Creating a lasting legacy

Strategies for effective estate and tax planning

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Welcome to today’s presentation

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You should always consult with your own attorney and/or tax advisor before making changes to your individual investment, financial plan and/or estate plan.
Today’s agenda

1. Basic estate planning considerations
2. Estate tax planning
3. Avoiding the most common estate planning mistakes
4. Establishing a trust to preserve your wealth and your values
5. The TIAA Individual Advisory Services offering
Basic estate planning
Documents everyone should consider

General Durable Power of Attorney
Authorize someone to handle your financial affairs if you are disabled

- Agent can act in the manner authorized with respect to assets specified
- May become effective immediately or upon a triggering event
- Avoids legal proceedings
Living Will or Healthcare Directive
- Provides statement of intent for healthcare

Medical Power of Attorney (Health Care Proxy)
- Designate person(s) to make medical decisions if you are incapacitated
- Authorize person(s) to have access to protected medical records under HIPAA

Accessibility
- Make sure your agents have copies of your Living Will and Health Care Proxy and that they know where the originals are stored
- Originals should be kept someplace safe yet accessible – such as a safety deposit box or with your attorney
**Last Will and Testament**
Directs distribution of your assets upon your death, otherwise you will die “intestate”

Attributes:

– Name a personal representative or executor
– Nominate a guardian for minor children
– Consider how your beneficiaries receive your property – outright or in trust
– Federal and state estate or inheritance tax planning
– Wills are state specific
– Wills are valid only through the probate process
Revocable Trust
provides for the disposition of assets during lifetime and at death

- Provides continuity of management

- When properly funded, avoids probate

- State-specific rules as to creation and execution

- Common elements:
  - The parties –
    - Grantor, Trustee, and Beneficiary
  - Can be amended or revoked during lifetime
Should tax planning be part of your estate plan?
If your taxable estate exceeds the estate tax exemption, you should consider tax planning

- In 2017, the federal estate tax exemption is $5,490,000
- In addition to federal estate tax, your state may impose a separate estate or inheritance tax
- You should consider not only the current value of your estate, but any anticipated growth in your estate
- Also consider your beneficiary’s tax situation
Avoiding the most common estate planning mistakes
Intestacy: assets that would have passed through your will are affected by intestate succession laws. If you die:

- with children or other descendants from you and the surviving spouse, and your surviving spouse has no descendant from previous relationships. Your surviving spouse inherits everything.

- with children or other descendants from you and the surviving spouse, and your surviving spouse has a descendant from previous relationships. Your surviving spouse inherits half of your intestate property and your descendants inherit the other half.

- with descendants who are not the descendants of your surviving spouse, your spouse inherits half of your intestate property and your descendants inherit the other half.
Joint ownership-add a name

Avoiding probate by adding another person’s name to asset

- Gift tax
- Estate tax
- Lack of step up in basis
- Creditor Issues
- Florida homestead issues
Lack of incapacity planning

Failing to plan for incapacity creates confusion and costs

- Durable Power of Attorney
- Designation of Health Care Surrogate
- Successor trustee
Outdated plan

Outdated plan has unintended consequences

- Your goals or objectives
- Your personal situation
- Your net worth
- Tax or other laws
- You’ve moved
Marital status

Marriage

- Divorced
- Re-marriage
- Beneficiary gets married or divorced
- Surviving spouse remarries
- Florida homestead
Trustee Choices have consequences

- Inappropriate Trustee
- Inexperienced Trustee
- Trustee with limited or no asset management experience

Consider

- Consider a professional co-Trustee
- Give your beneficiaries flexibility to remove and replace
Asset titling determines how assets flow

- Individually titled assets and assets titled as tenants-in-common will pass by will

- Assets with a TOD or POD designation will pass to the designated beneficiary

- Jointly held assets (with right of survivorship or tenants by the entirety) will pass to the joint property holder

- Assets titled to a trust will pass per the terms of the trust

- If a revocable trust is part of your estate planning, consider whether you should retitle your non-retirement assets to that trust
Your choice of beneficiary can have unintended consequences

- Blank beneficiary form
- "Estate" = probate
- No contingent beneficiary if primary beneficiary deceased = probate
- No provision for deceased children or other heirs
Life insurance

- Death benefit included in taxable estate if you are the owner and insured
- Review your policies to make sure the coverage does not expire
- Consider ownership and beneficiaries
- Ensure that the beneficiary is of record with the policy insurer
Special needs beneficiaries

• Leaving assets to a non-needs beneficiary and having that person provide for the special needs beneficiary can have unintended gift tax consequences

• Leaving assets outright to a beneficiary that is receiving government assistance can have unintended consequences

Consider

• Supplemental or Special Needs Trust

• ABLE Act
If you are charitably inclined – but depending on when you are giving to charity there are certain assets that may be better to give than others:

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<thead>
<tr>
<th>During Lifetime (Under 70½)</th>
<th>During Lifetime (70½ or Older)</th>
<th>At Death</th>
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<tbody>
<tr>
<td>1. Low basis marketable securities</td>
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<td>1. Nonqualified deferred comp</td>
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<tr>
<td>2. Cash</td>
<td>2. Cash; and/or up to $100,000 of IRA assets through a QCD</td>
<td>2. Retirement plan assets</td>
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<td>3. Other nonqualified (i.e., after-tax) assets*</td>
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<td>3. Cash, and other nonqualified (i.e., after-tax) assets, including marketable securities*</td>
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* Real estate, life insurance, tangible personal property, patents, copyrights, and royalties

TIAA PUBLIC
This is Mary. Mary has two children and 5 grandchildren. Mary really likes her in-laws, but she would like to ensure that her grandchildren receive the legacy that she has worked hard to leave to her children and grandchildren.

Mary would like to know if there is a way that she can do this.

Answer: In lieu of outright distribution of assets to her children, she can leave them in trust.
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- A realistic assessment of current savings and investment strategies

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- Do I have enough to retire?
- What is the right asset allocation for me?
- How much should I draw down each year across all my savings?

The comprehensive retirement review:
- Considers all assets targeted for retirement income
- Provides customized analysis of a client’s unique circumstances
Professionals partner to create a comprehensive financial team

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