

Revisiting and Refining: The Final Important Steps to Enhance the Estate Planning Process



National Estate Planning
Awareness Week
October 20th, 2023

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TODAY'S AGENDA



- **Reviewing an estate planning checklist**
- **Tax Cuts and Jobs Act of 2017. Estate Planning Repercussions of the SECURE Act of 2019 for Beneficiaries of retirement plan assets.**
- **The utility of a Letter of Instructions in a “modern” estate plan**

POTENTIAL UPDATES:

FAMILY DYNAMICS

Have new family dynamics emerged that I should consider in my estate plan?

ESTATE PLANNING GOALS

Do my estate planning goals align with my current vision for the future?

LEGAL AND FINANCIAL PROFESSIONALS

Are the professionals I've worked with still available and suitable for my needs?

WITNESSES AND SIGNATURES

Are all my documents properly signed and witnessed as per legal standards?

REVIEW SCHEDULE

When did I last review my estate plan, and when should I next revisit it?

COMMUNICATE CHANGES

Have I informed relevant individuals about the most recent changes to my estate plan?

LETTER OF INSTRUCTIONS

Is my letter of instructions clear, up-to-date, and does it cover all essential details?

ACTION ITEMS:

- Consider any shifts in family dynamics or relationships. New in-laws, new divorces, marriages, or deaths that impact my plans.
- Reflect on my overarching goals and objectives.
- Check in with professionals who've assisted with my estate plan. Will they retire and who are their successors?
- Ensure all documents have the proper signatures and witnesses under your appropriate state law.
- Set a routine for estate plan reviews. Any new family dynamic, wealth event, or federal tax change, might be a reason.
- Share updates with relevant parties, most importantly your beneficiaries. For example, if you want to leave 10% to charity in your estate plans, simply let your adult children know during your lifetime of your intentions.
- Create or update a comprehensive non-legal document to guide families and fiduciaries. This can include a wide variety of information such as burial arrangements, beneficiaries for your tangible personal property, directions for managing certain investments, and essentially everything else important to you that's not addressed in your last will.

POTENTIAL UPDATES:

BUSINESS INTERESTS

Have changes been made in my business structure, ownership, or vision?

HEALTHCARE DIRECTIVES

Do my current directives still reflect my wishes regarding medical care?

POWER OF ATTORNEY

Does my current power of attorney align with my comfort level?

CHARITABLE CONTRIBUTIONS

Have my charitable intentions or preferred organizations shifted recently?

ESTATE TAX CONSIDERATIONS

Are there new tax laws or changes that might affect my estate?

REAL ESTATE AND PROPERTY OWNERSHIP

Have there been changes in my property ownership or intentions for those properties?

LONG-TERM CARE PLANNING

Have there been significant changes in my health that influence my long-term care decisions?

ACTION ITEMS:

- Review any business interests and their management. This ensures alignment with your future vision for the business.
- Review living wills and healthcare proxies, again to make sure you have the most reliable Fiduciaries to make health-related decisions on your behalf. Medical preferences can also evolve over time.
- Evaluate your choices for financially durable power of attorney or successor trustee if your assets are held in a revocable living trust. A trusted individual should be in place if you're unable to manage your own affairs.
- If you want to make a difference for charities in your estate plan, it's important to speak with your attorney and other advisors on this matter. Charitable intentions can change over time, and you also might want to decrease or increase your allocation to various charities.
- Stay informed about potential tax impacts. The federal estate and gift tax exemption is scheduled to dramatically decrease at the end of 2025 without new Congressional action. If your estate is greater than \$5m, you may want to become more informed on how this impacts your estate.
- Review the title of your real estate to ensure it transfers to the property beneficiaries.
- Reevaluate any provisions in your documents for long-term care. If you have long-term care insurance make sure your Fiduciaries, and other loved ones, are aware of the policy and where to locate it.

POTENTIAL UPDATES:

UPDATE INFORMATION

Have my personal or family details changed recently?

LEGAL DOCUMENTS

Are all my documents notarized, updated, and stored in a safe place?

BENEFICIARIES & DISTRIBUTION OF ASSETS

Have recent life events influenced my beneficiary decisions?

EXECUTOR, TRUSTEE, & GUARDIAN APPOINTMENTS

Are the appointed individuals still available and willing to play their roles?

GUARDIANSHIP FOR MINOR CHILDREN

Have there been changes in the guardians' circumstances or in the needs of my children?

ASSETS AND LIABILITIES

Have I had significant financial changes, acquisitions, or debt settlements recently?

DIGITAL ASSETS AND ONLINE ACCOUNTS

Have I documented and made accessible all my digital assets, including passwords?

ACTION ITEMS:

- Ensure all vital information is up-to-date. Accurate information ensures a smooth transition and minimizes potential disputes.
- Check the legitimacy of all legal documents. Proper documentation is the foundation of an effective estate plan.
- Review beneficiaries and distribution plans. Life changes might necessitate adjustments to my wishes.
- Confirm all appointments. This ensures that trusted individuals are in place to fulfill my wishes.
- If applicable, assess the choice of guardians for any minor children.
- Update my list of assets and account for any debts. An accurate inventory provides a comprehensive overview of my estate's net worth. A list makes it easier for your Fiduciaries to understand your financial picture.
- Manage my digital presence. Digital assets can have both significant value and sentimental importance. Your last will and your power of attorney documents must have a provision to allow your Fiduciaries access to your online accounts.

Legislative Update



- ✓ Reviewing an estate planning checklist
- Tax Cuts and Jobs Act of 2017. Estate Planning Repercussions of the SECURE Act of 2019 for Beneficiaries of retirement plan assets.

The Tax Cuts and Jobs Act of 2017

- The federal estate tax exemption, now \$12.92 million per person, is reduced by 50% on Jan. 1, 2026,
- Maryland imposes an estate tax with an exemption amount set at \$5 million (beginning in 2019 and not indexed for inflation).
- Maryland allows [portability](#) between spouses. Any unused exemption at the death of the first spouse to die may be used by the surviving spouse.

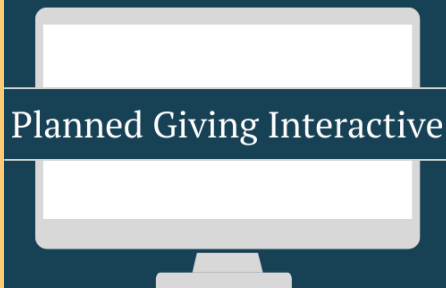


Maryland Estate Planning Considerations

WHO (WHAT) IS AN IRA BENEFICIARY?

IRS Pub 590-B provides:

“If you inherit a traditional IRA, you are called a beneficiary. A beneficiary can be any person or entity the owner chooses to receive the benefits of the IRA after they die.”



ESTATEGIFTPLANNING.COM

The following are essential vernacular, abbreviations, and acronyms that are part of estate planning for retirement assets.

THE 5 CATEGORIES OF ELIGIBLE DESIGNATED BENEFICIARIES:

1. Owner's Surviving Spouse
2. Owner's Minor Child
3. An Individual Who is Disabled
4. An Individual Who is Chronically Ill
5. Any Other Person Who is Less Than 10 Years Younger than the Decedent

Planning has become more complicated by adding five categories of eligible designated beneficiaries who aren't subject to the 10-year rule.

Those five categories have four sets of minimum distribution rules.

Example:

REQUIRED MINIMUM DISTRIBUTION Updated for SECURE 2.0

If the decedent died before their required beginning date (April 1 after the participant becomes age 73), designated beneficiaries could delay their minimum distribution payments until the 10th anniversary of the participant's death. Full distribution by the end of the calendar year that includes the tenth anniversary of the death (e.g., 2023 deaths= 12/31/33 liquidation)

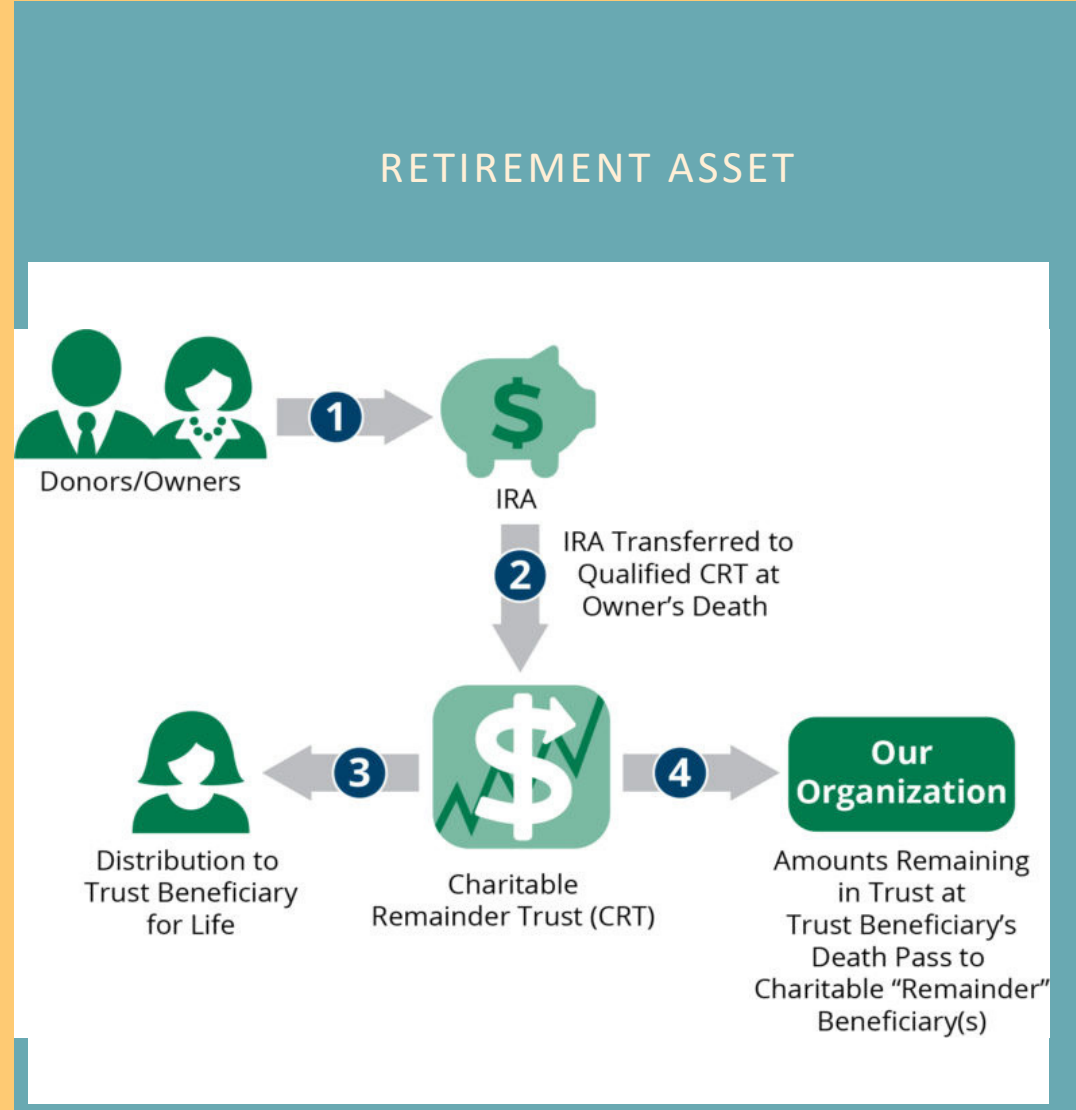
Because SECURE didn't repeal rules, if a decedent dies after RBD, a regular designated beneficiary must begin taking life expectancy payout for the first nine years and 100% final distribution in year 10.
(IRC 401(a)(9)(B)(i))



TESTAMENTARY CHARITABLE REMAINDER TRUST

- Name the trust as the primary beneficiary of Donor's IRA
- Review Your States "Dry Trust" Rules
- Letter Ruling's 9237020, 9253055

"The benefit of the stretch through the CRT may offset or outweigh the loss of the remainder interest."



Assumptions

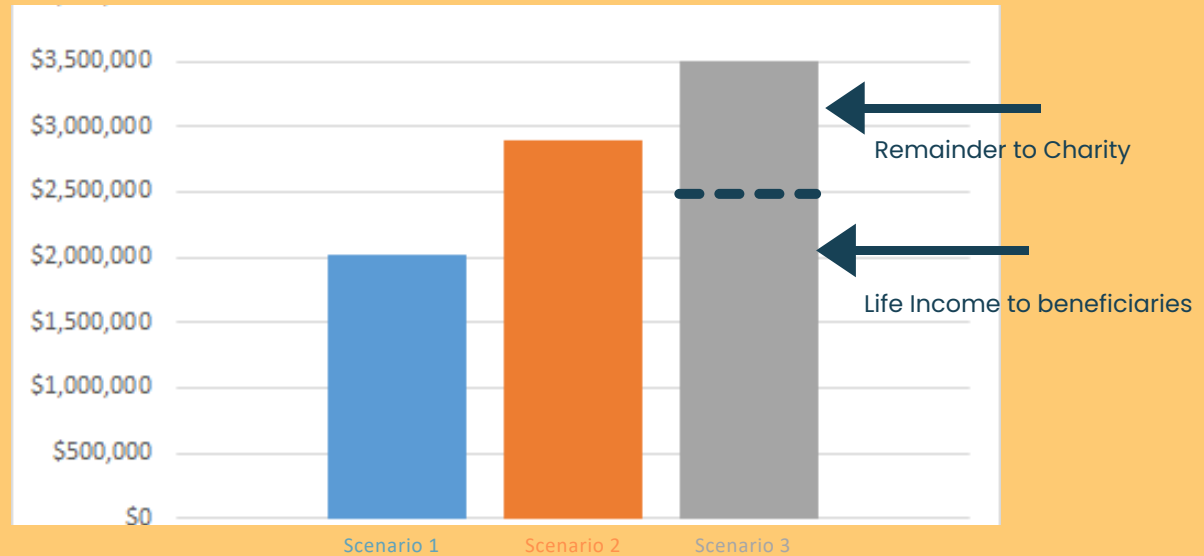
Tax rate: 37% on Lump Sum Withdrawal
 Tax rate: 22% assessed ongoing

Scenario 1: Inherits \$500K IRA. No rollover to inherited IRA; immediate withdrawal. Amount invested after taxes.

Scenario 2: Inherits \$500K IRA. Rollover to inherited IRA, 10-year deferral then withdrawn.

Scenario 3: \$500K into Testamentary CRUT. 5% annual payout based on the beginning principal balance.

Rate of return: 7%
 Term of Years: 35
 Principal: \$500,000



Scenario 1:
 Total after 35 years: \$2,024,805
 Growth: \$1,524,805
 PV (Beg. Yr 1): \$315,000

Scenario 2:
 Total after 35 years: \$2,897,986
 Growth: \$2,397,986
 PV (Yr 10 to Beg. Yr 1): \$498,290

Scenario 3:
 Remaining Principal
 Total after 35 years: \$999,939
 Growth: \$499,939
 PV: \$93,657
 Lifetime Income
 Total after 35 years: \$2,495,565
 Growth: \$2,495,565
 PV: \$388,237



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**YOUR ESTATE:
SOME ASSEMBLY
REQUIRED!**



ASSEMBLING YOUR ESTATE

- **Searching For the Pieces:
Property (real, tangible,
and intangible)**
- **With Limited Tools:
Legal Documents**
- **Instructions: What Needs to
Be Done**



**The Way We Want it to
be Forever**



The Way it is

**Modern Healthcare is
Keeping Us Alive Longer**



**Our Minds Can't Function as
Long as Our Bodies Can**

“THE AFTERMATH”

- 80-90% of Women will be solely responsible for financial decisions
- Women score lower in acumen of financial knowledge and very few have control over their finances yet scored higher confidence than their husbands when asked “My Wealth Management Affairs Are In Order.”
- 15% of Couples feel confident either spouse could assume full financial responsibility





Clear Direction With Investment Decisions



Advance Investment Philosophy™



Utilizing Life Insurance Death Benefits



Distribution of Personal Property, Pets, etc.



Final Arrangements



Express Intentions with Discretionary Trusts

LIFE INSURANCE FINANCIAL PLANNING



"I'm very grateful that Nick provided me instructions and guidance on how to invest the life insurance lump-sum payment at his untimely demise."

"How do I want the 529 plans used for my grandchildren?"

"What if they decide not to attend college?"

"Do I consider this an unconditional gift to them?"

Steve provides instructions for the Successor Owner of his 529 Plans for his grandchildren



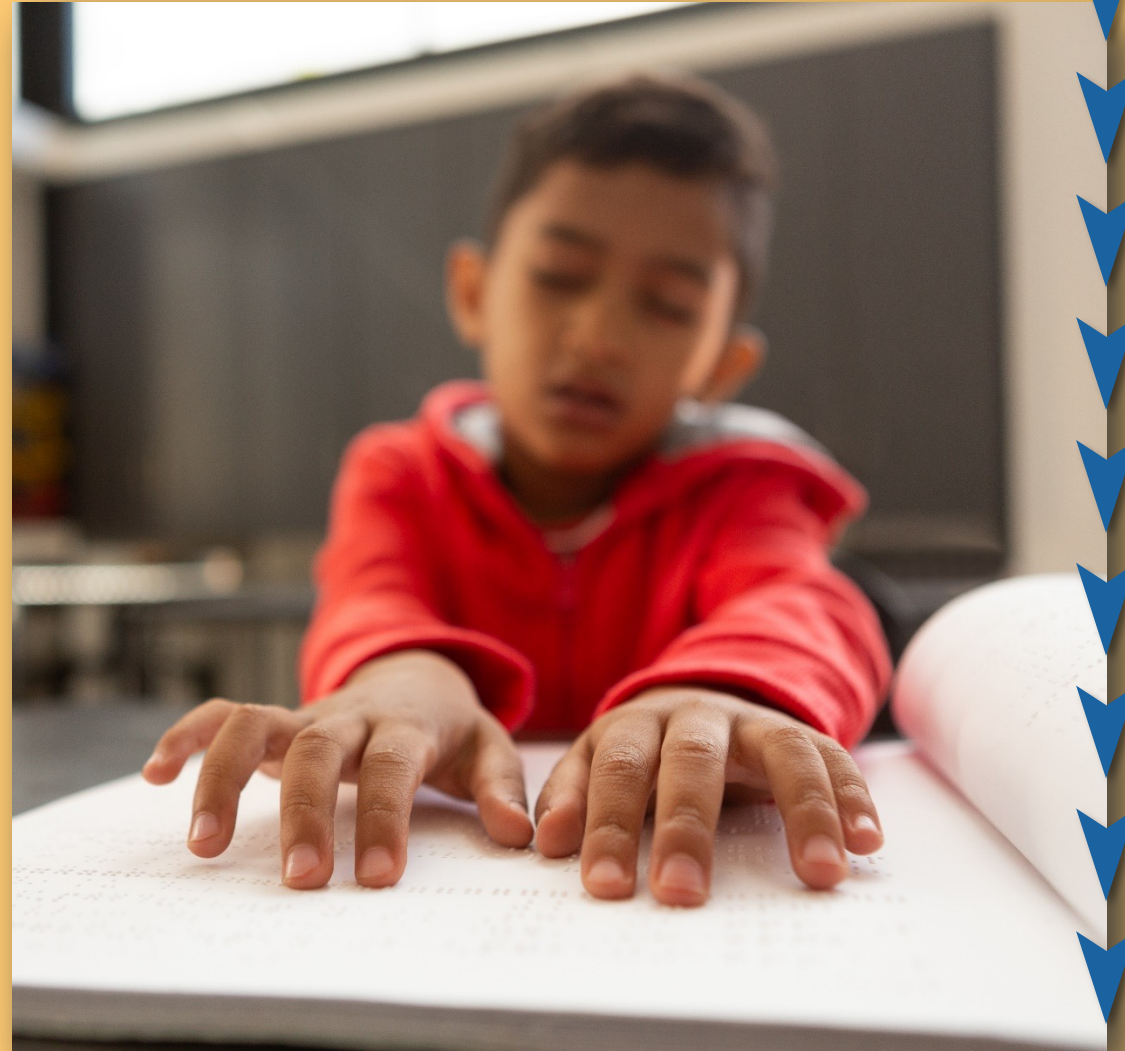
FINAL ARRANGEMENTS



"I wish that Ted would have shared with our family his final wishes. We don't know if he wanted to be cremated or buried. It's very stressful for the family to reach an agreement about what to do."

"I want to make sure that my son, Kyle, is cared for in a meaningful and effective way when I can no longer care for him. My successor trustee needs to have written instructions for suggested places for Kyle to live, his transportation needs to and from work, and how I suggest to use resources from the trust to supplement his needs."

SPECIAL NEEDS PLANNING



TANGIBLE PERSONAL PROPERTY



"Mom's will says to divide everything equally between us, but I would like to have her art piece in the dining room."

MARTIN SHENKMAN, CPA, MBA, JD



“A personal note detailing your wishes, hopes, messages to fiduciaries and heirs, is a key part of every estate plan. It doesn't require legal, tax or other professional involvement, but it can fill in vital messages that even the most comprehensive planning documents can't address.”

“Letters of instruction aren't really talked about enough. They don't save taxes, and they certainly don't substitute for properly written, current planning documents. Even the best drafted will or trust won't address key personal issues. They also change over time. Everyone needs to write a letter of instruction to their fiduciaries and revise it at least every couple of years. Nothing can fill in the "blanks" better than a detailed, well thought out, heartfelt letter. No trust or will gives this detail but after you're gone your fiduciaries will want to carry out your wishes. They need to know more than what just a sterile legal document contains. And that is exactly why you should write a last letter of instruction. It's tough to do.”



A TEMPLATE IS BETTER THAN A BLANK CANVAS

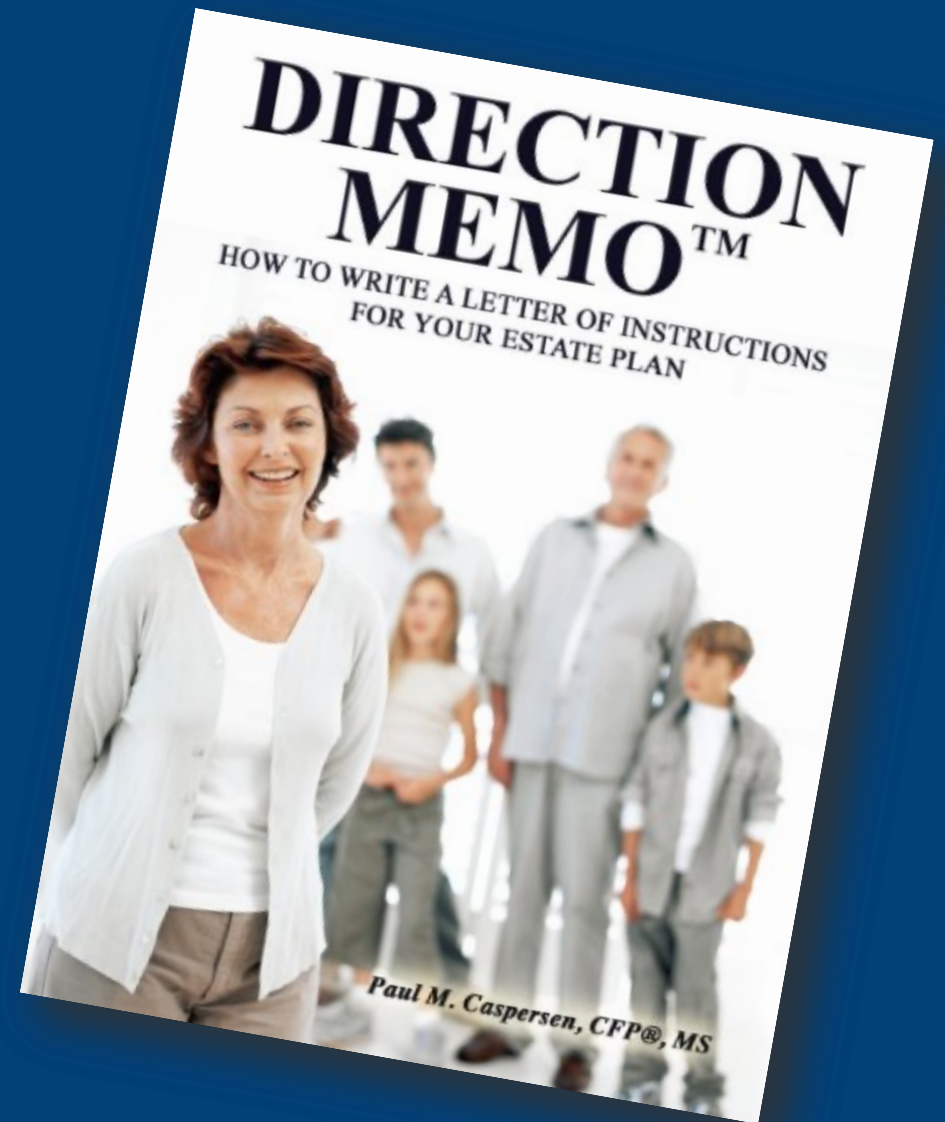
- You Know Where to Begin and End
- Create a Comprehensive Financial Picture Through Your “lens.”
- It can be easily updated
- Encourages Collaboration Among Advisors



DIRECTION MEMO[®]



- Provide a central document to locate all requisite information (e.g., legal documents, financial statements, final arrangement decisions)
- Convey intent beyond the scope of traditional estate planning documents. Create a financial for future decisions that must be made in estate planning.



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Thank you !