the provisions of the trust are carried out as intended.

## Revocable trusts

### REVOCABLE LIVING TRUST



You update who is involved and what assets are included in the trust while you're alive.

Because you still control the assets, they are considered part of your estate and are subject to both state estate taxes and federal estate taxes at the time of death.



### PRACTICAL BENEFITS

Revocable trusts help you avoid probate.

**Probate** is the court process necessary to validate a will and appoint a representative who will have legal authority to manage your assets after death.

A local court oversees this process to ensure that all debts and taxes are paid *before* any distributions are made.

## Irrevocable trusts

### IRREVOCABLE TRUST



Once the trust has been formed and funded, you no longer own the assets and generally can no longer make any changes to certain aspects of the trust. The assets now belong to the trust.

In this case, the assets generally are not considered part of your estate and are NOT subject to estate tax. However, assets transferred to a trust are generally subject to gift tax.



### PRACTICAL BENEFITS

Irrevocable trusts can help protect your assets from creditors or legal judgements because you no longer own the assets.

The strategic use of irrevocable trusts may help preserve access to government benefits, especially for individuals with disabilities.

Sophisticated gifting strategies can also be managed via irrevocable trusts.

## Why create a trust?

Depending on the type of trust you establish, you may be able to:

- **Protect** your privacy because the trust document remains private after your death.
- **Avoid** probate and the administrative fees associated with that process.
- **Gift** assets to individuals or charities.



Not everyone needs a trust, but it's a good option for many. A trust may be expensive to set up, but it can offer more discretion and control in certain situations.

Talk to a trusted professional to learn more about your options.



## Choosing an executor

An executor is responsible for managing the affairs and administration of a deceased person's estate. Often the executor is a trusted family member but it can be a professional.

Responsibilities are largely chronological and include:

Submitting  
the will to  
probate  
court

Identifying  
and  
gathering all  
assets

Notifying all  
relevant  
parties of  
the death

Paying the  
decedent's  
debts from  
the estate

Calculating  
and paying  
taxes from  
the estate

Distributing  
assets to the  
beneficiaries  
of the estate

Working with  
the court to  
close the  
estate

## Selecting a trustee

If your plan calls for a trustee, he or she should have the time, skill, judgment and objectivity to fulfill the role. Responsibilities may include:



### INVESTMENT MANAGEMENT

Overseeing the selection of trust assets to provide liquidity and income in various market conditions, and maintaining the portfolio.



### SOUND JUDGEMENT

Distributing income and principal for qualified purposes and being responsive to requests from your beneficiaries.



### TAX MANAGEMENT

Preparing trust tax returns and executing tax-loss harvesting or other tax management investment strategies, as appropriate.



## WHO TO CHOOSE AS A TRUSTEE?

### TRUSTED FRIEND OR RELATIVE

Caring and has a personal interest

### PROFESSIONAL TRUSTEE

Time, ability and experience to manage assets, keep records, pay bills, make distributions, prepare tax returns and assume fiduciary responsibilities

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YOUR LEGACY

# Planning for the unexpected

## Life happens

Unexpected events can occur at any time, and there are best practices in estate planning that can help your family feel more prepared.



Medical  
emergencies



Significant market  
movements



Legal  
proceedings



Milestone life  
events

## Disability income insurance



**Disability insurance provides a source of income to people who are unable to work due to an accident or illness.**

Over **25%** of American workers experience a disability longer than 3 months at some point in their career.

### Long-Term Disability Insurance

Provides income when you're unable to work for at least two years, and can last all the way to retirement.

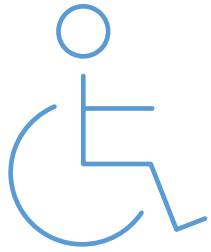
For the most part, benefits are distributed tax-free and can be used on whatever you need them for.

### Short-Term Disability Insurance

Provides income when you're unable to work for a shorter period of time, typically 3 - 6 months.

Commonly, short-term disability insurance does not cover 100% of your gross income, so there may be an income gap to plan for.

## Long-term care insurance



**Long-Term Care Insurance** helps provide for the broad range of medical and personal services for individuals who need assistance with daily activities for an extended period of time.

**68%**

**of Americans have not set aside any money to pay for long-term care.**

**\$310  
Billion**

**is the annual total spending on Long-Term Care in the U.S.**

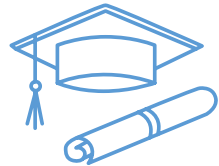
# Life insurance<sup>1</sup> is a key part of estate planning

## Common payout uses include:



### Final costs

Funeral, outstanding medical bills, settlement costs, etc.



### Future education costs

Children, grandchildren, others



### Paying off debt or replacing income of the deceased



### Federal or estate taxes



### Inheritance



### Charitable contributions

## Term Life Insurance

- Only active for a certain time period (usually 10-30 years)
- If you die during that time period, your beneficiaries get the payout

## Whole Life Insurance

- Active for full life of policy holder
- Different variations within this category in terms of premiums and beneficiary payouts

1. Source: <https://www.iii.org/article/what-are-principal-types-life-insurance>

## How much life insurance do you need?

**Your insurance needs will vary based on your personal and financial circumstances.**

**Speak to a professional if you need help determining what's best for you and your beneficiaries.**



**Typically, people aim for a life insurance policy that pays 10-15 times their annual income.**

### **Financial Obligation**

(expenses + debt)

### - **Liquid Assets**

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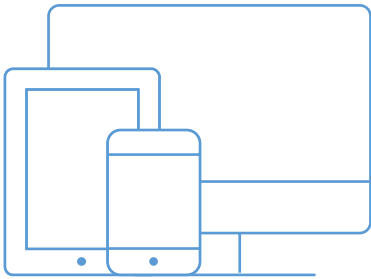
### **How Much Life Insurance You'll Need**

(aka "Coverage Gap")



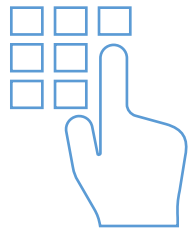
## Consider an “Emergency Manager”

Your Emergency Manager is someone you trust to manage your personal business in the event of an emergency.



### DIGITAL INFORMATION

Usernames, passwords –  
don’t forget computer,  
cell phone and tablets!



### ACCOUNT INFORMATION

Account numbers,  
passwords,  
vendors/issuers



### LEGAL DOCUMENTS

Copies of all your  
important legal  
documents



### KEYS

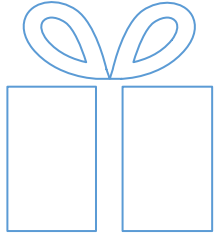
Keys to your home, car,  
safe and other important  
items and places

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YOUR LEGACY

# Giving strategically

## Practice smart philanthropy



*“Giving is not just about making a donation.*

*It’s about making a difference.”*

- Kathy Calvin

### TIPS FOR SMART PHILANTHROPY:

- ❑ Create a mission statement.
- ❑ Consider alternative ways to contribute to your charity of choice using time and talent (not just treasure).
- ❑ Do your homework on charitable organizations.
- ❑ Consider designating a charity as a beneficiary of a trust or life insurance policy.

## Identifying who you want to support – your family, your friends, or an organization – can help you determine the “how”

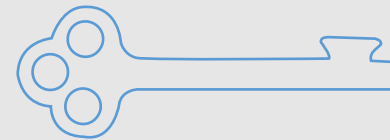
**Direct bequests** can ensure that people and causes you care about continue to be supported. For example:

- ✓ Support an animal shelter
- ✓ Donate to a religious cause

**Some organizations have giving offices to help donors strategically gift, so you can:**



**ENDOW A  
SCHOLARSHIP**



**ENSURE NAMING  
RIGHTS**



**MINIMIZE ESTATE  
TAXES**

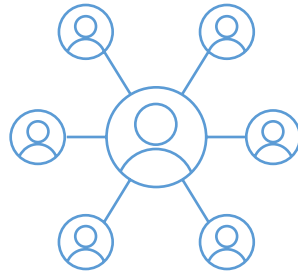
## Be strategic with giving

It helps to think about philanthropic dollars in three buckets:



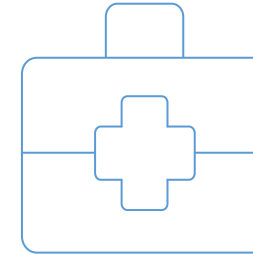
### CORE

Organizations, causes or themes tied to your primary passions



### COMMUNITY

Causes you want to support because of where you live or your network (e.g., your alma mater, a local art museum, a friend's nonprofit, etc.)



### IMPULSE GIFTS

Time-sensitive causes you don't see coming and can't plan for (e.g., disaster relief or fundraising events)

## Investment structures specifically for giving

If you have a philanthropic interest, pairing charitable gifts in big income tax years can be strategic and impactful.

### DONOR-ADVISED FUNDS

A **donor-advised fund** is a charitable giving vehicle owned and controlled by a public charity, created to manage charitable donations on behalf of organizations, families and individuals. The charity manages all the administrative duties, but the donor recommends how the funds are used over time.



It may be beneficial to fund a donor-advised fund in peak income years, so that you receive the immediate tax deduction but can continue to spread your giving out over time.

## The nitty-gritty on gifting

**As of 2020, you can gift up to \$11.58 million during your lifetime without paying federal gift taxes.**

▶ The annual gift tax *exclusion* is \$15,000 per recipient without being subject to the federal gift tax. If you give any one individual *more* than \$15,000 in one year, the excess amount counts towards your lifetime limit.

▶ If you're married, your lifetime exemption and annual exclusion doubles to \$23.16 million and \$30,000 per beneficiary.



**Some gifts are always tax exempt:**

- ✓ Gifts to IRS-approved charities
- ✓ Gifts to your spouse (if they're a U.S. citizen)
- ✓ Gifts to cover tuition, if paid directly to the educational institution (excludes books, supplies, or room & board)
- ✓ Gifts to cover medical expenses, if paid directly to the medical facility

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YOUR LEGACY

# The bottom line



There are a lot of choices to make, but ultimately your thinking should be documented and communicated.

And you can always make adjustments as your situation evolves.

## Estate planning objectives



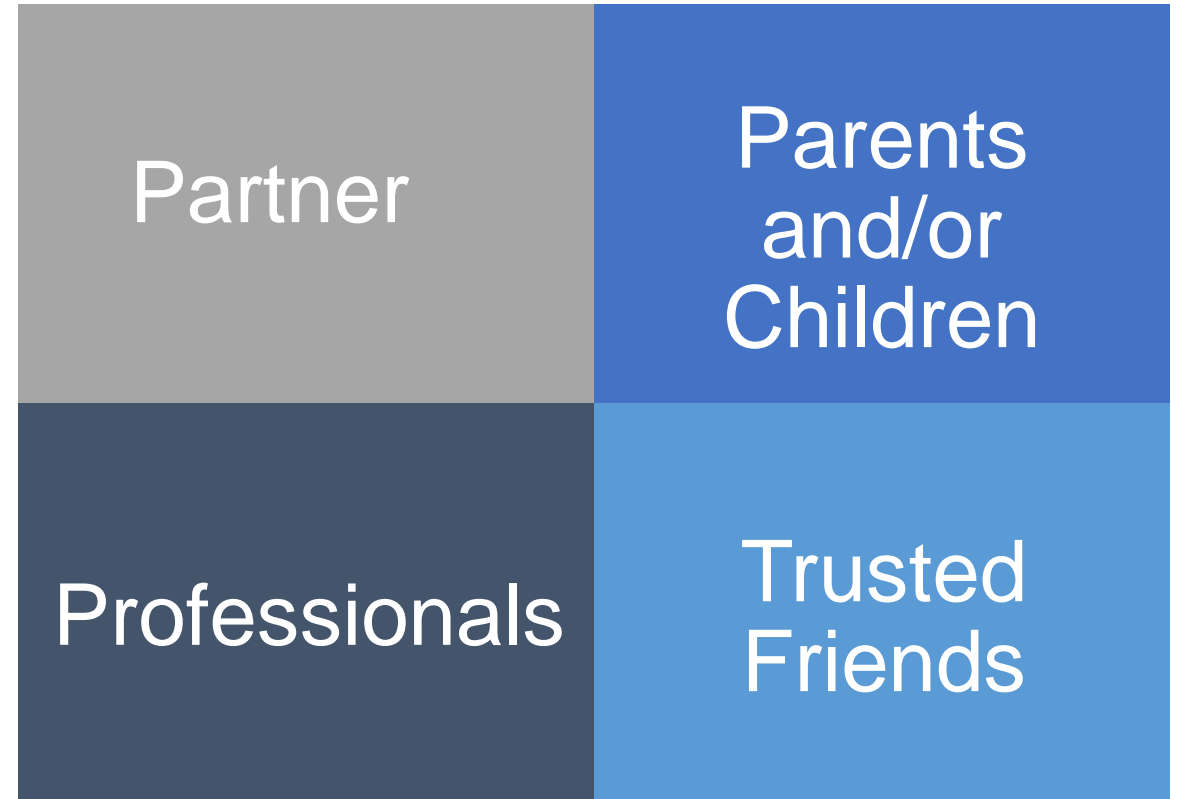
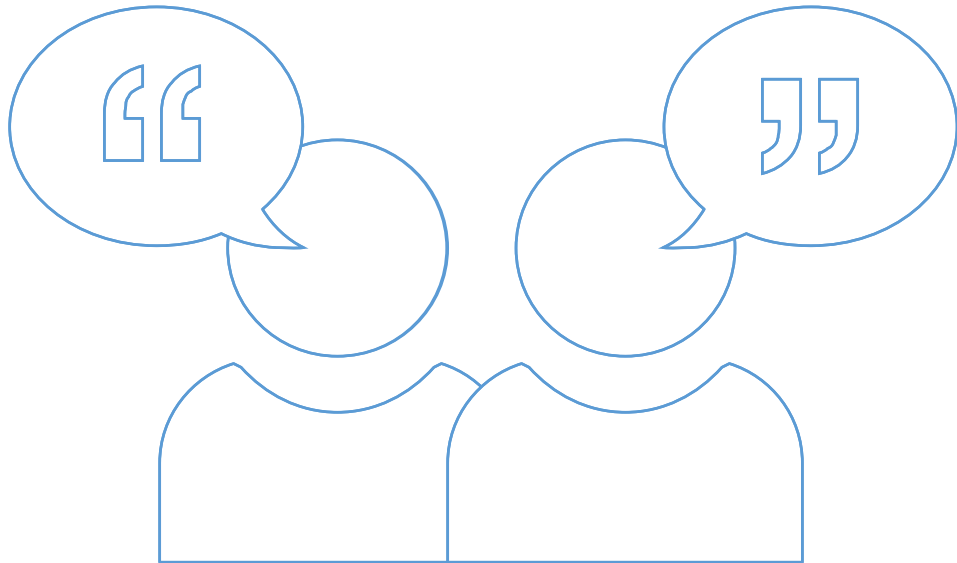
Your estate plan should:

- Provide liquidity needed for estate taxes and expenses
- Help reduce estate taxes
- Specify philanthropic wishes
- Reduce the likelihood of family disputes
- Protect privacy and avoid distribution delays



## Communicate, communicate, communicate

Discuss your plans with people who matter to you.



# Checklist

## WHAT TO DO

## WHO CAN HELP

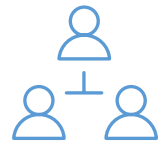
<input type="checkbox"/> <b>Create an estate plan, including:</b> <ul style="list-style-type: none"><li>• Living will</li><li>• Last will, testament and/or revocable trust</li><li>• Power of attorney</li><li>• Health care directives</li></ul>	Estate Attorney
<input type="checkbox"/> <b>Identify people who you want to play a key role, and talk to them about your wishes</b>	Estate Attorney, Financial Advisor
<input type="checkbox"/> <b>Determine whether you need to establish one or multiple trusts</b>	Estate Attorney, Tax Advisor
<input type="checkbox"/> <b>Develop a giving strategy and philanthropic mission statement</b> <ul style="list-style-type: none"><li>• Identify the organizations you feel passionately about</li></ul>	Financial Advisor, Tax Advisor

## The bottom line



### GET ORGANIZED

Think about your goals and understand your financial situation so you can create a realistic vision of your legacy.



### BUILD YOUR TEAM

Identify an accountant, divorce attorney and Financial Advisor who can help you understand your options.



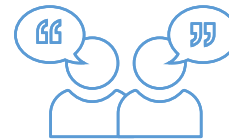
### CONSIDER YOUR CHOICES

As you go through this process, you will have to make a lot of decisions. Walk through them one by one and remember you have your team to help.



### DOCUMENT YOUR PLAN

Once you have determined your path forward, work with your estate attorney to document your plan and enlist the rest of your team to begin implementation.



### COMMUNICATE

As you determine what you want your legacy to look like, maintain an open dialogue with your family and your team to help everyone remain on the same page.

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