

A Complimentary Financial Guide

Legacy & Estate Planning

Understanding the Basics



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Estate planning is an important, yet often overlooked, part of retirement planning. You've worked hard for your money and want to make sure your children and grandchildren have the support they need to thrive. To do that, you need to make sure your assets are passed down correctly, without costly processes or confusion. Unfortunately, mistakes are all too easy to make, from forgetting to name a beneficiary on your retirement account to forgetting to update your estate plan over time. It's not just those with high net worth who aim to have robust estate plans, it's anyone who wants their wishes to be honored after their passing.

Since your estate and legacy plan is a part of your overall retirement strategy, it is important to discuss how you plan to transfer your wealth before you pass with your trusted financial professional. However, your legacy is not just about increasing the financial wealth that you hope to pass on to future generations. It also involves preparing your family for the wealth they may receive and understanding what this new wealth would mean to individuals and to the family as a whole. Keep reading to learn about the basics of estate planning and what you should consider when creating your own estate plan.

Here's what we'll cover:

- Multigenerational Legacy Planning
- Understanding the Estate Tax
- Important Estate Planning Documents
- Estate Planning Strategies to Consider

Multigenerational Legacy Planning

Research indicates that roughly \$124 trillion in assets are expected to pass to Gen X and Millennials over the next 23 years in what would be the largest generational wealth transfer event in history.¹ Regardless of how much money you plan to pass down to your loved ones, an estate plan is designed to help keep your wishes intact and seeks to minimize the impact of legal process or unnecessary estate taxes. One of the most important parts of the estate planning process is talking to loved ones about money and belongings, creating and upkeeping the relevant estate planning documents, and working to potentially reduce tax liabilities.

Multigenerational legacy planning should involve all those who will be part of your legacy plan. Good planning can be important to the success of these arrangements and can help make sure all family members feel respected and included. It also involves a cross-generational understanding of what wealth means to individual family members and to the family as a whole.



Here are three fundamental questions we believe should be addressed in multigenerational legacy planning:

1. What does my family want to do with the wealth that has been created?

- Whether you have near-term cash flow priorities, long-term wealth transfer plans, or philanthropic goals that will span generations, identifying your objectives is the first step when creating a legacy plan.
- Generally, families that succeed through generational wealth transfers have developed strong trust and communication with each other.
- Don't forget that trust is built on strong family bonds and coherence, which pave the way for effective communication.

2. How do I combine my values and wealth plan to help create a lasting legacy?

- Ask yourself what you truly want your legacy to be. Ask your family what's important to them in their inheritance and as stewards of your legacy. Carefully reflect on the answers before determining what you want your legacy to be.
- These conversations can be very sensitive. Discussing your values and aspirations with those important to you can help you develop a detailed wealth plan that aligns with your legacy goals.

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3. Does my legacy plan align with my vision?

- Strategic planning helps align your values and goals with your overall financial strategy and wealth plan.
- Families who are successful in implementing their desired legacy and transitioning wealth to the next generations typically follow two best practices:
 - » Developing and communicating family wealth goals.
 - » Discussing planning options with select advisors to determine what strategies will best help meet those goals.

Understanding the Estate Tax^{2, 3}

Paying more in taxes could mean passing on less to your loved ones. When creating your estate plan, one of the important considerations is how to best transfer your estate to your heirs so that they get what you want to give them and nothing less. However, it's not as easy as it sounds.

The estate tax is a tax on money or property transferred to heirs at the time of your passing. The estate tax is also referred to as a “death” tax or inheritance tax. For 2026, the estate tax lifetime exemption is \$15 million for individuals and \$30 million for married couples. This means that eligible individuals can exclude this amount of assets from their taxable estate. So, if you die and leave \$16 million worth of investments and other assets to your heirs and haven't given any taxable gifts, only \$1 million of this would be subject to the federal estate tax.

The tax rate on estates in excess of the exemption amount ranges from 18% to 40%. So, anything above the exemption amount is taxed at those rates.

Locality Matters to Your Estate Tax: Currently, many states have separate estate tax rules that could be **stricter than the federal estate tax rules**. So, make sure you have a solid understanding of your state's estate tax laws before finalizing your strategy.

The Estate Tax Exemption was Made Permanent: The One Big Beautiful Bill Act (OBBBA) rendered the estate tax exemption permanent. But keep in mind, this exemption could still be adjusted by Congress in the future, and state-level estate tax laws still apply.



Potential Ways to Navigate the Estate Tax

If you're someone who could be affected by the estate tax, you likely have many liquid and illiquid assets to consider strategizing for to avoid these hefty estate taxes. There are more options than you might think that may help reduce your estate tax burden.

Savvy estate planners with liquid assets can make use of the \$19,000 annual gift exclusion amount. You can give \$19,000 to as many individuals as you'd like, and a husband and wife can each give \$19,000 in gifts. So, you and your partner could give \$19,000 gifts to each of your four grandchildren for a total of \$152,000 every year, which would not dip into the lifetime estate tax exemption amount.⁴

Understanding how an estate tax could affect you and your family's finances is one of the most important parts of your estate plan. But it's just as important to know which legal documents, designations, and strategies you have in your toolkit.



Important Estate Planning Documents⁵

The Will

A **will** is a legal document that details how you want your assets distributed after your death. It serves as a roadmap for the division of your property and specifies guardianship for any minor children. It's a critical component of an estate plan, allowing you to express your personal wishes and avoid potential disputes amongst beneficiaries. However, it's important to remember that a will is just one part of an estate plan.

The Trust

A **revocable trust**, also known as a living trust, is a legal entity created to hold assets, and it can be revised or fully revoked at any time during the trustor's lifetime, as long as they're of sound mind. This type of trust offers the benefit of avoiding probate, which can be a lengthy and costly process, and allows for continuous management of assets even if the trustor becomes incapacitated.

An **irrevocable trust** is a type of trust that, once established, cannot be changed or revoked without the consent of the beneficiaries. This type of trust is often used to provide estate tax benefits, protect assets from creditors or lawsuits, and potentially qualify the trustor for certain government benefits. However, the trade-off is a loss of control over these assets, as they are now owned by the trust and not the trustor.

The choice between a revocable and irrevocable trust depends on individual circumstances and estate planning goals.

Charitable Trusts

- Use a **charitable remainder trust** to convert appreciated assets into lifetime income with no capital gains tax. This saves both estate and income taxes, and the charity receives trust assets after you die.⁶
- Use a **charitable lead trust** to remove assets from your estate, which will help you save estate taxes and distribute the income to a charity for a set period of time, after which the trust assets then go to your loved ones.⁷

<p>The Advanced Medical Directive</p>	<p>An advanced medical directive, also known as a living will, medical directive, health care proxy, or advance health care directive, depending on the state, is a legal document that provides instructions for medical care and only goes into effect if you cannot communicate your own decisions. It is a crucial part of advance care planning and typically involves two common types of directives: the living will, and the durable power of attorney for healthcare.</p> <p>Having an advanced medical directive ensures your wishes are communicated clearly to your loved ones and physicians, offering a sense of control over future care decisions. It's important to note that these directives are recognized legally but are not legally binding, and they shall be reviewed and updated regularly. The specific laws regarding these documents vary by state.</p>
<p>The Financial Power of Attorney</p>	<p>A Financial Power of Attorney (POA) is a crucial component of your estate plan that grants authority to a trusted individual to manage your financial matters when you are unable to do so. This could be due to incapacitation or absence. The responsibilities of a Financial POA can range from handling banking and investments to managing property, and the scope can be broad or specific, as per your preference. A Durable Financial Power of Attorney allows the appointed person to act even after you become incapacitated. However, note that it typically pertains to financial matters and not medical decisions unless specifically stated. The selection of a Financial POA should be based on trust and confidence in the individual's ability to handle your financial affairs.</p>

What documents you need will depend on your unique financial situation, legacy goals, and family situation. The most important thing is not to put off creating or updating your estate plan and the documents you need. Contact us for assistance in organizing and identifying the documents and legal appointments necessary to help you execute your legacy and estate strategy.

Estate Planning Strategies to Consider⁸

Here are some estate planning strategies that, if fitting for you, can be executed with the help of a qualified estate planning professional:

Transfer assets from your estate before you die.

- Make annual, tax-free gifts. This is a simple, no-cost way to save estate taxes by reducing the size of your estate.

Transfer life insurance policies to an irrevocable life insurance trust.

- By doing this, you remove the death benefits of the existing policy from your estate. However, if you die within three years of the transfer, it will be included in your estate.

Use a qualified personal residence trust.

- With this strategy, the qualified personal residence trust allows you to remove your home from your taxable estate while still being able to live there.

Consider a grantor-retained annuity or unitrust.

- A grantor-retained annuity trust or grantor-retained unitrust is a way to remove income-producing assets from the estate at a discounted value while still being able to receive income.
- This can help you pass some of the value of your annuity on to your heirs when, otherwise, they'd get none of what you put into your annuity.

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Transfer assets to your children while you're alive to reduce your taxable estate.

- Execute this with a Limited Liability Company or Family Limited Partnership. With this strategy, you're also able to protect your assets from future lawsuits, creditors, or even spouses.

Access death benefit annuities.⁹

- If you are too old or don't qualify for life insurance, you may be able to access annuities that come with death benefits. This can be a way of preserving your wealth, providing income, and ensuring your assets go to your listed beneficiaries in full without going through probate court or a messy division of assets.

Protecting Your Legacy Starts Now

In the end, there are many different strategies to properly manage and transfer your estate to your beneficiaries. But, if not planned carefully, estate taxes and long, costly court processes could end up diminishing the value of your estate for your beneficiaries.

You've worked your entire life to support your family and deserve the confidence that a comprehensive estate plan can give you. Estate plans need to be designed and executed with attention to detail to help reduce taxes for your family and beneficiaries, allow your assets to pass on outside of probate court, and make sure your final wishes are carried out exactly as planned. Even small mistakes can prove to be very expensive and invalidate legal documents, which is why our team of professionals takes the time to review every aspect of your plan extensively.

The process of building a legacy and estate strategy can be complex, but our financial advisors are here to help uphold your wishes with integrity and help your estate last as long as possible for your beneficiaries. We encourage you to contact us for a complimentary estate plan review or to go over estate planning basics.

We focus on helping you manage and preserve your nest egg. Contact us to discuss managing your personal wealth and work with our team of retirement planning professionals to develop a strategy designed to address your and your family's needs.

Click Below to Request Your Complimentary Financial Review!

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