

LIVING LIFE FULLY (SESSION II)

March 25,2021

11:00-12:00

Seminar for ALOA

Section 2

Planning For Anything



LIVING LIFE FULLY

Update of Homework Assignment:
Any Questions?
How did you follow up on your
goals?

Living Life Fully

- ▣ Would like to invite Christ to be with us as we study....
- ▣ It's human nature to avoid complicated or emotionally heavy tasks...
- ▣ This is too important to put off for long...
- ▣ Otherwise, someone else may make decisions on your behalf without a "roadmap"

Living Life Fully

▣ Finances

- ▣ Where are your financial assets held?
- ▣ Monthly Bills & Credit Card statements
- ▣ Connections with financial, legal or tax professionals?
- ▣ Do you have a Durable POA, Will, etc.
- ▣ Do you have an overall Estate Plan?

Living Life Fully

▣ Health

- ▣ Doctors & Contact Information
- ▣ Medications, What pharmacy do you get them? SE's of meds?
- ▣ Health Insurance?
- ▣ LTC Insurance,
- ▣ Advance Medical Directives?

Living Life Fully

▣ Living Situation

- ▣ Do you have a plan to downsize or stay in current home?
- ▣ Can you make your current home more comfortable or safe?
- ▣ Large Projects?
- ▣ Cleaning help or Yard Service?

Living Life Fully

▣ Memorial Wishes

- ▣ After death- Burial or Cremation?
- ▣ Do you have a crypt or plot?
- ▣ Specific Requests or Wishes for your Memorial Service?

ADVANCED DIRECTIVES@

<u>NAME OF DIRECTIVE</u>	<u>WHAT IT DOES</u>	<u>SAMPLE WORDING</u>
1. Durable Power of Attorney	Delegates someone to act	"I delegate (name person*) to act for me, make decisions in your behalf on business & personal matters."
2. Durable Medical(Power of Attorney for Health Care)	Appoints someone who can request or deny medical care if you become incapacitated.	"I name (name person *) as my agent who has authority to make any & all health care decisions, in accordance with my wishes, when I am no longer capable of making them myself."
3. Directive to Physicians (Living Will)	Tells medical workers your wishes regarding life-sustaining care	"If I have a disease or illness certified to be terminal by two physicians and application of life-sustaining procedures would only artificially prolong the moment of my death, I direct that such procedures be withdrawn or withheld & that I be permitted to die naturally."
4. Appointment of Agent to Control Disposition of Remains	Names someone to be responsible for making decisions about what to do with your remains after your death.	"I name (name person*) as my agent who will have authority upon my death, to make all decisions with respect to the disposition of my remains, in accordance with my wishes."
5. Appointment of a Guardian for Adult, Minor, or Disabled Children	Names person to be guardian for minor or disabled children.	"I appoint (name person*) as guardian to make decisions after my death concerning minor or disabled children".
6. Out-of-Hospital, Do Not Resuscitate Order (DNR)	For the purpose of instructing medical personal or other health care professionals to forgo resuscitation attempts	"If I am in a state of medical decline where there is no chance for my recovery, and death is eminent, I request DNR orders to be in place, with no resuscitation attempts to be used."

* Always name an alternate in case person you select is unavailable

Estate Planning Basics

An Overview of the
Estate Planning Process

Michael Guthrie, CFP®

Wealth Advisor

CUSO Financial Services L.P. at UFCU

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What Is an Estate Plan?

- An estate plan is a map
- This map reflects the way you want your personal and financial affairs to be handled in case of incapacity or death



Who Needs an Estate Plan?

Chances are, you do

- Not just for the wealthy
- Without an estate plan, you can't control what happens to your property if you die or become incapacitated
- An estate plan makes your wishes clear and helps avoid family disputes
- Proper estate planning can preserve assets and provide for loved ones

Especially needed if:

- Your spouse isn't comfortable with financial matters
- You have minor children
- Your net worth exceeds the federal transfer tax exclusion amount (\$11,700,000 in 2021) or, if less, your state's exemption amount
- You own property in more than one state
- Financial privacy is a concern
- You own a business

Basic Estate Planning Concepts



Planning for Incapacity



Health Care



Property Management



Planning for Death



Wills and Probate



Tax Basics



Lifetime Gifting



Life Insurance



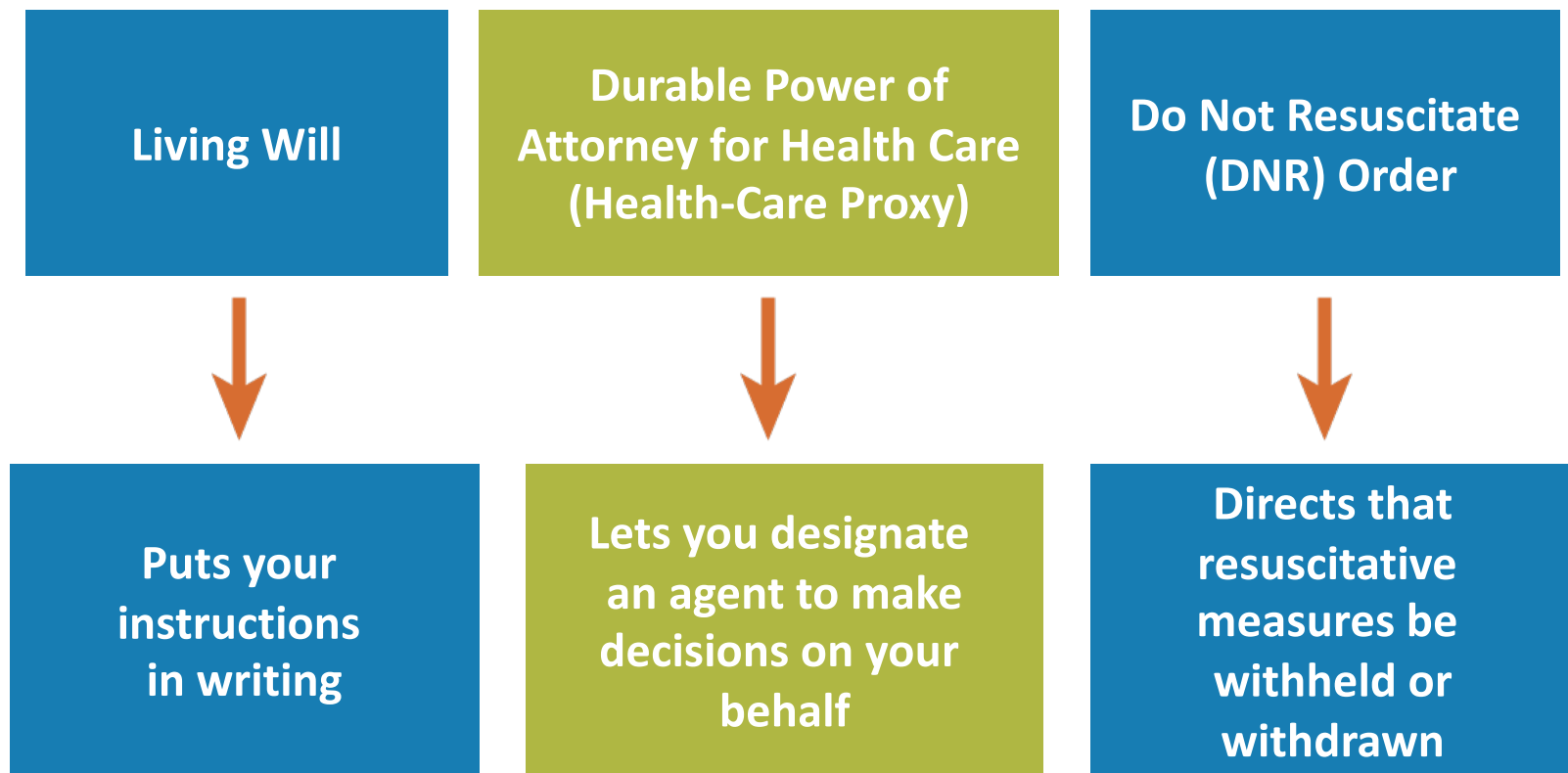
Trusts

Planning for Incapacity

- Incapacity can strike anyone at any time
- Failing to plan means a court would have to appoint a guardian
- Lack of planning increases the burden on your guardian
- Your guardian's decisions might not be what you would want



Planning for Incapacity — Health-Care Directives



Not all types of health-care directives are effective in all states, so be sure to execute the one(s) that will be effective for you.

Planning for Incapacity — Property Management Tools

Joint Ownership



**Joint owner has
the same access
to property as
you do**

**Durable Power of
Attorney (DPOA)**



**Lets you designate
an agent to make
decisions on your
behalf**

Living Trust



**Lets a successor
trustee take over
management of
trust property**

What Happens If You Die Without an Estate Plan?

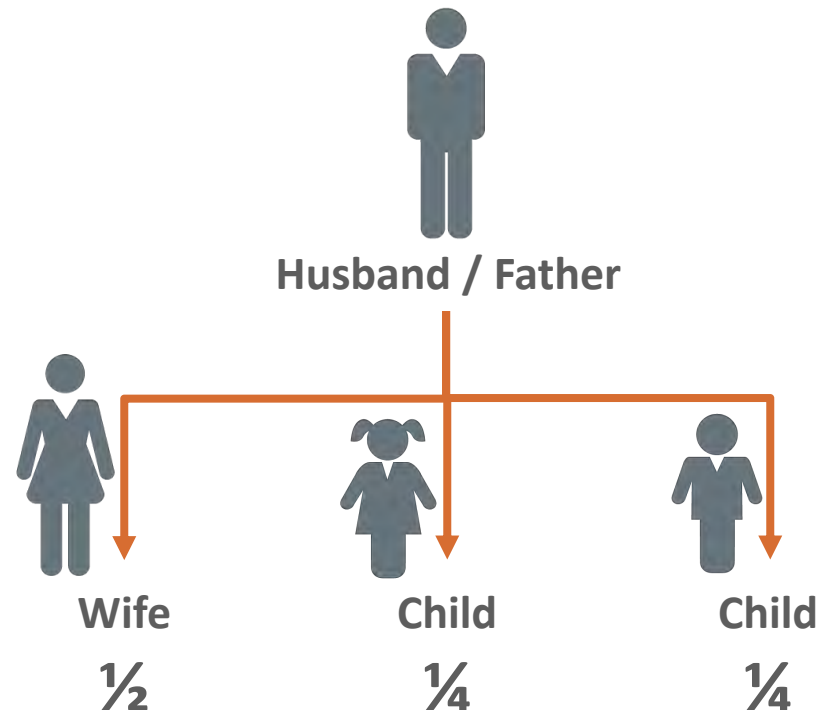
- Some property passes automatically to a joint owner or to a designated beneficiary (e.g., IRAs, retirement plans, life insurance, trusts)
- All other property generally passes according to state intestacy laws



What Happens If You Die Without an Estate Plan? — Intestacy

- Intestacy laws vary from state to state
- Typical pattern of distribution divides property between surviving spouse and children
- Your actual wishes are irrelevant
- Many potential problems

A typical intestate distribution pattern looks like this:



Wills & Probate

- A will is the cornerstone of an estate plan
- Directs how your property will be distributed
- Names executor and guardian for minor children
- Can accomplish other estate planning goals (e.g., minimizing taxes)
- Written, signed by you, and witnessed

Wills & Probate —

The Probate Process



- Most wills must be probated
- Will is filed with probate court
- Executor collects assets, pays debts, files tax returns, and distributes property to heirs
- Typically, process lasts several months to a year

Wills & Probate —

Probate Pros & Cons

Pros

- Time and costs are typically modest
- Court supervision
- Protection against creditors

Cons

- Can be time consuming for complex estates
- Title transfer delays
- Fees
- Ancillary probate
- Public record

Wills & Probate — Avoiding Probate

Can you avoid probate?

Yes, an estate plan can be designed to control which assets pass through probate, or to avoid probate.

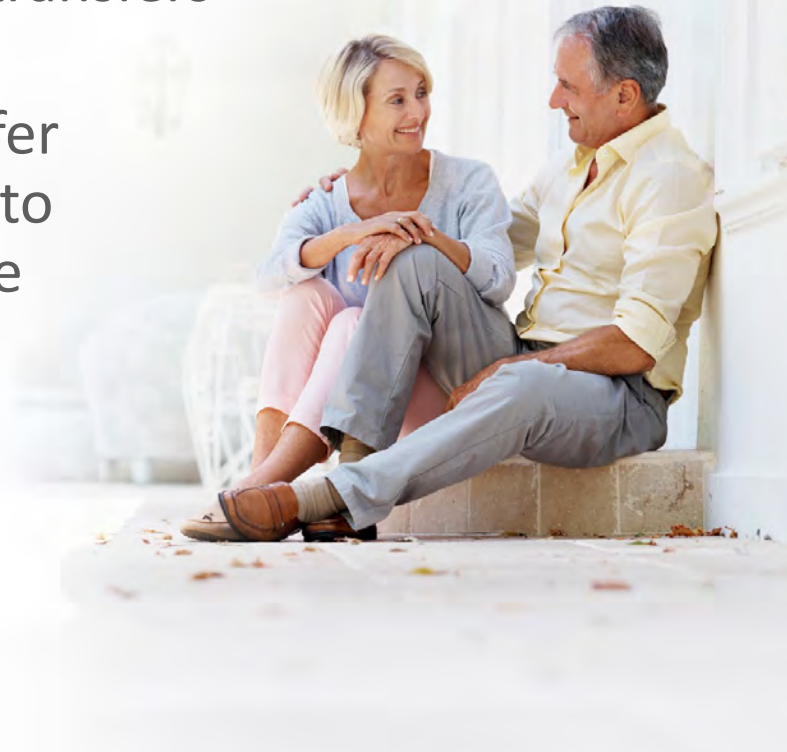
- Own property jointly with rights of survivorship
- Complete beneficiary designation forms for property such as IRAs, retirement plans, and life insurance
- Use trusts
- Make lifetime gifts

Tax Basics

Transfer taxes include:

- Federal gift tax — imposed on transfers you make during your life
- Federal estate tax — imposed on transfers made upon your death
- Federal generation-skipping transfer (GST) tax — imposed on transfers to individuals who are more than one generation below you (e.g., grandchildren) both during your life and upon your death

Transfer taxes imposed on the state level tend to affect smaller estates.



Tax Basics — Federal Gift Tax

Lifetime Transfer



You (Donor)



Person Receiving Gift
(Donee)

Gift tax may apply

- Gift tax applies to transfers made during your life
- Certain gifts are excluded (e.g., \$15,000 annual gift tax exclusion)
- \$11,700,000 excluded from all transfers (gifts and estates) combined in 2021
- The \$11,700,000 exclusion is the largest in the history of the federal gift and estate tax

Tax Basics — Federal Estate Tax

Transfer at Death



Your Estate



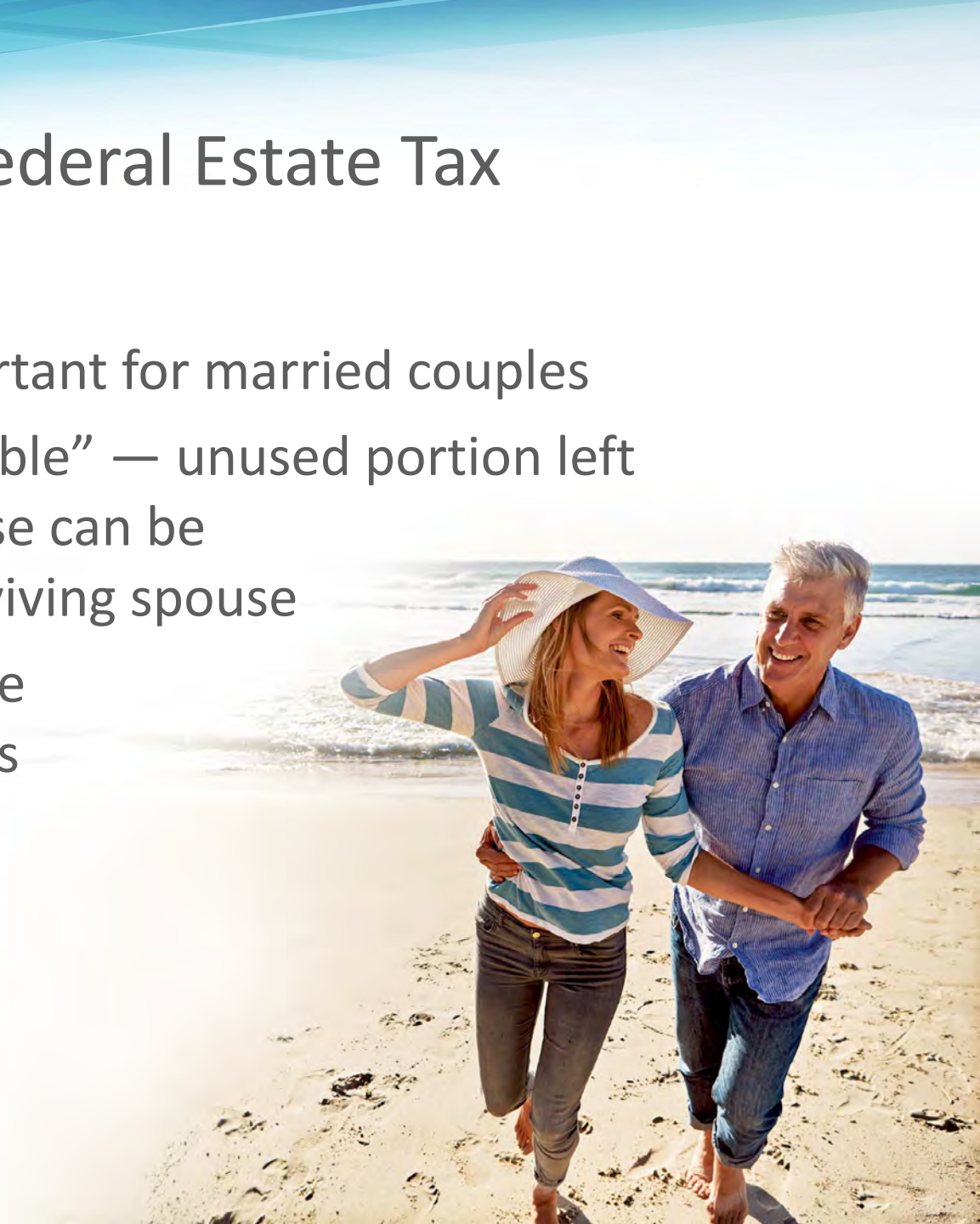
Beneficiary

Estate tax may apply

- Estate tax applies to transfers made at death
- Generally does not apply to transfers made to spouse or charity
- \$11,700,000 excluded from all transfers (gifts and estates) combined in 2021
- Any portion of exclusion used for gifts will be unavailable to the estate

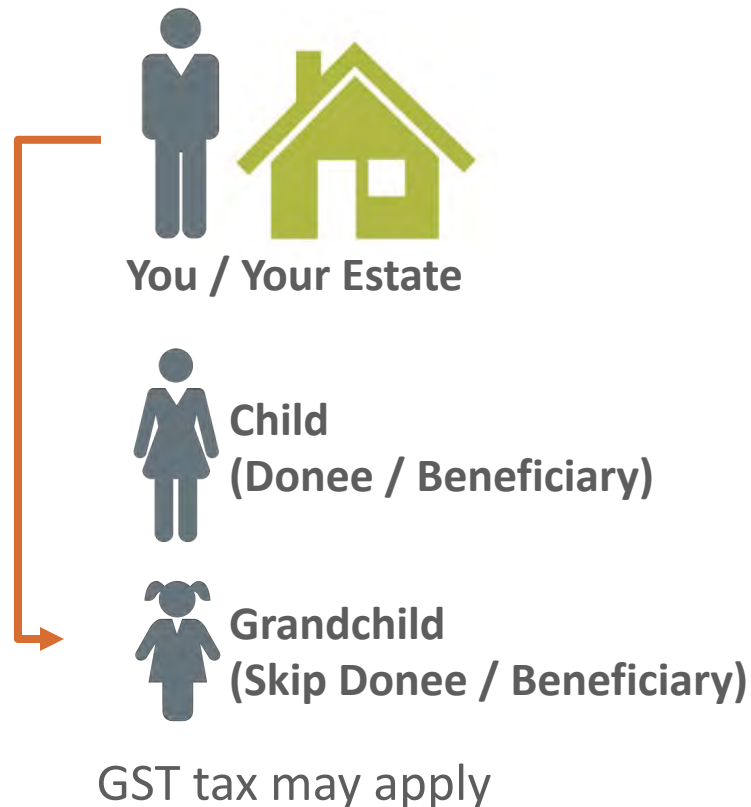
Tax Basics — Federal Estate Tax

- New feature important for married couples
- Exclusion is “portable” — unused portion left by deceased spouse can be transferred to surviving spouse
- \$23,400,000 can be left to beneficiaries tax free (in 2021)



Tax Basics — Federal GST Tax

Transfer During Life or at Death



- The generation-skipping transfer (GST) tax may apply to transfers made to someone more than one generation below you
- \$11,700,000 GST tax exemption in 2021
- Unlike the gift and estate tax exclusion, the GST tax exemption is NOT portable

Transfer Tax Basics

	2019	2020	2021
Top rate	40%	40%	40%
Gift and estate tax exclusion amount	\$11,400,000	\$11,580,000	\$11,700,000
GST tax exemption	\$11,400,000	\$11,580,000	\$11,700,000

Lifetime Gifting

- Lets you see the recipient enjoying your gift
- Lets you minimize transfer taxes by taking advantage of the \$15,000 annual gift tax exclusion and other tax deductions
- Removes future appreciation of property from your taxable estate
- No “step-up” in basis — your basis in the property carries over instead



Lifetime Gifting — Transfers Excluded from Gift Tax

- You can give \$15,000 to as many individuals as you want federal gift tax free (\$30,000 if you and your spouse make the gift together)
- If you're contributing to a Section 529 plan, you can give \$75,000 (\$150,000 with spouse) gift tax free
- No gift tax on amounts paid directly to a school for an individual's tuition
- No gift tax on amounts paid directly to a medical care provider for an individual's medical care



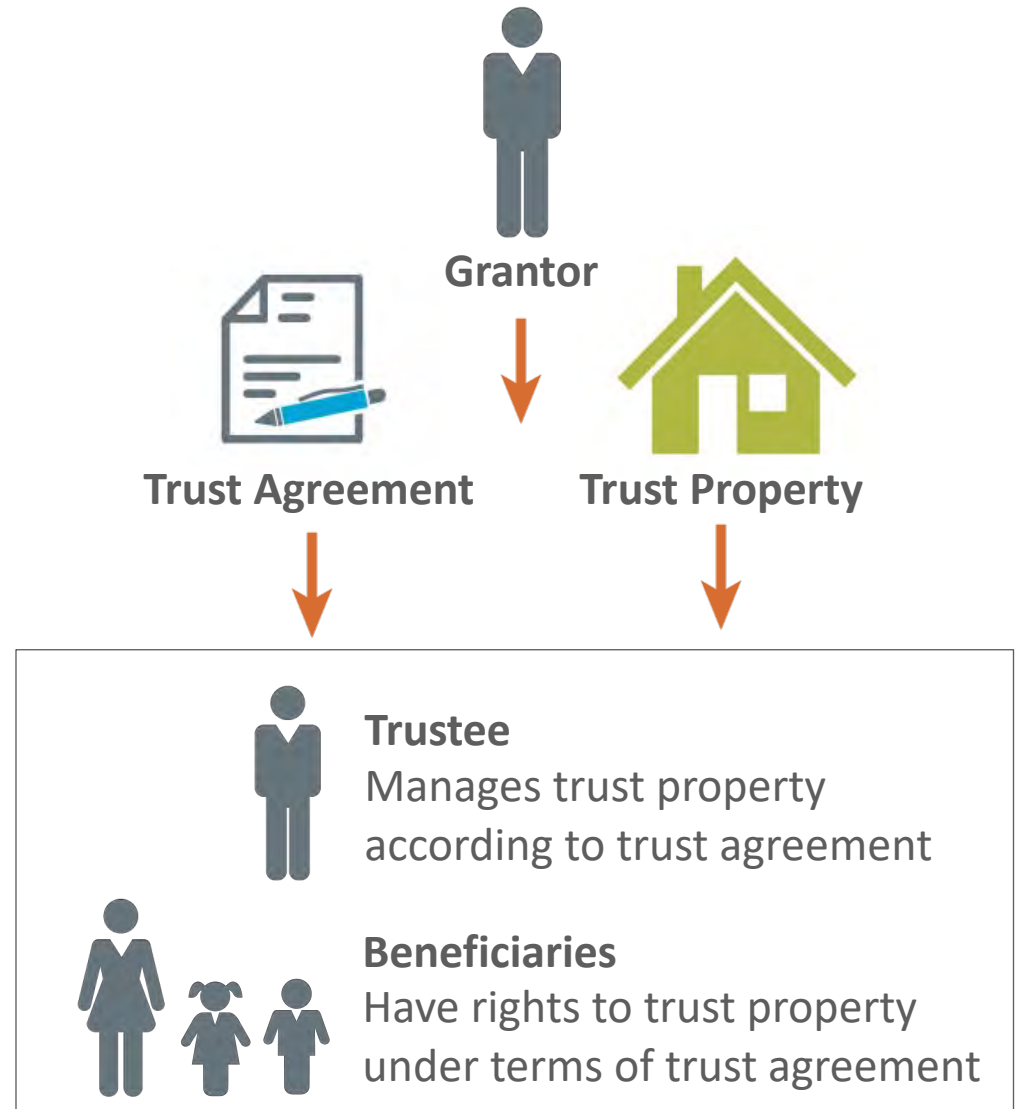
Trusts

- Versatile estate planning tool
- Can protect against incapacity, avoid probate, minimize taxes
- Allow professional management of assets
- Provide safeguards for minor children, elderly parents, other beneficiaries
- Can protect assets from future creditors
- Control over property



Trusts — What Is a Trust?

- Legal entity that holds property
- Parties to a trust: grantor, trustee, beneficiary
- Living trusts vs. testamentary trusts
- Revocable trusts vs. irrevocable trusts



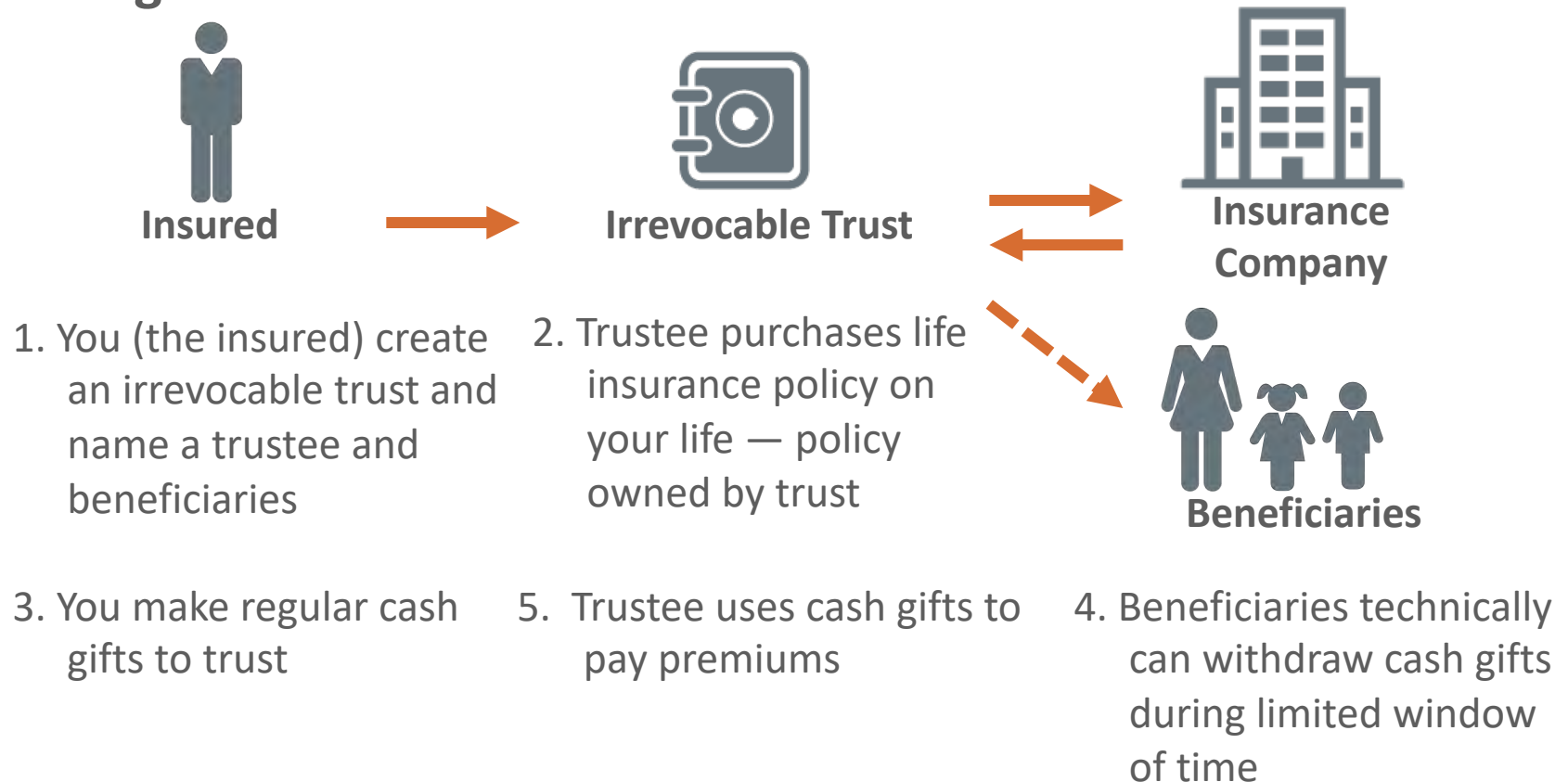
Life Insurance

- Can provide instant estate
- Can provide needed estate liquidity
- Life insurance proceeds are included in your estate for federal estate tax purposes unless your estate plan addresses this issue
- Key issue is ownership of policy



Life Insurance — Irrevocable Life Insurance Trust (ILIT)

During Your Life



Life Insurance — Irrevocable Life Insurance Trust (ILIT)

At Death



1. ILIT receives proceeds of life insurance policy
2. Proceeds not subject to estate tax
3. Proceeds distributed according to terms of trust
4. Beneficiaries receive full proceeds, free from estate tax

Conclusion

- Have you implemented a plan for incapacity (health and property)?
- Do you have a valid will?
- Are transfer taxes a planning concern for you?
- Does your overall estate plan reflect your current wishes and circumstances?



Disclaimer

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ADDITIONAL RESOURCE MATERIALS

LONG TERM CARE INSURANCE (LTCD) Free booklet

National Association of Insurance Commissioners

[2301 McGeest Suite 800, Kansas City, MO 641 08-2604 Phone: 816-842-3600' Web: www.NAIC.org]

ADVANCED DIRECTIVES

National Hospice & Palliative Care Organization Web: www.nhpco.org

For Directives outside of Texas: Web: www.partnershipforcaring.org

Other possible sources for Advanced Directives: Funeral Homes, Attorneys, or Churches

BOOKS FOR CHILDREN:

WHEN DINOSAURS DIE

A GUIDE TO UNDERSTANDING DEATH

[By Laurie Krasny Brown and Marc Brown Little, Brown and Company Web: WWW.lb-kids.com]

TALKING ABOUT DEATH

[A Dialogue Between Parent and Child By Earl Grollman; Beacon Press, Boston]

You Only Die Once By Margie Jenkins; Integrity Publishers, Nashville, TN 2002

Living Life Fully

- ▣ Thank You for joining me today...
- ▣ I pray that you will take the time to complete your homework...
- ▣ Make what you do a gift to others...
 - ▣ AND- Now that you are ready-
Go forth and serve others...
Make everyday count !

Blessings, Penny

