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Estate Planning: Securing Your Legacy

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What is Estate Planning and Why is it Important?

Definition of Estate Planning

Estate planning is the process of managing and distributing a person's assets and liabilities after their death or incapacitation.

Key Components of an Estate Plan

Estate plans typically include a will, trusts, power of attorney, advanced directives, and other legal documents that outline your wishes.

Importance of Estate Planning

Effective estate planning ensures that your assets are distributed according to your wishes, minimizes taxes and legal fees, and protects your loved ones.

Benefits of Estate Planning

Estate planning provides peace of mind, helps avoid family disputes, provides tax planning and preservation of assets, protects family and disabled beneficiaries and ensures your assets are distributed efficiently and effectively.

Estate planning is a critical process that helps ensure your assets are distributed according to your wishes and that your wishes are honored after your passing. It is helpful to work with a qualified professional to create a comprehensive estate plan that meets your unique needs and goals.

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Estate Planning Goals

Legacy Planning

Strategies for ensuring your goals and wishes are carried forward both during your life and at your death.

Tax Minimization Strategies

Techniques to minimize estate, gift, income, and capital gains taxes at death and during life.

Asset Protection

Implementing structures and legal entities to shield from creditors, lawsuits, and other liabilities. Planning to protect assets in the event of long term care needs.

Retirement and Financial Planning

Integrating personal financial goals and retirement needs into the estate plan, including the use of qualified retirement plans, deferred compensation arrangements, and life insurance.

Philanthropic Planning

Exploring opportunities to incorporate charitable giving into their estate plan.

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How to Prepare for an Estate Planning Appointment

- Prepare an outline of the goals for your meeting and identify your other important advisors.
- Identify heirs at law and desired beneficiaries.
- Identify special circumstances and relationships.
- List of Assets: Who, what and how? Describe the asset, provide the value, how its titled and names of designated beneficiaries.
- Identify financial and family events such as past gifts, future inheritances, and expansion of family.
- Identify desired fiduciaries (Guardian, Trustee, Agent for Durable Power of Attorney, and Personal Representative).

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Key Components of an Estate Plan

- **Will**
  A legal document that specifies how your assets and property should be distributed after your death.
- **Trust**
  A legal arrangement where you or a third party (trustee) holds and manages assets on behalf of beneficiaries.
- **Durable Power of Attorney**
  A document that grants someone else the legal authority to act on your behalf for financial and medical decisions.
- **Health Care Directive**
  A document that outlines your preferences for medical treatment and end-of-life care.
- **Beneficiary Designations**
  Naming the specific individuals or organizations who will receive your assets, such as life insurance policies and retirement accounts.

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What to Expect at the Appointment

Open and honest discussion of goals

Collection of information regarding assets and familial status

Explanation and discussion of relevant tax strategies or long term care strategies

Explanation and discussion of legacy strategies

Discussion of costs of services and plan of action

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Estate Planning Timeline

- Prepare for appointment, collect asset information, identify goals and desired outcome, talk to potential fiduciaries.
- Meet with attorney or other advisor to discuss estate plan.
- Review draft documents and follow up discussion with advisors.
- Execute estate plan and coordinate account ownership and beneficiary designations for all assets.
- Share estate planning with other advisors, family, and financial institutions.
- Monitor and adjust estate plan periodically to account for changes in law, family, and financial situation.

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Wills and Trusts

WILLS AND TRUSTS ARE TWO OF THE MOST IMPORTANT ESTATE PLANNING TOOLS AVAILABLE.

- Wills allow individuals to specify how their assets should be distributed upon their death that have not passed in another manner such as a beneficiary designation, payable on death designation, property agreement, etc.
- Trusts provide a way to manage and transfer assets both during life and after death. In order for a trust to transfer ownership, the asset must be held in trust.

Understanding the key differences and benefits of these tools can help ensure that your final wishes are carried out.

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Will vs. Trust

Not What it Used to Be

Wills

Less costly initially but have expense of probate administration.

Assets transferred at death but require court probate for assets that are passing under the will.

The probate process is easy in Washington.

Ancillary probate may be necessary for real estate outside of Washington.

Trusts

Costly to create and fund. Now, they are also costly to administer.

Formal legal action required to appoint new trustee and virtually same administrative process as probate.

Trusts are often improperly funded at death requiring a probate administration.

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Common **Misconceptions**

- Trusts cost less than a probate.
- Trusts are easier and faster than a probate.
- There is a tax difference between using a trust or will.
- Only trusts allow you to plan for beneficiaries.
- Assets are available more quickly with a trust.
- You can not use a professional fiduciary with a will.

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Common Estate Planning Questions

1 | Who should I chose as my Personal Representative/Trustee? Is it possible to name more than one person? What about a professional?

2 | What does the probate process look like?

3 | What to do with a will after someone has passed away?

4 | What are the requirements for a validly executed will? Who determines capacity?

5 | What assets are included in your taxable estate vs probate estate?

6 | Should I do a will if I have beneficiary designations on all assets?

7 | What is the difference between a living trust and a testamentary trust?

8 | What is a Special Needs Trust/Supplemental Care Trust and how does it work?

9 | How do we incorporate tax planning when considering step up in basis, income, capital gains, and estate taxes?

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Property Character and Ownership Considerations

1 **Separate Property**

You can sell, give, or bequeath it.

2 **Community Property**

You can sell your own share.

You cannot sell or give away the property without approval of spouse/partner.

You can bequeath your own share.

3 **Tenants in Common**

You can sell, give, or bequeath your own share.

4 **Joint Tenants with Right of Survivorship (JTWROS)**

You cannot sell, give way or bequeath until 100% owner or action of both owners required.

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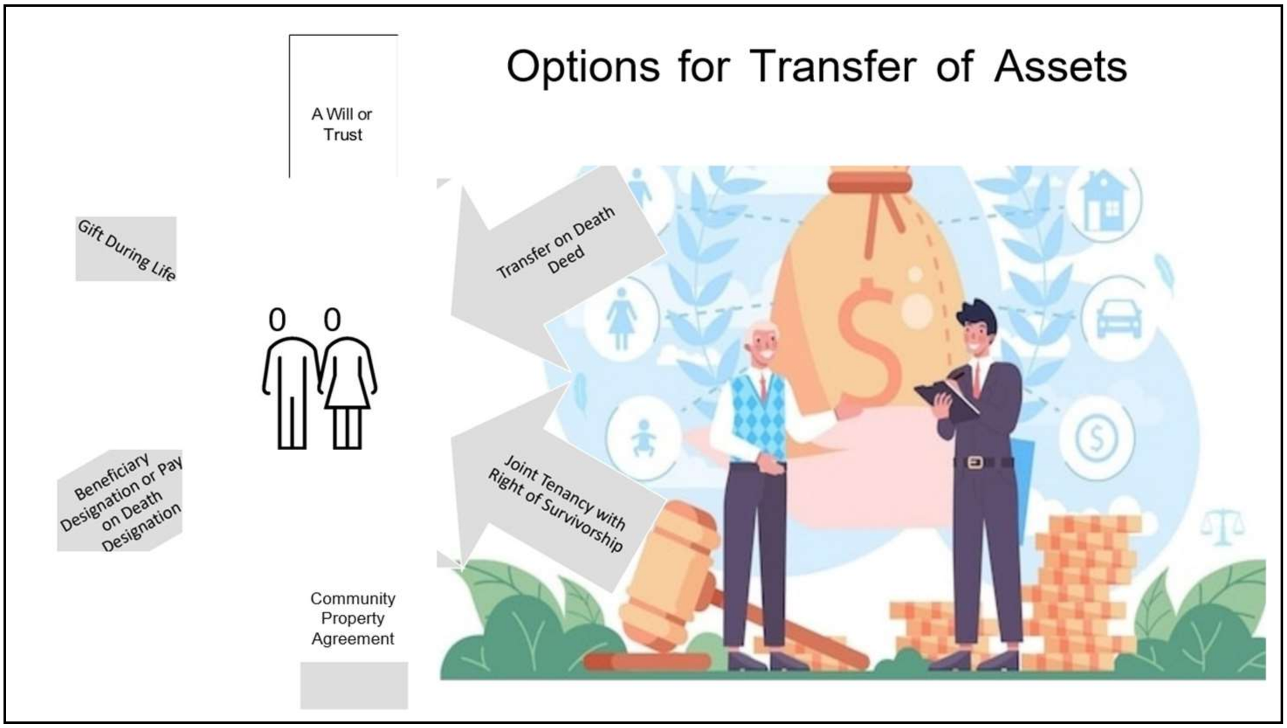

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How Assets are Controlled at Death

Will

Real property, financial accounts including investments & bank accounts (absent a pay on death designation), tangible personal property, and more

Trust

Only those assets held in trust, real property, investments & bank accounts (absent a pay on death designation), tangible personal property, and more

Other Ways to Pass Wealth at Death

Joint tenancy with right of survivorship, Community Property Agreement, Pay on death designations

Other Ways to Pass Wealth at Death

Transfer on death deeds

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What Happens if You Don't Plan

- Intestate statues govern your distribution.
- There may be a delayed administration.
- There may be otherwise avoidable tax consequences or challenges with out of state property.
- You are unable to plan for minors or disabled beneficiaries.
- You do not have control over choosing the fiduciaries (Personal Representative, Trustee, Guardian, Agent under Durable Power of Attorney).
- There may be additional expense to administer the estate.

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Advance Directives and Powers of Attorney

What are Advance Directives?

Advance directives are legal documents that allow you to plan and communicate your healthcare preferences, including end-of-life care, in case you become unable to make decisions for yourself.

Durable Powers of Attorney for Health and Financial

This document allows you to designate a trusted person to make healthcare decisions and financial decisions on your behalf if you are unable to do so.

Living Will, Advanced Directives and Do Not Resuscitate Orders

A living will outlines your preferences for medical treatment, such as the use of life-sustaining measures, and ensures your wishes are followed. A Do No Resuscitate Order provides end of life decisions.

Advanced Care Planning

Engage in discussions with your loved ones and healthcare providers to ensure your values and preferences are known and respected.

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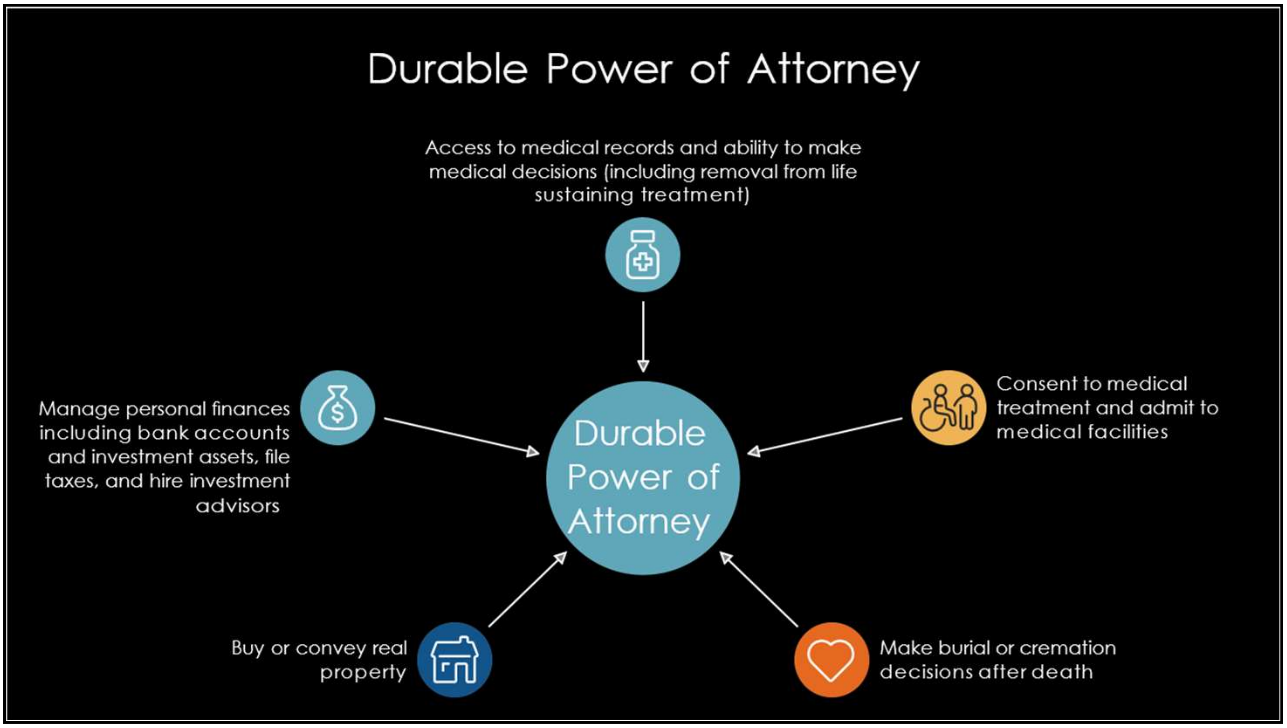

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End of Life Planning

Differences Between POLST and Advance Directive

Characteristics	POLST	Advance Directive
Population	Seriously Ill	All Adults
Timeframe	Current and Future Care	Future Care
Form Can Completed By:	Physician / Healthcare Professionals	Patients
Healthcare Agent / Surrogate	Authorized to discuss options if patient lacks capacity.	Cannot complete form.
Transfer/Portability	Provider responsibility	Patient/Family Responsibility
Periodic Review	Provider responsibility	Patient/Family Responsibility

- Health Care Directive aka Living Will
  - HCD is a legal document that everyone should have
  - Applies when death is imminent
  - Is NOT a Do Not Resuscitate Order
- POLST - Physician Order to Life Sustaining Treatment
  - Must be signed by a physician
  - Is a DO Not Resuscitate Order
  - Intended for individuals with serious illness or someone in their last year of life

- Mental Health Advance Directive
  - Valuable tool for individuals with dementia
  - Can be used for those with other mental health care deeds
- VSED: Voluntary Stopping of Eating and Drinking
  - A directive that expresses your end of life wishes regarding eating and drinking
  - Application for illnesses such as dementia but does not require a specific diagnosis

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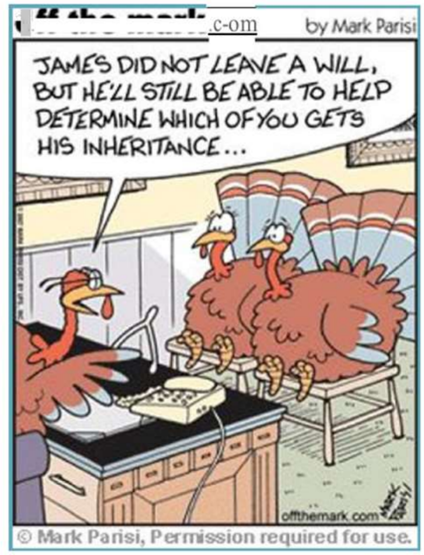

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