

A photograph of an elderly couple embracing in a field. The man is on the left, seen from the back, wearing a dark sweater. The woman is on the right, wearing glasses and a patterned cardigan, with her arms around the man. In the background, a family of four is walking away from the camera. The entire image has a teal and green color overlay.

Estate Planning *for Everyone*

Create a *thoughtful plan*, while investing in your loved ones' *futures*

There's a common misconception that only wealthy people need estate planning, but nothing could be further from the truth. Virtually everyone should undertake estate planning of some sort, even if it's just creating a will or reviewing their beneficiary designations.

There's no one-size-fits-all way to plan your estate. The most important thing to remember is your plan will be your own – meaning, it's personalized for your specific wants and needs.



The value of estate planning



When you go shopping for a lawnmower, you're not really buying it because you want a lawnmower. You purchase it because you want a freshly groomed lawn.

Similarly, people don't want an estate plan, they want what an estate plan provides: A plan to protect their loved ones, to preserve what they worked a lifetime for, maintain their standard of living, and hopefully set their beneficiaries up for their future.

These choices are different for everyone. You may be more charitably inclined, or you may want to focus on equalizing the estate amongst your children, while someone else wants to try and balance the scales where one child is in the family business, and one is not. Whatever the motivation, all of those factors can be considered when building an estate plan.

What is estate planning?

Estate planning is: Structuring what you leave behind and how you choose to leave it. Your personal choices regarding your hard-earned legacy can vary greatly. Among other things, you can:



Create a will and/or trust for your loved ones.



Leave a gift to your alma mater, preferred charity, church, or synagogue.



Create college tuition accounts for your children or grandchildren.



Secure your business for your other partners.

Terms to know

There are a few terms you should be familiar with when it comes to estate planning.



Estate

Your estate consists of everything you own or have a right to. This includes your savings accounts, checking account, cash, your car, and even intangible things, like your pending legal court case (if applicable).



Beneficiary

You can leave pretty much all of those items in your estate to a beneficiary – either directly through your will, or possibly by **titling** assets appropriately. Keep in mind, your best laid plans may be ruined if your accounts are not titled correctly. It's imperative that beneficiary designations are reviewed on a regular basis and contingent beneficiaries be named.



Probate

The legal process by which your personal representative or **executor** settles or resolves your estate. This means paying the debts and expenses of the estate and then distributing the assets, either in kind or in cash, to the beneficiaries.



Why planning is important

We'll use a house to visualize everything you own - this is your estate. It includes cash, real estate, cars, retirement accounts, life insurance, and some workplace benefits.

Some of your assets may pass to your chosen beneficiary through a beneficiary designation or by operation of law - such as a retirement account, life insurance, or annuity. Others may pass based upon ownership.

Imagine a married couple that owns most of their finances and assets as **joint tenants with rights of survivorship (JTROS)**. When the first spouse dies, the entire JTROS asset immediately passes into the hands of the joint tenant - no probate, no delays.

However, JTROS can sometimes create problems. Imagine a case where two spouses intended to leave their large mutual fund account to their three children through their will. The dad dies first and as the mom ages, she is no longer comfortable with managing her financial assets. She then places her daughter on the account as a joint tenant, so her daughter can sign for the account and use the accounts' assets to pay mom's bills.

When the mom dies, the will is read, and the other two children expect they'll be able to share in that large mutual fund account. Except, the mom inadvertently omitted them from that asset, because the account is immediately vested in the joint tenant daughter.



This example of beneficiary friction is more common than you think. And mom and dad could've avoided it, by using a trust or perhaps by giving power of attorney to their daughter instead.



\$13.61 M

ESTATE-AND-GIFT-TAX EXEMPTION



40%

IRS ESTATE TAX RATE



1/1/26

EFFECTIVE RATE-CHANGE DATE

Good news - bad news

Good news: You can leave almost everything in your estate to anyone you choose, as long as it fits through the “door” – the **estate-and-gift-tax exemption, currently \$13.61 million.**²

Current estate/gift tax exemption
\$13.61 M



IRS takes
40%
of everything
left in estate



Above the exemption, the IRS will take 40% of everything left in the estate, and that figure may be affected if your state also imposes estate taxes. Check with your financial advisor for more detailed information.

Bad news: Recent studies suggest that more than \$68 trillion of wealth is going to be passed from one generation to the next over the next 30 years,¹ and no one can predict the future size of that door. **The estate-and-gift-tax exemption is scheduled to be cut in half on Jan. 1, 2026** – and not only can the exit door be changed at any time by Congress, the 40% estate tax rate may also be changed.

\$13.61 M → **\$6.8 M** Estate/gift tax exemption beginning Jan. 1, 2026

It seems reasonable to expect **Congress will reduce the size of the door**, as already planned, because that will target the great wealth transfer with higher taxes to support planned government spending. In the past 40 years alone, the estate tax rate has trended down from 70% to 50% (as recently as 2002), before settling at the 40% it is now.

¹ Cerulli Associates: “The Cerulli Report, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets,” 2021.

² As of January 2024.

*Check with your financial advisor
for your state’s specifics.*

What happens without an estate plan?

The answer is simple – your state government has already thoughtfully created an estate plan for you. It's called intestacy (in-tes-tuh-see) and it's the rules-based, default estate plan to disburse your assets to the people your state assumes should be your beneficiaries.

Intestacy is what the government of your state thinks should happen when you're gone, regardless of:

- Your wishes
- Tax implications
- Efficiency
- The actual best interest of your beneficiaries

Intestacy varies from state to state, but generally operates with similar principles. Intestate distribution may differ if you're married, unmarried, have children, have stepchildren, or even if you have minor children. All of those factors can change the outcome of an intestate distribution.

In general, intestacy would distribute assets to your spouse first, and then to children (if you have any), and then if not, to parents, if they're alive, then to siblings if you have them, and gradually more remote members of your family like nieces, nephews, or cousins. It can vary drastically, depending upon your family situation.

More importantly, and inconveniently, from the beneficiaries' perspective – intestacy will tie things up in **probate**. And probate may average nine months to a year for a straightforward intestate estate to much, much longer for a complex situation.

Lastly, you may think of your assets as my money, but when distributed in intestacy (at least to a non-minor beneficiary), it becomes *their* money, and they're free to do anything they want to with it. Through intestacy, your assets will be given to the default beneficiaries, with no strings attached. In addition, the probate process can be expensive.



Possible threats to wealth



Divorce



Creditors



Predators:
Internet



Predators:
Caregivers



Destructive
family dynamics



Self-destructive
behavior



"Too much,
too soon"



Beneficiary with
poor money
management

Your inheritance pinch

More than **one third** of inheritors had a **negative savings rate** over the first two years of inheriting an estate – or in other words, the beneficiaries spent it all.

More than 1/3 of inheritors had a negative savings rate.



However, the percentage who spent it all declines as the amount of inheritance increases, along with the age of the inheritor. And yet, one in five Baby Boomers (presumably already well-established economically), spent their entire inheritance of more than \$100,000.²

1 in 5 Baby Boomers spent their entire inheritance of more than \$100,000.²



² Journal of Family and Economic Issues: "Do People Save or Spend Their Inheritances?"

Many paths to one destination





Every family's situation is different, and even for an average family, there's a great need to plan for your loved ones' futures. Make sure your estate plan fits your individual needs.

Four similar families:

- Mom and dad, happily married
- Both 68-years-old
- Worth \$5 M
- Three kids



Four different paths:

-  Family one may be very charitably inclined.
-  Family two wants to prioritize funding education for their grandchildren and beyond.
-  Family three made their money with a small business they owned.
-  Family four made their money as a corporate executive, heavily exposed to a large holding in that single stock.



Destination:

Your estate plan can account for all these circumstances and leave your family in the best possible position to succeed.



What to expect in chapter 2

Now that you know you need a plan, which plan is right for you? We'll also discuss the pain points for your beneficiaries, as well as your assets.

Contact your financial advisor for more information about estate planning.