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The Essentials of Estate Planning

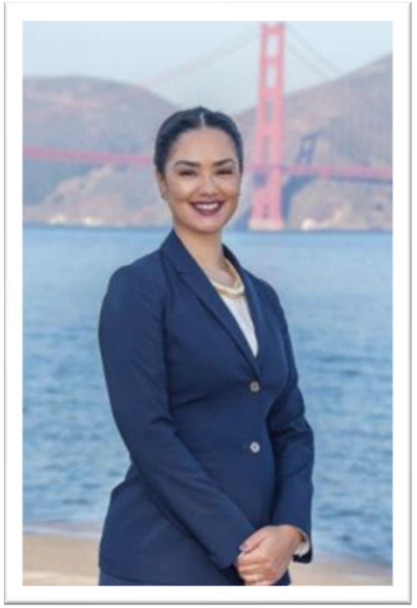


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Agenda



- Estate planning basics
- Wills and probate
- Trusts
- Alternate decision makers
- Getting started



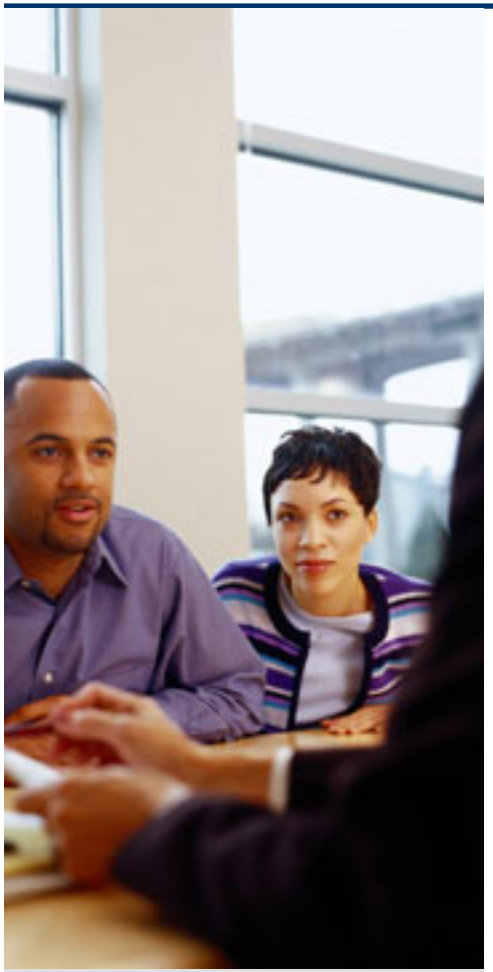
About Your Speaker, Rebecca Tapia

- Financial Advisor
- Education and Communication Specialist
- Working with Heffernan for 20 years
- Provides individual financial education and advisement services
- Wealth Advisor to retirees and pre-retirees
- Series 7 held with LPL Financial. Series 66 is held with both LPL Financial and Global Retirement Partners.
- Life, Health & LTC Insurance licensee
- Cert. of Comp. for the CFP Program from UC Berkeley
- Currently pursuing CFP designation

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Estate Planning Basics



- A plan to manage assets
- Who will handle your affairs?
- Special situations
- Find the right advisor

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Reasons for Having an Estate Plan



- Avoid having the courts make decisions about your estate
- Minimize legal complications and estate settlement costs
- Tax considerations

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Federal Taxes



- Estate tax exemptions
- Income taxes
- Tax rates

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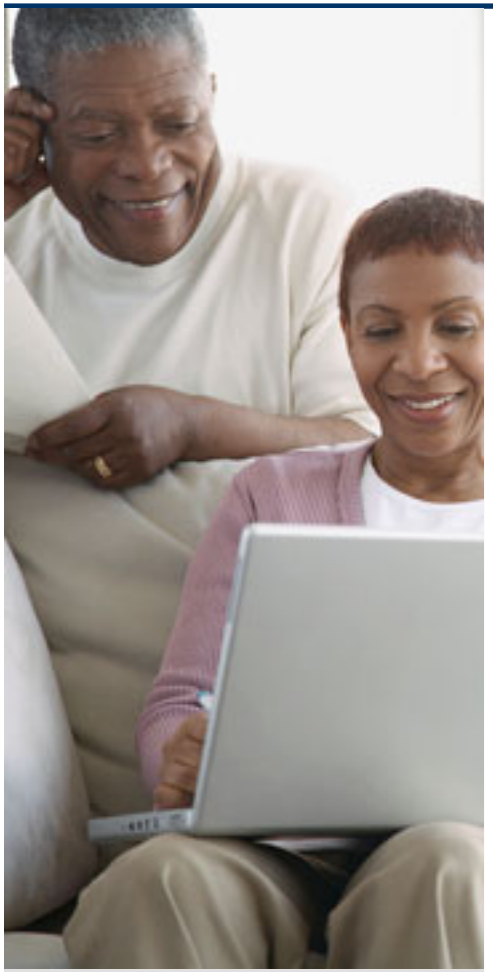
State Taxes



- Estate tax
- Inheritance tax
- States with an estate tax and/or inheritance tax: CT, DC, HI, IL, IA, KY, ME, MD, MA, MN, NE, NJ, NY, OR, PA, RI, VT, and WA

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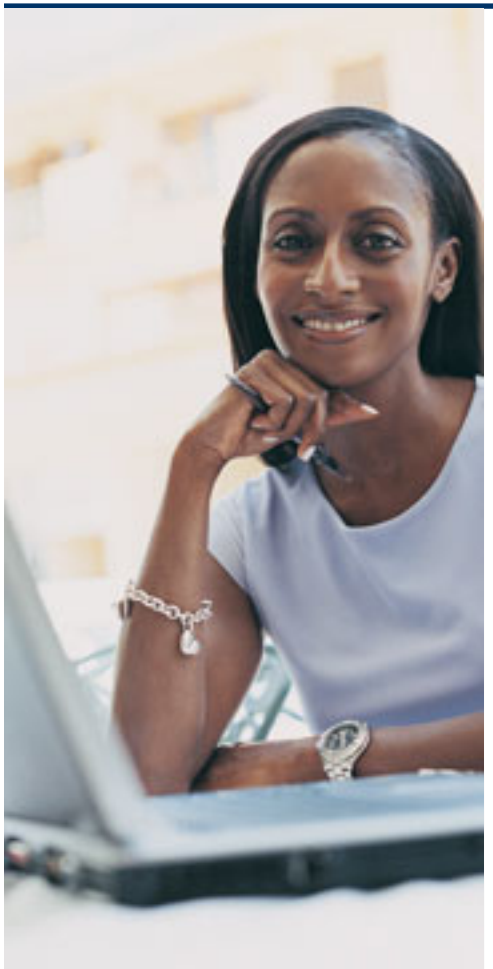
Gift Taxes



- For 2023, $17,000 annual gift limit without triggering a federal gift tax return
- For 2023, $12,920,000 or less ($25,840,000 million for married couples) million lifetime gift and estate tax exemption
- Exceptions to rules

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Planning Tools



- Wills
- Trusts
- Gifts
- Life insurance
- Joint ownership of property

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Naming Beneficiaries



- IRAs
- 401(k)s
- Pensions
- Life insurance

Who Gets What?

"The acceptance of death gives you more of a stake in life, in living life happily, as it should be lived." —Sting

Large Estates with No Named Beneficiaries


Howard Hughes
$3.8 billion


Michael Jackson
$825 million


Pablo Picasso
$500 million


Elvis Presley
$400 million


Kurt Cobain
$400 million


Prince
$300 million

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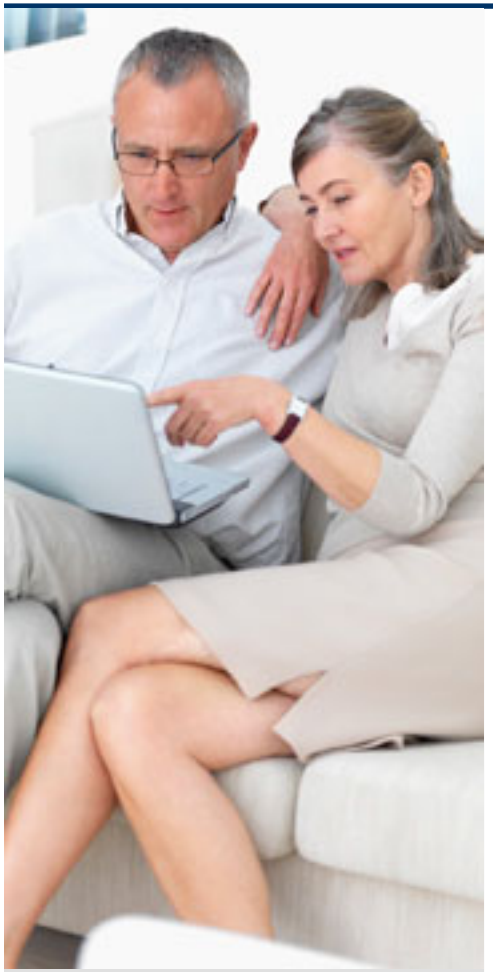
"Jane"



- Outdated 401(k) plan beneficiary designation
- Wishes might not be carried out according to her intentions

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Naming Beneficiaries



Considerations

- Too young or too old
- Trusts or charities
- Per capita or per stirpes
- Secondary beneficiaries

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Naming Beneficiaries



- Different rules for different situations
- Reevaluate beneficiaries when updating estate plans
- Consult estate planning professionals

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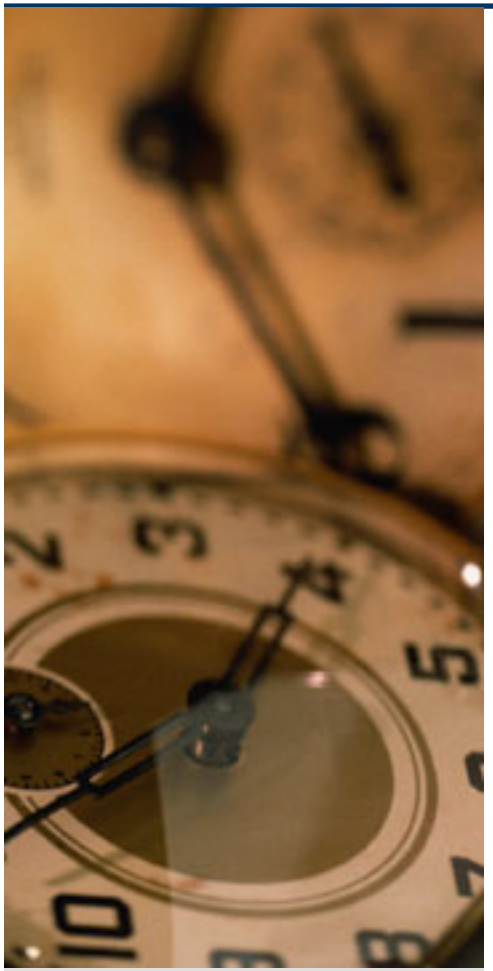
Wills



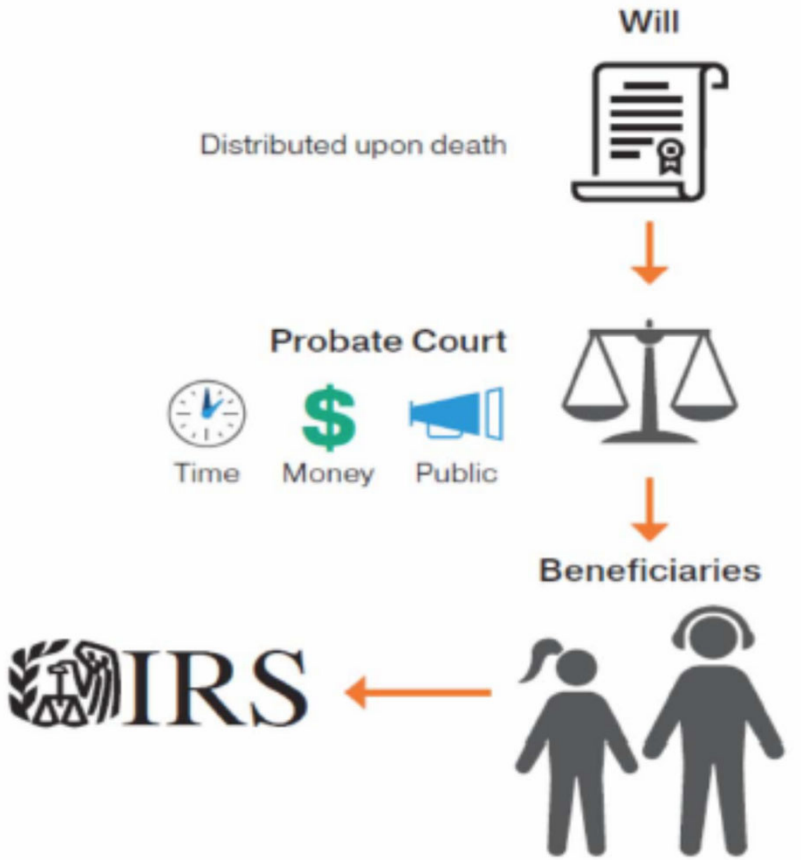
- Name executor and guardian
- Spell out distribution of property
- Help avoid state involvement

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Probate Issues



- Cost and time issues
- Executor or administrator responsible for settling estate



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Avoiding Probate



- Trusts
- Gifts
- Joint ownership
- Transfer on death
- Payable-on-death accounts
- Retirement plan beneficiaries

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Executors

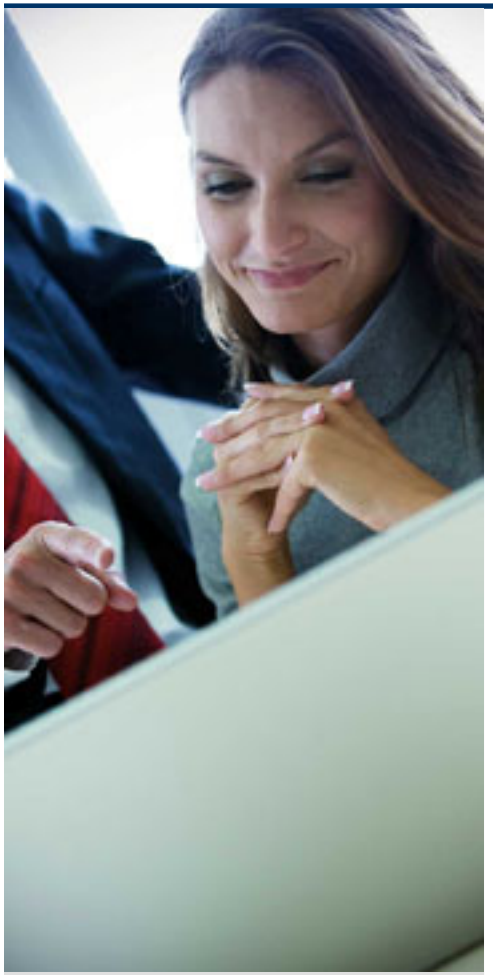


- Settle estate's affairs
- Duties
- Review with person you select

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Trusts



- Manage assets
- Protect assets
- Avoid probate
- Tax planning

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Trust Categories



Revocable trusts

- Can be changed
- Income and estate taxes paid by grantor (owner of estate)

Irrevocable trusts

- Cannot be changed
- Income and estate taxes paid by trust

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Living Trusts



- You retain full control of assets as trustee
- Your assets move to heirs without going through probate



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Types of Trusts



- Life insurance trusts
- Trusts for minors
- Qualified personal residence trust
- Charitable trusts

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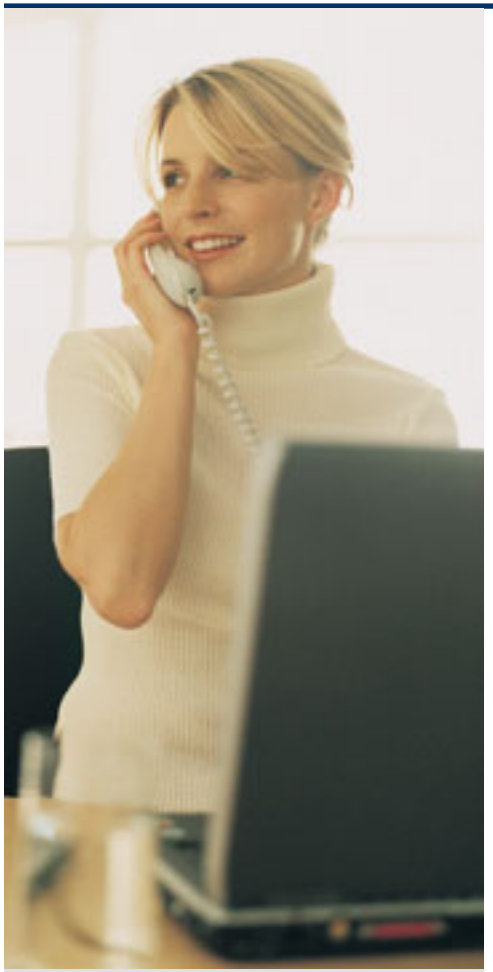
Alternate Decision Makers



What would happen if you couldn't handle your affairs?

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Power of Attorney



- Gives another person legal authority on your behalf
- Can take effect upon implementation or when a specified event occurs
- Terminates at your death

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Health Care Directives



Indicate your wishes for medical treatment

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Conservatorships



- Legal arrangements where one adult manages another adult's affairs
- Conservator is usually a spouse, adult child, adult sibling, or other blood relative
- Only permitted in cases of incapacitation
- Conservators are subject to court supervision

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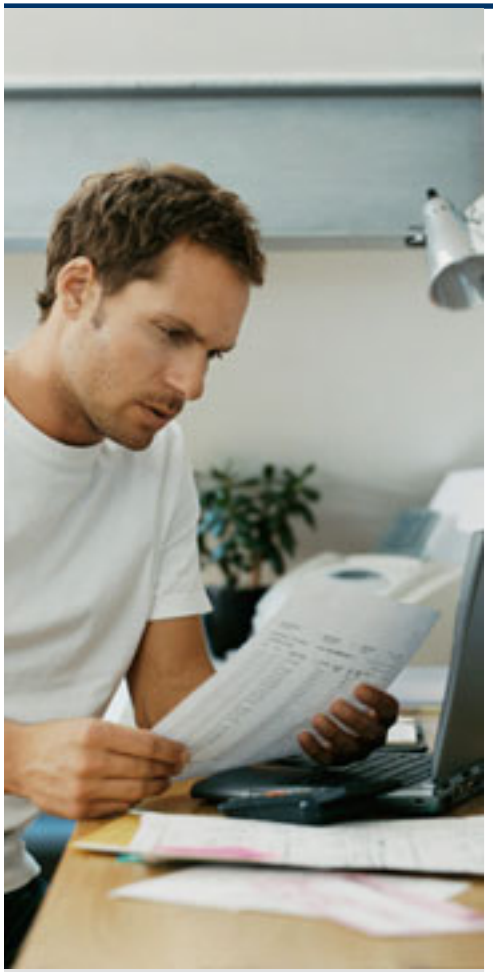
How to Get Started



- Collect documents
- Determine how you'd like to distribute assets
- Seek an estate planning attorney

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Estate Planning Resources



- Books
- Publications
- Websites

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Start Planning Today



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