Slide 1

Estate Planning
A sensible approach

Slide 2

What to expect from today’s workshop...

Group

Personal

Slide 3

Today’s agenda is simple

1. What does estate planning mean to you?
2. "Permanent" estate tax law
3. Today's estate tax landscape
4. How you can avoid the 10 common mistakes people make with their estates

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.
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What does estate planning mean to you?

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Slide 5

What is estate planning?

Estate planning means different things to different people

- Determining who will care for your children
- Structuring your finances so your loved ones are taken care of
- Strategizing the best way to minimize costs of dying
- Establishing who will handle your finances
- Deciding who will make medical decisions on your behalf
- Determining if your beneficiaries can handle an inheritance

Estate planning means different things to different people

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Almost everyone needs some estate planning

- Parents with young children or financially irresponsible children
- Spouses with children from former marriages
- Grandparents who want to benefit and protect grandchildren
- Business owners who want to pass on their business to children or others
- Individuals who have dependents with special needs

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NetLife
Permanent estate tax law?
“Permanent” in Washington really means “current”

The estate tax landscape

Federal estate taxes

<table>
<thead>
<tr>
<th>Year</th>
<th>Top tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2012</td>
<td>35%</td>
</tr>
<tr>
<td>2013 and beyond</td>
<td>40%</td>
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</tbody>
</table>

In 2020, the federal estate tax exemption is generally $11,580,000 for individuals and $23,160,000 for married couples.

Where not to die

Does your state have an estate or inheritance tax?
How to avoid the common mistakes people make with their estates

#1 – Make a plan

Estate planning is about making sure your wishes are carried out. You want to avoid assets passing to the wrong heir at the wrong time and in the wrong way. Working with a team that includes a financial advisor, tax professional and estate planning attorney can help put you on course.

#2 – Document your wishes

There are five documents that are used to retain control over your wishes and decisions:

1. Will
2. Health Care Power of Attorney or Proxy
3. Durable Financial Power of Attorney
4. Living Will
5. Health Insurance Portability and Accountability Act (HIPAA) Release Form

Where there’s no will, there’s no way.

A will should clearly state what you want to have happen to your assets and possessions at your death. Name your personal representative (executor) and guardian for minor children. Without a will, the state may decide where your things are going to go.
#2 – Document your wishes

Surviving family members often fight over “things” not money

Talk to your children, friends, and relatives about “nontitled” property (jewelry, furniture, artwork) if state law allows, consider including reference to a tangible personal property memorandum within your will.

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#2 – Document your wishes

What is an executor or personal representative?

The person who carries out your will helps get through the probate process

- Submits paperwork to begin proceedings
- Notifies creditors
- Pays debts, expenses, taxes
- Submits paperwork to end proceedings
- Takes inventory of assets and manages them during process
- Distributes property per instructions in will
- Takes care of executors

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#2 – Document your wishes

- A health care power of attorney
  - Assigns the person who will make health decisions for you if you are unable

- A durable financial power of attorney
  - Assigns the person who will make financial decisions if you are unable
#2 – Document your wishes

## A Living Will
- Provides clear instructions as to what treatment you do and do not want if you are unable to speak for yourself.

## HIPAA Release Form
- Allows named individuals to have access to healthcare information.

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## Consider having these documents created if you do not already have them:

- Will
- Health Care Power of Attorney or Proxy
- Durable Financial Power of Attorney
- Living Will
- HIPAA Release Form

Make sure a family member or someone else you trust knows where these documents are kept.

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#2 – Document your wishes

Revisit your documents to ensure they are up-to-date and continue to reflect your wishes.

**Heath Ledger** – when the actor died in 2008, it was revealed that the “Dark Knight” star had failed to redo the will he had signed before his daughter was born. This left his entire estate to his parents and siblings.

A full five years later, the family announced all the money would go to Heath Ledger’s daughter.
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#3 – Set up guardianship for dependents

- If you don’t name a guardian for minor children or a dependent with special needs, a judge will appoint one.
- Talk to the prospective guardian ahead of time.
- The guardian does not have to be the same person who manages the money.

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#4 – Consider trusts

Trusted can give you additional control

- Who gets what
- How and when it is distributed
- What goes into the trust

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#4 – Consider trusts

Benefits of a trust

- Beneficiaries may gain quicker access to assets
- Less estate taxes may be due upon death because trust assets may not be considered part of the taxable estate
- Trustee complete control even with complicated situations such as children from more than one marriage
- Protect your legacy from heir’s creditors or those who may not be able to manage money
- Assets pass outside of probate, which may result in lower court fees/taxes, and remain private.
#4 – Consider trusts

What are the basics?

**Grantor**
- Sets up the trust

**Beneficiary**
- Recipient of trust benefits

**Trustee**
- Similar to Executor/Personal Representative, but for a trust
- Executes the Grantor’s instructions found in terms of the trust

There are several types of Trusts and the rules regarding establishing and maintaining a Trust can be complicated. Please consult your personal estate planning advisor to determine if a Trust is right for your estate planning needs.

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#4 – Consider trusts

<table>
<thead>
<tr>
<th>Bypass (B) Trust</th>
<th>Generation Skip-Planning Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Lead Trust</td>
<td>Irrevocable Life Insurance Trust (ILIT)</td>
</tr>
<tr>
<td>Charitable Remainder Trust</td>
<td>Martial (A) Trust</td>
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<tr>
<td>Generation Skipping Trust</td>
<td>Qualified Terminable Interest Property Trust</td>
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<tr>
<td>Generation-Retained Trust</td>
<td>Revocable Trust (Living) vs. Irrevocable Trust</td>
</tr>
<tr>
<td>Generation-Related Trust</td>
<td>Testamentary Trust</td>
</tr>
</tbody>
</table>

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#4 – Consider trusts

What are the basics?

- State laws vary significantly and need to be considered
- Choosing and creating a trust is a complex process
- The guidance of an attorney with estate planning expertise is recommended

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#5 – Plan for federal and state estate taxes

Federal estate taxes are due within 9 months of death – in CASH

There are strategies you can take to reduce the amount of your estate to lower your tax burden

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#6 – Avoid probate

What is probate?

Probate is the legal process of verifying your will through the courts

Probate can be slow, costly and not private – it is a matter of public record

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#7 – Prepare for long term care

Long term care is costly and quickly uses up assets originally earmarked for your heirs
Know about Income in Respect of Decedent or IRD

What is income in respect of a decedent (IRD)?

If you didn’t pay income tax on accrued income during your life, your beneficiaries will have to pay the income tax when they get the money.

Know about income in respect of decedent or IRD

How can income in respect of a decedent (IRD) affect your plans?

Jenny’s estate
$100,000 personal savings
$200,000 401(k)

Jenny passes away in 2018 and did not pay income taxes on any of the money from 401(k).

Her beneficiaries will be taxed on the FULL $200,000 as ordinary income.

Keep your beneficiaries up to date

When does a will not have the final word?

401(k) plans, IRAs, insurance policies and other assets with named beneficiaries will pass based on your beneficiary designation only.
#9 – Keep your beneficiaries up to date

- Make a list of your assets with named beneficiaries
- Review them at least every five years or whenever there is a major change in your life (birth, death, marriage, divorce)
- Update as needed

#10 – Don't forget about digital assets

- Ask yourself: Could you quickly and easily find all the valuable documents and files stored online in the cloud or on your computer(s), phone, tablet, backup CDs, flash drives, etc.? What about your accounts with...
  - eBay, PayPal, iTunes, Facebook, Twitter, YouTube, Google Docs, Instagram
  - Online storage (photos and documents)
  - Loyalty programs
  - Banks and investment firms
  - Facebook, Twitter, YouTube, Google Docs, Instagram
  - eBay, PayPal, etc.

- Work with an attorney to designate a digital fiduciary who would be given the right to access digital information and define where they would be found.

- Have a plan to shut down your online presence.
How to avoid the 10 common mistakes?

1. Make a plan
2. Document your wishes
3. Nominate guardians for dependents
4. Consider trusts
5. Plan for Federal and State estate taxes
6. Avoid probate
7. Prepare for long term care
8. Know about income in respect of a decedent (IRD)
9. Keep your beneficiaries up to date
10. Don’t ignore digital assets

Your feedback is highly appreciated

Next steps

Questions not covered today?

Want to continue the conversation?

Here’s how to sign up for your free, no-obligation personal consultation with a local financial professional:

- By now (or very shortly), you have an email from MetLife (Retirewise_support@metlife.com) with a link to enter your contact information
- Once we receive your request, a local financial professional will reach out to you to schedule a mutually convenient appointment
- Or you can email us at Jlee@Metwealthadv.com with your contact information. Please include the name of your company