Estate Planning: Understanding the Basics To Help You Sleep at Night

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Practical steps you can take now

Proactive planning includes making sure your advocate has:

- Copies of your health insurance cards
- A list of medications you take and for what conditions
- The names and contact information for each of your doctors
- A list of online passwords, safe codes or safe deposit box keys
- Your monthly income & asset information or where to find it
- Copies of your estate planning documents
- A list of your important advisors – financial advisors, accountant, attorney

Additional Practical Considerations:

- ❑ Write out a list of past achievements, memberships, degrees, and other information you would want included in an obituary
- ❑ Add a Legacy Contact to your iPhone or Android Phone
- ❑ Create a list of contacts to notify in case of your death

Adding a legacy contact for iPhone:

1. On your iPhone, iPad or iPod touch
2. Go to Settings, then tap your name.
3. Tap Sign-In & Security, then tap Legacy Contact.
4. Tap Add Legacy Contact. You might be asked to authenticate with Face ID, Touch ID, or your device passcode.
5. Choose who you wish to name from your contacts.
6. Share the access key with your Legacy Contact.

Adding a legacy contact for Android:

To add a legacy contact on an Android phone, you can use Google's Inactive Account Manager to give someone you trust access to your Google account and devices after you pass away:

1.Sign in to your Google account

2.Go to Google account settings

3.Click Data & privacy in the sidebar

4.Click More options

5.Select Make a plan for your digital legacy and click Start

6.Follow the on-screen instructions to add a legacy contact

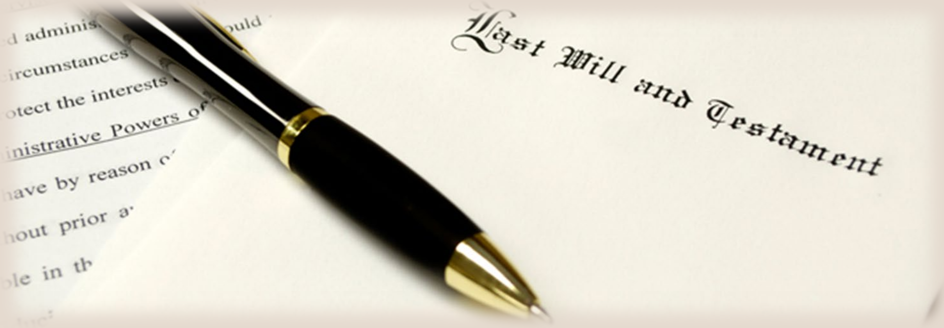
7.Choose someone you trust as your legacy contact

8. Give them permission to access your vital information

What is estate planning?

Estate planning uses a number of different laws to carry out a person's wishes for the disposition of his or her property upon death.

Estate planning also allows people to appoint decision makers who can act on the person's behalf in the event of a disability.



Understand that estate planning does not control all assets

- Title trumps estate planning documents
(joint accounts)
- Beneficiary designations trump estate planning documents (insurance policies and retirement plans; TOD)
- It is extremely important to coordinate your assets with your estate planning

Disability

- Mentally incapable of handling financial affairs
- Incapacity can be determined by doctors or a court of law
- Minors (under the age of 18) are also considered incapacitated due to their age

Durable Power of Attorney

- The Durable Power of Attorney grants another person (the "agent") the authority to act on the principal's behalf during the principal's life, including periods of incapacity
- In the absence of an effective power of attorney, a guardianship has to be opened for the disabled individual
- Guardianships are expensive, cumbersome proceedings where the individual is declared incompetent by the court and a guardian is appointed to handle the person's personal and/or financial affairs
- Cannot do long term care planning for your loved one without an effective power of attorney or guardianship in place

Health care decisions

- ❑Many people never document their health care wishes
- ❑Failure to document your wishes can lead to unnecessary medical treatment and expense
- ❑HAVE THE DISCUSSION WITH YOUR FAMILY – DO NOT ASSUME THEY UNDERSTAND YOUR WISHES!!!
- ❑Account for family dynamics and the personalities of your family members when you consider naming a decision-maker
- ❑Indiana law even allows you to exclude individuals as potential decision-makers

Health Care Decisions

- Indiana Code Section 16-36-1-5 allows an individual’s family members (spouse, parent, adult child/sibling) to act as health care representative
- No preference is given to any of the family members who are authorized to act
- Can result in conflicting directions to health care providers by family members resulting in undue delay and emotional distress

Advance Directive for Health Care

- The health care representative appointment is now handled in one document called an Advance Directive for Health Care
- This document also allows an individual to express his or her wishes about medical treatment should they be unable to communicate at the end of his/her life.
- Replaces the prior health care power of attorney and living will forms

Issues to Consider When Appointing Agents

- Family dynamics
- Geographic location of agent
- Financial capability of agent
- Ability to complete tasks
- Time commitments of proposed agent
- Ability to make health care decisions
- Will it be necessary for the agent to oversee a beneficiary long term?

After-death planning

- Planning should also be completed to ensure the prompt and efficient disposition of your assets following your death
- Estate planning includes putting together documentation which discusses how your assets are to be distributed upon your death, and who is in charge of overseeing that distribution
- Issues to consider:
  - Family dynamics
  - Financial capabilities of beneficiaries
  - Special needs of beneficiaries
  - Protecting assets for minor children
  - Guardianship
  - Asset/creditor protection for beneficiaries
  - Divorce of beneficiaries

Wills

- A Will is a document that allows you to set forth who you want to receive your property upon your death and in what manner you want those assets distributed
- Two types of assets:
  - Tangible personal property (jewelry, clothing, furniture, vehicles)
  - Residuary estate (home, bank accounts, stock, cash, bonds, brokerage, etc.)
  - DON'T ASSUME PEOPLE WON'T FIGHT OVER PERSONAL PROPERTY
- A Personal Representative or Executor is appointed to oversee the distribution of your assets
- Wills do not take affect until death
- Wills are an order to a court directing the distribution of your assets, and therefore require an administration process called probate

Trusts

- ❑Similar to a will in that it directs the disposition of your property upon your death, and allows you to designate someone to oversee the distribution
- ❑Works during lifetime also, including provisions for disability
- ❑Re-titling assets to the trust's name avoids probate. This is especially important for individuals who own real estate in more than one state

Basic Trust Considerations

Revocable Trust

Spendthrift Trust

Special Needs Trust

Children's Trust

Fiduciary Choice

Estate Taxes

Federal, Estate & GST Taxes

Year	Top Tax Rate	Exemption
2024	40%	$13,610,000

The current estate tax exemption will go up again on 1/1/2025, but the exemption is set to sunset on 12/31/2025 if Congress doesn't act. If the exemption sunsets, the exemption will be approximately $7 million per person after an inflation adjustment

Indiana Inheritance Tax? No, not since 2013

Make Sure Your Tax Planning Provisions are Current

- Many clients have existing credit shelter trusts within their estate planning because previously planning had to be set up in advance to take advantage of both spouse's estate tax exemptions
- Now portability exists which allows for a deceased spouse's estate tax exemption to be carried over to the surviving spouse within 5 years after death without the creation of a credit shelter trust
- If your estate may not require the use of two estate tax exemptions, portability is a better approach. It not only provides estate tax savings, but clients can receive a step up in basis on all assets at the death of the second spouse which helps reduce capital gains taxes for beneficiaries

Lifetime Gifting

- Many people are looking to reduce potential estate tax exposure if the estate tax law sunsets.
- There are three key tax provisions which allow for lifetime gifting:
  - Annual gift tax exemption - $18,000 per person in 2024
  - Use of lifetime gift and estate tax exemption - $13.61 million in 2024
  - Can make unlimited gifts for someone’s educational or health care expenses but payments must go directly to educational institutions or health care providers

Can use Lifetime Estate and Gift Tax Exemption to Reduce Estate Now

- Clients with large estates should consider using their lifetime gift and estate tax exemptions before the current law sunsets
- The IRS has already stated there will be no penalty for gifting a larger share of assets when the lifetime gift and estate tax exemption is high, even if the estate tax exemption does sunset on 1/1/26
- Many ways to plan to help reduce estate tax, including:
  - SLAT
  - GRAT
  - Family LP/LLC
  - ILIT
  - Charitable Planning – Donor Advised Funds, Charitable Trusts, Foundations

Qualified plans

- Most people have a considerable amount of wealth in tax-deferred retirement plans such as 401Ks and IRAs
- Income tax is owed when distributions are taken. Owners and spouses of owners of tax-deferred retirement accounts are not required to begin taking distributions until the age of 73
- If you die and your children inherit a retirement account, they must begin taking distributions the year after your death and must withdraw all funds within 10 years.
- If you have a charitable intent, qualified plans are a terrific asset to leave to charity as charitable organizations do not pay income tax on the funds in a qualified plan
- Assets left to charity do not count towards the federal gift and estate tax exemption

Next Steps

- Make time to put a comprehensive estate plan in place
- Make sure to have your plan reviewed every 3-5 years
- Work with an attorney and your financial advisor to make sure that your assets and estate planning are properly coordinated to carry out your wishes for your family
- Make sure your family knows you have a plan and where it can be found

Questions

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thank you

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