# Preserving Your Savings for Future Generations

# Today’s agenda

1. Estate planning basics
2. Planning documents
3. Additional planning considerations
4. Next steps

# Estate Planning Basics

- What are the benefits of estate planning
- What's included in an estate
- How do assets pass after death

# Benefits of estate planning

Control the distribution of assets

Choose a person or entity to manage assets

Preserve an estate

Plan for liquidity

Protect family privacy and avoid probate

Reduce or eliminate estate taxes

Prepare for incapacity

Always consult an attorney who can help you by drafting the appropriate legal documents to suit your particular needs.

# Introducing estate and gift tax laws

## Highlights of the current law for 2025

Top federal estate and gift tax rate is **40%**

Annual gift tax exclusion remains at **$19,000** for an individual, and **$38,000** for a married couple

**$13,990,000** "unified" **federal** lifetime estate and gift tax applicable exclusion amount*

- Portability (DSUE)

**$13,990,000** federal generation-skipping transfer (GST) tax exemption†

Beware of **state** tax laws

# What's included in an "estate"?

For estate and/or inheritance tax purposes

**Generally, an estate is any assets owned or controlled, including:**

- Cash and investments (stocks, bonds, CDs, bank accounts)
- Tangible personal property
- Interests in certain kinds of trusts
- Real estate holdings
- Retirement plans
- Life insurance policies
- Annuities
- Business interests
- Any share of joint interests
- Digital assets

# How assets pass after death

## By Contract

**To beneficiaries**

Determined by beneficiary designation for a specific asset/account

- Life insurance/annuities
- Retirement plans

Transfer-on-death/ payable-on-death registrations

## By Law

**To surviving owners**

Joint tenancy

- With rights of survivorship
- By the entirety (e.g., real estate, joint bank accounts)

## By Trust

**To trust beneficiaries**

Determined by a trust agreement

- Trust accounts
- Real property registered to trust
- Personal property registered to trust

## By Probate

**To heirs** named in a will or by intestacy laws

Takes time, expensive, easier to contest, public record

May be subject to probate in more than one state if you own real estate in a state other than your state of residence

# Planning Documents

- Key legal documents
- What's a will?
- Why use a revocable living trust?
- What's a power of attorney?
- Choosing fiduciaries

# Key legal documents

- Last Will and Testament
- Trusts
- Power of Attorney for Financial Decisions
- Health Care Documents
  - Power of Attorney / Health Care Proxy
  - Living Will
  - Medical Directives
  - HIPAA Form

**Effective at death** (Last Will and Testament, Trusts)

**Effective during lifetime** (Trusts, Power of Attorney for Financial Decisions, Health Care Documents)

# What’s a will?

It’s a legal document expressing a person's wishes about how their property is to be distributed after their death.

## What a will may accomplish

- Directs the distribution of assets
- Usually names an executor
- May appoint a guardian for minor children

**Tip:** It’s important to review and adjust your will every three to five years and at certain life events.

# Why use a revocable living trust?

There are a range of potential benefits, including:

## Provides for management during incapacity

## Privacy

- May help heirs avoid probate

## Flexibility

- Trust can be revoked or amended during your lifetime
- Maintain complete access and control over the assets owned by the trust

## Ease of estate administration

- Grantor is typically the trustee and beneficiary
- Income taxes are taxed to the grantor at personal rates

# What's a power of attorney?

It's a legal document that authorizes someone to act on another's behalf.

**Often executed by one spouse for another.**

- **General** power
- **Limited** power
- **Durable** power
- **Nondurable** power

# Planning for incapacity

To ensure that your wishes are carried out, your estate plan should include a strategy for addressing potential incapacity.

**Important questions and considerations:**

- Who will manage your financial affairs?
- Who will make your medical decisions?
- Determination of incapacity
- Protection against irrational distributions as the result of incapacity
- Protection against financial elder abuse
- Organization of financial documents
- Communication of wishes

# Choosing fiduciaries

## Fiduciary Roles

- Executor/Personal Representative
- Trustee
- Agent/Power of Attorney (financial, health care)
- Guardian

## Considerations

- Age
- Responsibility
- Proximity
- Knowledge/Skill Set
- Fairness/Family Dynamics

## Options

- Individuals
- Professionals
- Variance across Roles
- Co-Fiduciaries
- Springing vs. Immediate Powers

# Additional Planning Considerations

- Review beneficiary designations
- IRAs and the SECURE Act
- Gifting and charitable giving

# Review beneficiary designations

Whether you're just beginning or have an established plan, designating a beneficiary is an important step.

Review beneficiaries:

- In response to change-of-life events (e.g., death, divorce)
- For consistency with the estate plan
- As part of an annual financial review

**Specifically review:**

1. Retirement accounts
2. Life insurance policies
3. Annuity contracts

# SECURE ACT 2.0

## Raises the age for RMDs

**2023**

RMD age is now 73 for anyone turning 73 before January 1, 2033

RMD age will be 75 for anyone turning 74 after December 31, 2033

## Increases catch-up contributions

**2024**

Catch-up contributions for people aged 50 and older to an IRA will be indexed to inflation

**2025**

Individuals ages 60 through 63 years old will be able to make catch-up contributions up to $10,000 annually to a workplace plan

Individuals earning more than $145,000 in the prior calendar year, all catch-up contributions at age 50 or older will need to be made to a Roth account in after-tax dollars

## Automatic enrollment

**2025**

Businesses adopting new 401(k) and 403(b) plans are required to automatically enroll eligible employees at a minimum of 3% of eligible compensation

Employers will be permitted to automatically transfer an employee's low balance retirement account to a new plan when they change jobs instead of a default payout of a cash sum

The change in the RMDs age requirement from 72 to 73 applies only to individuals who turn 73 on or after January 1, 2023. After you reach age 73, the IRS generally requires you to withdraw an RMD annually from your tax-advantaged retirement accounts (excluding Roth IRAs, and Roth accounts in employer retirement plans accounts after December 31, 2023). Please speak with your tax advisor regarding the impact of this change on future RMDs.

# SECURE ACT 2.0

## Emergency savings

**2024**

For non-highly compensated employees, defined contribution plans can add an emergency savings account that is a designated Roth account eligible to accept participant contributions

Limited to $2,500 annually (or lower, as set by the employer) and may be eligible for an employer match

First four withdrawals in a year would be tax- and penalty-free

## Emergency withdrawals from 401(k)s

**2024**

Employers may allow workers to withdraw up to $1,000 annually from their retirement plans

Withdrawals are not subject to the 10% penalty

Emergency withdrawals are generally limited to every three years, unless paid back

## Student loan debt

**2024**

Employers will be able to "match" employee student loan payments with matching payments to a retirement account

## 529 plans

**2024**

After 15 years, 529 plan assets can be rolled over to a Roth IRA for the beneficiary, subject to annual Roth contribution limits and an aggregate lifetime limit of $35,000

Rollovers cannot exceed the aggregate before the 5-year period ending on the date of the distribution and is treated as a contribution towards the annual Roth IRA contribution limit

# SECURE ACT 1.0 – Impact to the "Stretch" IRA

Generally, an inherited IRA must be distributed within 10 years (for deaths on/after 1/1/2020)

Key exceptions:

- "Stretch" over life expectancy still allowed for Eligible Designated Beneficiaries ("EDBs")
  - Spouse
  - Individual not more than 10 years younger than IRA owner
  - Minor child of account owner
  - Disabled
  - Chronically ill
- Some IRAs will need to be distributed within 5 years (as an example, if certain trusts or estates are named as beneficiary)

# SECURE ACTs – Planning Concepts

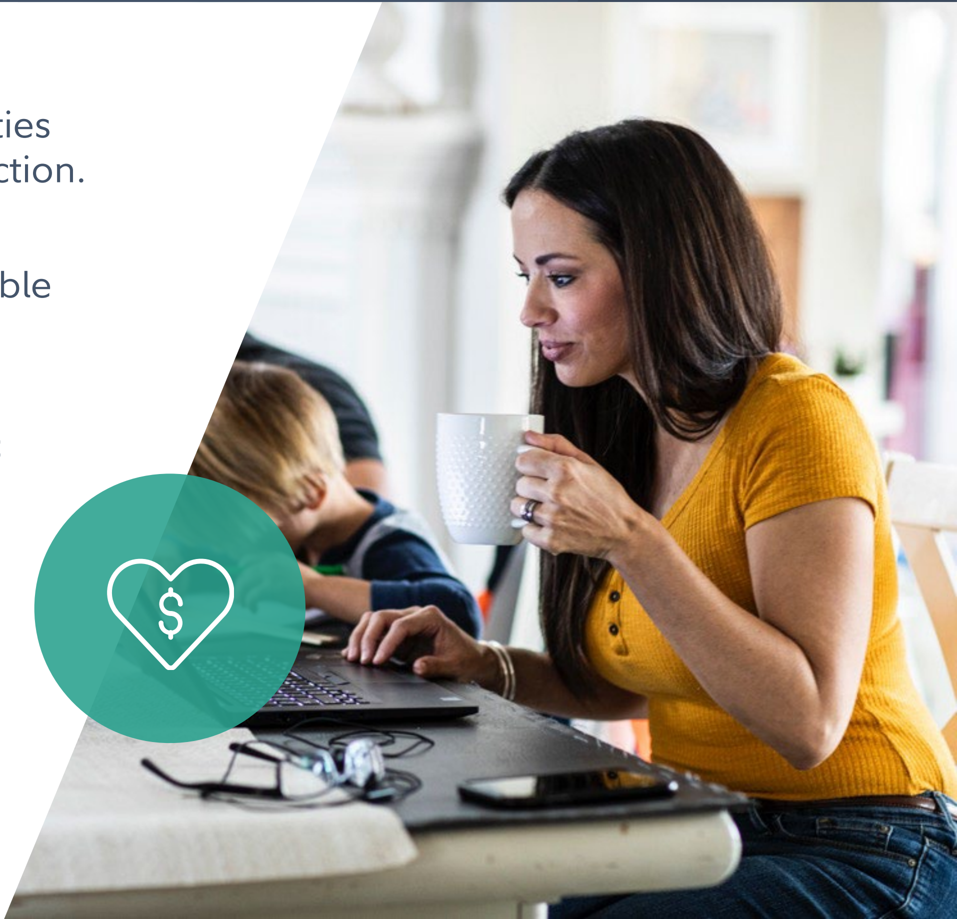
- Timing/Tax Bracket Management – Non-eligible beneficiaries should consider whether it is more efficient to take distributions during the 10-year period or wait until balance must be withdrawn within 10 years of the IRA owner's death.
- Consider the income and estate tax implications when naming beneficiaries on retirement accounts
  - To fulfill charitable objectives, consider naming a donor advised fund or other charitable beneficiary of traditional retirement account
  - A high-income beneficiary many benefit from inheriting a Roth IRA
- Even as the required minimum distribution age rises, Qualified Charitable Distributions (QCDs) are still allowed at age 70½
  - This now includes a one-time gift of up to $50,000 (adjusted annually for inflation) to a charitable remainder trust or charitable gift annuity

# Gifting considerations

- **Annual Federal Gift Tax Exclusion:** $19,000 for individuals and $38,000 for married couples annually per recipient free from federal gift tax.
- **Federal Lifetime Gift Tax Exclusion:** $13,990,000 is the total amount an individual can gift free from federal gift tax during lifetime using this exclusion.
- **529 Education Savings Plans:** Unique gift and estate planning opportunities.
- **Direct Gifts:** Gifts made directly to an institution to pay tuition or medical expenses of another, which may avoid gift taxation.

# Charitable giving opportunities

- **Charitable Gifts:** Gifts made to qualified charities may qualify the donor for an income tax deduction.
  - Qualified Charitable Distributions
- **Charitable Bequests:** May qualify for a charitable estate tax deduction.
  - Retirement plan beneficiaries
- **Donor-Advised Funds:** Sponsored by a public charity.
  May be used for both lifetime gifts as well as charitable bequests.
- **Private Foundations:** Set up by an individual or family. May be used for both lifetime gifts as well as charitable bequests.



# Next steps

Regardless of your income, estate planning is a vital part of your financial plan.

Planning ahead can give you greater control, privacy, and security of your legacy.

**We have the tools and support you need to make a plan that works for you and reflects your wishes.**

# We’re here to help

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