ESTATE PLANNING BASICS

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This class is to improve basic knowledge of estate planning vehicles. The goal is to help you make an informed decision regarding the practical impact of having a plan in place.

If you have estate tax concerns and/or asset protection goals, you may benefit from the utilization of more advanced legal techniques.

This event does not constitute legal or tax advice. Please discuss your individual situation with your advisors.

LARGEST TRANSFER OF WEALTH IN HISTORY

» $124 Trillion in assets changing hands

» What are the implications?

» Are successive generations prepared to handle what is passed down?

» Rockefeller and Vanderbilt comparison

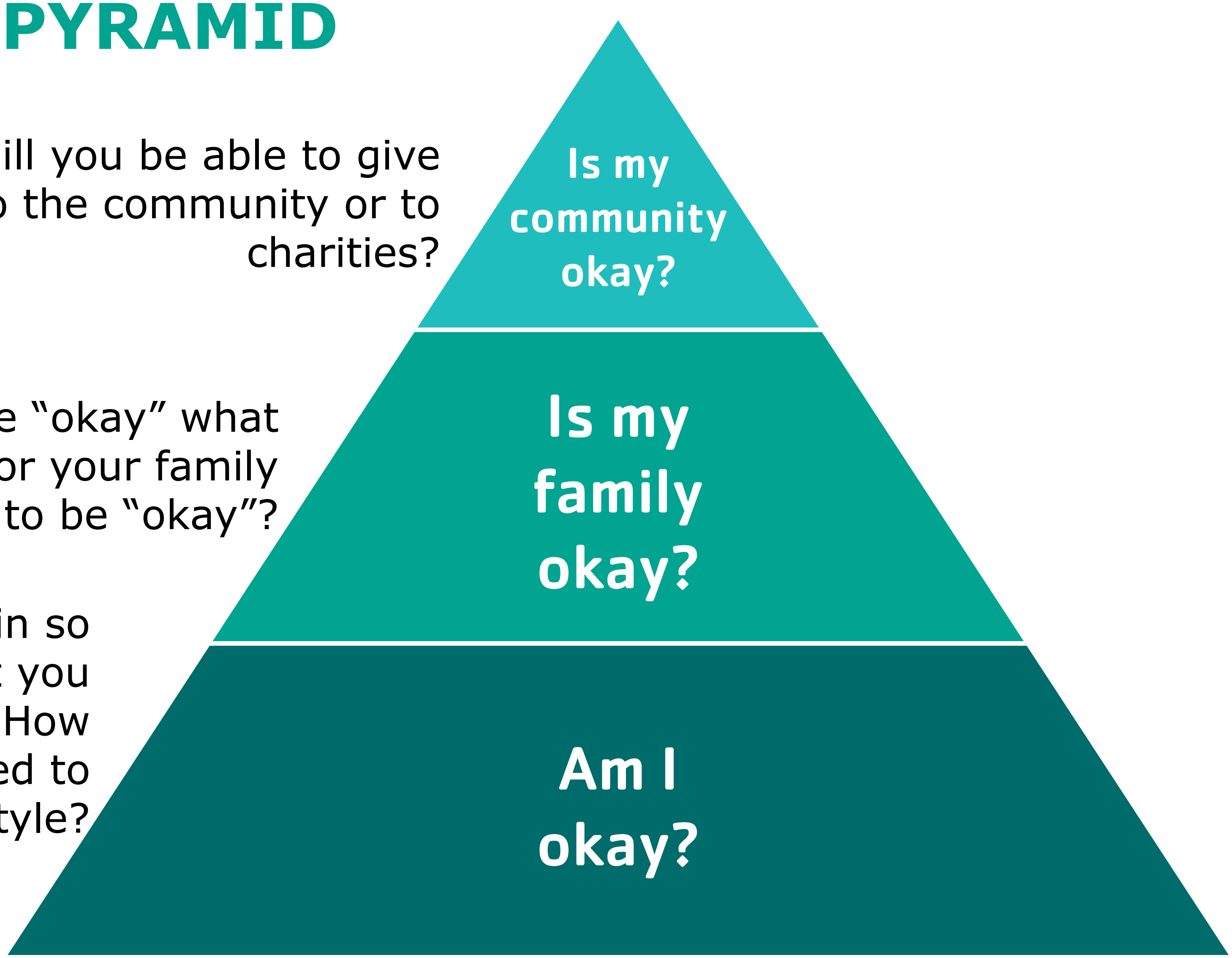
CREATING YOUR LEGACY

WHAT DO YOU WANT TO ACCOMPLISH?
FAMILY PYRAMID

Will you be able to give back to the community or to charities?

Once you are "okay" what does it mean for your family to be "okay"?

You've succeeded in so many ways. But you may still wonder, "How much do I need to protect my lifestyle?



“Never Doubt that a group of thoughtful, committed, citizens can change the world. Indeed, it is the only thing that ever has.”

-Margaret Mead

Our Agenda

- » Pre-Class Survey Results
- » Estate Plan Components
- » Discussion topic: Family aspirations & intentions
- » Legacy Club at the YMCA of Pierce and Kitsap Counties
- » Questions and Resources

SURVEY RESULTS

ESTATE PLANNING ACROSS THE US

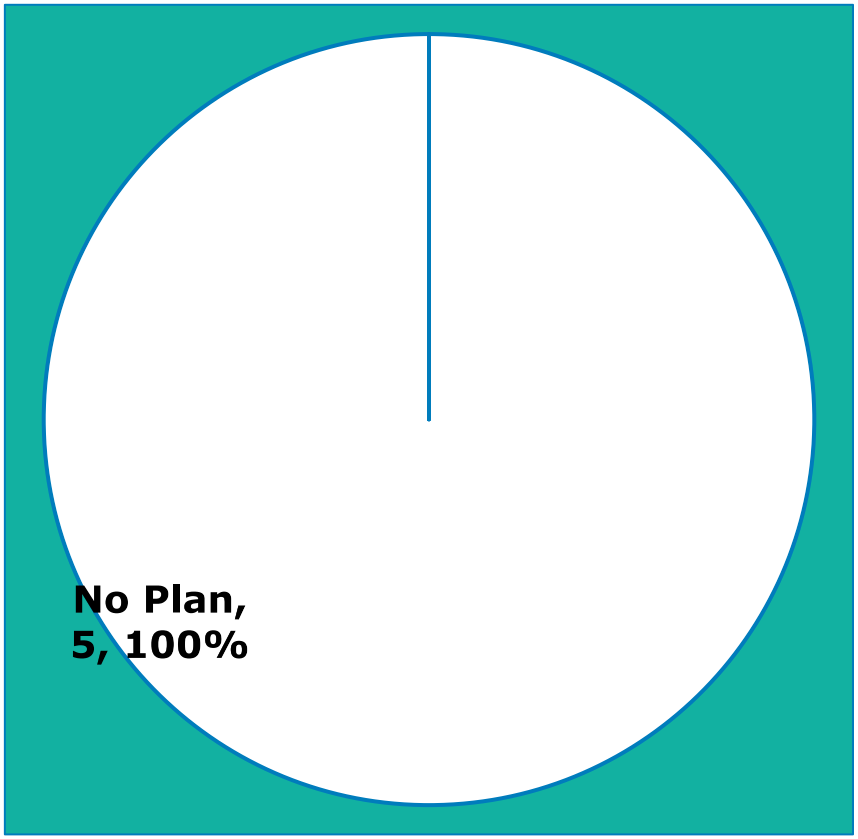
National survey

Ages 60+, 60% report having no plan in place

Ages 75+, 45% don't have a plan

70% of those under 55 with kids have no estate plan.

YMCA Survey



WHAT'S THE BARRIER?

Of those who don't have a final plan

~ Not sure where to start - 3

~ Haven't had time – 1

~ Don't have enough assets -1

Survey Questions and Comments

~ When is a trust really necessary?

~ We have an outdated will. we want assets to go to surviving spouse and then to adult child.

~ Do I need a lawyer’s services to draw up my will and trust or would an online program suffice?

LET'S GET STARTED

WHAT IS ESTATE PLANNING?

SEVEN STEPS TO CREATING AN ESTATE PLAN

1. Choose a Medical Agent
2. Choose a Financial Agent
3. Decide the Beneficiaries
4. Choose a Trust or Will
5. Make a List of Assets
6. Sign the Documents
7. Keep in a Secure Place

THE FIVE KEY COMPONENTS OF AN ESTATE PLAN

Last Will and Testament	» Carries out your final wishes without court intervention
Revocable Living Trust	» Assets are titled in trust for ease of distribution at death, plus more
Living Will	» Your end of life wishes
Financial Power of Attorney	» Handles financial matters when you are unable or unwilling
Health Care Power of Attorney	» Speaks on your behalf for medical needs

LAST WILL AND TESTAMENT

To be valid in Washington State, at a minimum, the document itself must be:

- In writing;
- Signed by you in front of two competent witnesses, AND;
- The two witnesses must either sign the will or a "self-proving affidavit" in the presence of a notary.
- The notarized self-proving affidavit aids in submitting to courts upon death.

SOME FEATURES OF A WILL

A will can direct your Personal Representative to take specific actions, such as:

- Create guardianships or trusts for minor children
- Gives control on who gets your assets
- Can specify burial plans (additional copy to executor for expediency)
- Can make specific gifts of jewelry or ‘words of wisdom’

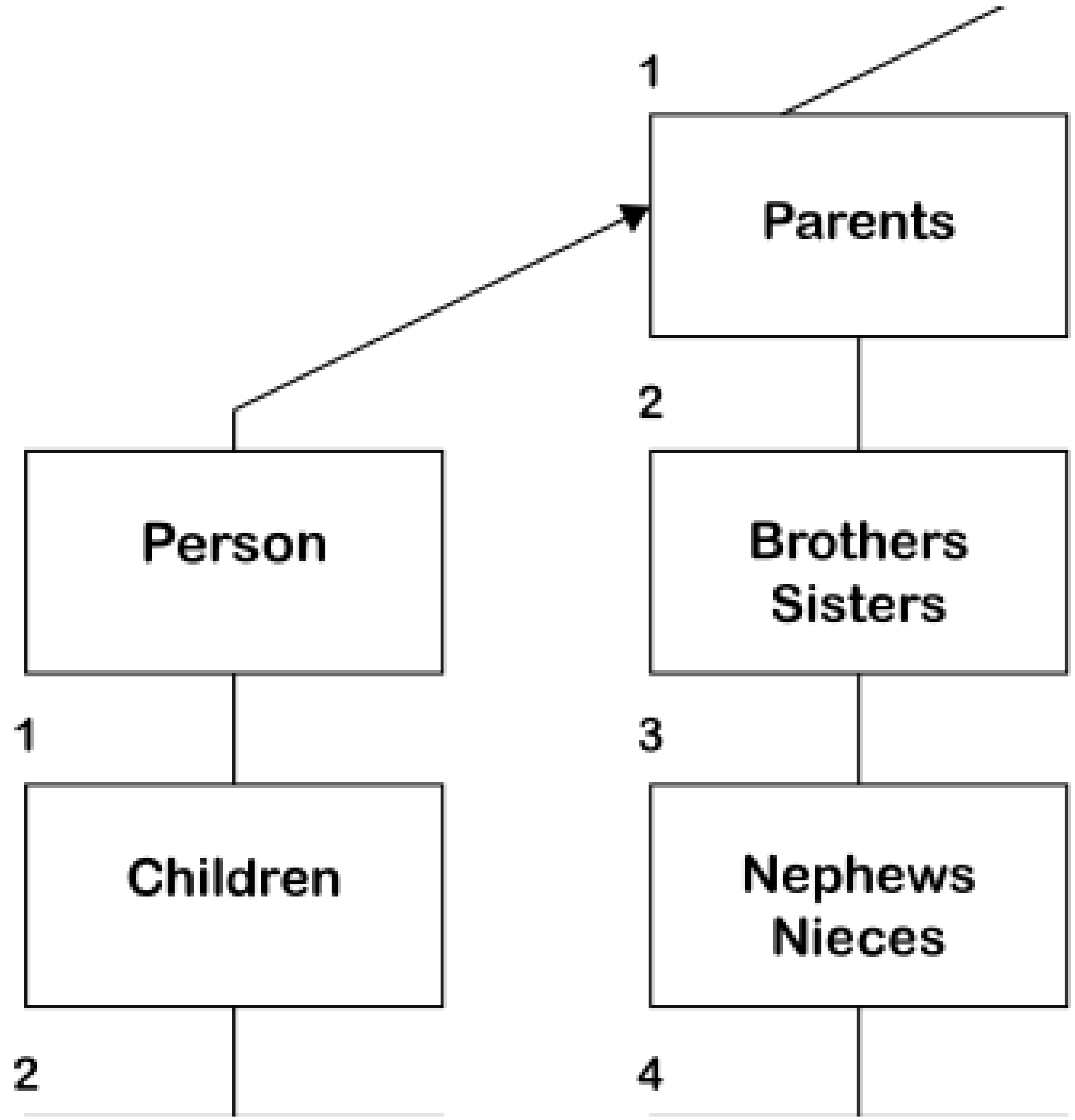
Without a Will, these are left to chance

THE "WASHINGTON STATE ESTATE PLAN" FOR THOSE WITHOUT A WILL

Intestate

After assets have transferred through a beneficiary designation, the rest goes by "family tree".

(*single adult*)



What is a Trust?

A trust is a legal contract that ensures your assets are managed according to your wishes during and after your lifetime. Among the many benefits trusts offer are potential tax benefits and the ability to set parameters for how and when your assets will be used and distributed.

REVOCABLE LIVING TRUST

Trust is a legal entity established to carry out the instructions of the Grantor.

The parties in a trust are;

» Grantor, Trustee, and the Beneficiary

» When you initially establish a “Revocable Living Trust” you can be all three

» You retitle your taxable accounts and property while you are living and they transfer at death without probate

SOME FEATURES OF A REVOCABLE LIVING TRUST

- You are the initial trustee and have full control!
- Provides incapacity and successor trustee language without a power of attorney.
- Like a Will, it directs who will receive financial and non-financial assets.
- Can also establish other Trusts that activate on death.

A **testamentary trust** is a legal arrangement established through a will that becomes effective upon the death of the grantor. It is distinct from a **living trust**, which is created during the grantor's lifetime and typically avoids probate. Here are some key differences:

Activation: Testamentary trusts activate at death, while living trusts are active during the grantor's lifetime.

Provisioning: Testamentary trusts outline how assets will be distributed according to the grantor's wishes, whereas living trusts allow for more flexibility in managing assets during the grantor's life.

Privacy: Living trusts offer more privacy since they are not part of the public record, while testamentary trusts are public records during probate.

Complexity: Testamentary trusts can be more complex and time-consuming to establish and manage compared to living trusts.

Tax Implications: Testamentary trusts may offer certain tax advantages, but they are subject to the same IRS rules as estates.

BENEFITS OF A TRUST

- Protecting and preserving your assets.
- Customizing and controlling how your wealth is distributed.
- Minimizing federal or state taxes.
- Addressing family dynamics; for example, divorce or blended families.
- Helping a parent or other relative manage their financial affairs.

REASONS NOT TO HAVE A TRUST

Probate avoidance is the only goal.

While this is an admirable goal, a trust may not be the only way to avoid probate. Depending on where you live, you can attach beneficiaries to the majority of your assets. The house is typically the toughest. However, in certain jurisdictions, you can add a transfer-on-death (TOD) deed to your home. If I own my home jointly and die before my wife, the home will become hers without probate. In the unlikely case that we die at the same time, the home will pass to the beneficiaries on the TOD deed.

REASONS NOT TO HAVE A TRUST

You have straightforward wishes.

As highlighted above, if you just want to get your assets to your beneficiaries in a direct manner, a trust is likely unnecessary. However, if you want any sort of control over how the assets are distributed beyond your death, you will need a trust. Conversely, let’s say you have two kids who are 50/50 beneficiaries. Both are good with money. You can just name them as direct beneficiaries on your accounts.

REASONS NOT TO HAVE A TRUST

You’re motivated by tax savings or Medicaid eligibility.

This is where it’s important to differentiate revocable, or living trusts, from irrevocable trusts. The former is primarily used for control and efficiency while distributing your assets. The latter is typically used to reduce your taxable estate. This class addresses only revocable trusts, which can be used in conjunction with other tools to reduce taxes. However, a stand-alone revocable trust will do nothing to reduce your taxes, as it is tied to your Social Security number.

REASONS NOT TO HAVE A TRUST

You’re not great at follow-through.

This may seem like a silly one, but a trust is about as good as a blank piece of paper until it is “funded.” I cannot tell you the number of people I come across who have gone through the hassle and cost of putting together a trust but never followed through on transferring their assets into the trust. That is the only way it will work.

Five General Steps To Set up a Trust

- Determine what kind of trust best fits your needs. (It's a good idea to consult with an estate planning attorney about your requirements).
- Create a trust document. ...
- Get it signed and notarized. ...
- Open a trust account. ...
- Transfer assets into the trust.
- Legal Zoom (starts at $279)
- ROCKETLAWYER

A WINNING COMBINATION – Trust and Will

Trust holds majority of property during life

- » Manages assets in case of incapacity
- » Dispositive provisions at death
- » Bypasses probate and is private
- » Can continue on in new trusts

The Will – The will alongside a trust is a "Pour Over" will, in which the trust is named as the beneficiary. All remaining assets not passed on by other means (beneficiary designation, T.O.D., JTWROS, etc.) are transferred to the previously established trust upon death.

More powerful than a Will or Trust

ASSET TITLING AND PROPERTY TRANSFER

DETERMINE OWNERSHIP OF YOUR ACCOUNTS NOW

Your Will and Trust can be over-ridden by how bank accounts and other assets are titled as if they have beneficiary designations.

Common ownership types are:

» Tenants in Common
» Joint Tenants with Right of Survivorship
» POD (Pay on Death) and TOD (Transfer on Death) accounts
» Community Property (Washington)

Three Most Common Ways to Hold Title

Joint Tenancy: The main distinguishing characteristic of joint tenancy is the right of survivorship. If one of the joint tenants dies, his interest passes automatically to the surviving party or parties instead of being tied up in lengthy probate proceedings. When two or more people own a property as joint tenants, they own an undivided equal interest in the property.

Tenancy-in-Common: This is so standard a form of ownership for unrelated buyers that it is generally presumed to be the way they hold title if nothing else appears to the contrary. The shares are presumed to be equal unless stated otherwise on the deed, and each of the tenants has equal rights of possession. There is no right of survivorship; each tenant-in-common should note in his will the person or persons to whom his share will pass.

Community Property: This type of ownership is available to married couples in nine states – Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. Both husband and wife have an equal right to possess the property during their marriage, and in some states, upon the death of either spouse, the survivor automatically receives half of the community property and the other half passes to the lawful heirs

Community Property in Washington State

TESTATE: If you die with a will, ½ of the *community property* goes to the spouse, the other half is distributed as the will specifies.

INTESTATE: If you die Intestate, then ALL of the *community* property goes to the spouse, along with:

a) One half of the *separate* estate if the deceased had children (other half to the kids)
b) ¾ of the separate estate if no children but surviving parents or siblings
c) All of the separate estate if no living children nor parents

Community Property Agreement

A community property agreement states that when the first spouse or partner dies, (1) all property both people own converts to community property and (2) all of the deceased person's property immediately goes to the surviving spouse.

To use a Washington state community property agreement, you and your spouse or partner must agree to leave everything to each other, complete the document, and sign it in front of a notary public. When one spouse or partner dies, the survivor will become the owner of the deceased person's property, without probate.

BENEFICIARY DESIGNATIONS

IRA’s and insurance are usually the largest asset people have – make sure they are up to date!

- Beneficiary Designations of an IRA, 401k (RMD’s, QCD’s, Tax savvy giving)
- Life Insurance Policy beneficiaries

TIP:

Request your actual form and review – don’t leave it to chance.

Final Filing

Executor or Personal Representative is to file:

- The final tax return of the deceased
- A tax return for the estate, IRS form 1041

Filing Thresholds and Exclusion Amounts

$3.00M at state level and $13.99M ($27.98 million for married couples) at Federal level after July 01, 2025

Taxable amount	Rate	Applicable exclusion amount
$0 to $1,000,000	10.0%	$10% of taxable amount
$1,000,000 to $2,000,000	15.0%	$100,000 plus 15% of the amount over $1,000,000
$2,000,000 to $3,000,000	17.0%	$250,000 plus 17% of the amount over $2,000,000
$3,000,000 to $4,000,000	19.0%	$420,000 plus 19% of the amount over $3,000,000
$4,000,000 to $6,000,000	23.0%	$610,000 plus 23% of the amount over $4,000,000
$6,000,000 to $7,000,000	26.0%	$1,070,000 plus 26% of the amount over $6,000,000
$7,000,000 to $9,000,000	30.0%	$1,330,000 plus 30% of the amount over $7,000,000
$9,000,000 and up	35.0%	$1,930,000 plus 35% of the amount over $9,000,000

FINANCIAL AND HEALTHCARE POWERS OF ATTORNEY

REQUIRED FOR SURGERY, TERMINAL ILLNESS, ACCIDENTS, EVEN COLLEGE KIDS!

A LIVING WILL

With a living will you record your preferences with regard to medical procedures.

DURABLE MEDICAL POWER OF ATTORNEY

The durable medical power of attorney is used to name an agent who would be authorized to make health care decisions on your behalf.

ADVANCED MEDICAL DIRECTIVE

An advance directive is any type of legal document that addresses your wishes about your future medical care.

A medical Power of Attorney (POA), also known as a healthcare proxy, who will have the legal authority to make medical decisions on your behalf

Directives regarding your mental health care (Psychiatric Advance Directives, or PAD)

Living Will document

DURABLE FINANCIAL POWER OF ATTORNEY

- Legal document where you designate someone to act on your behalf for financial matters.
- Banks, credit card companies, car lenders generally would need to see this if you couldn't talk to them on your own.
- Durable means it becomes effective when signed. Does not require a doctor to attest to incapacity.
- Terminates upon death

YMCA of Pierce and Kitsap Counties

LEGACY AND ESTATE PLANNING RECAP

SEVEN STEPS TO CREATING AN ESTATE PLAN RECAP & QUIZ

1. Choose a Medical Agent
2. Choose a Financial Agent
3. Decide the Beneficiaries
4. Choose a Trust or Will
5. Make a List of Assets
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WHAT DO YOU WANT TO ACCOMPLISH? FAMILY PYRAMID

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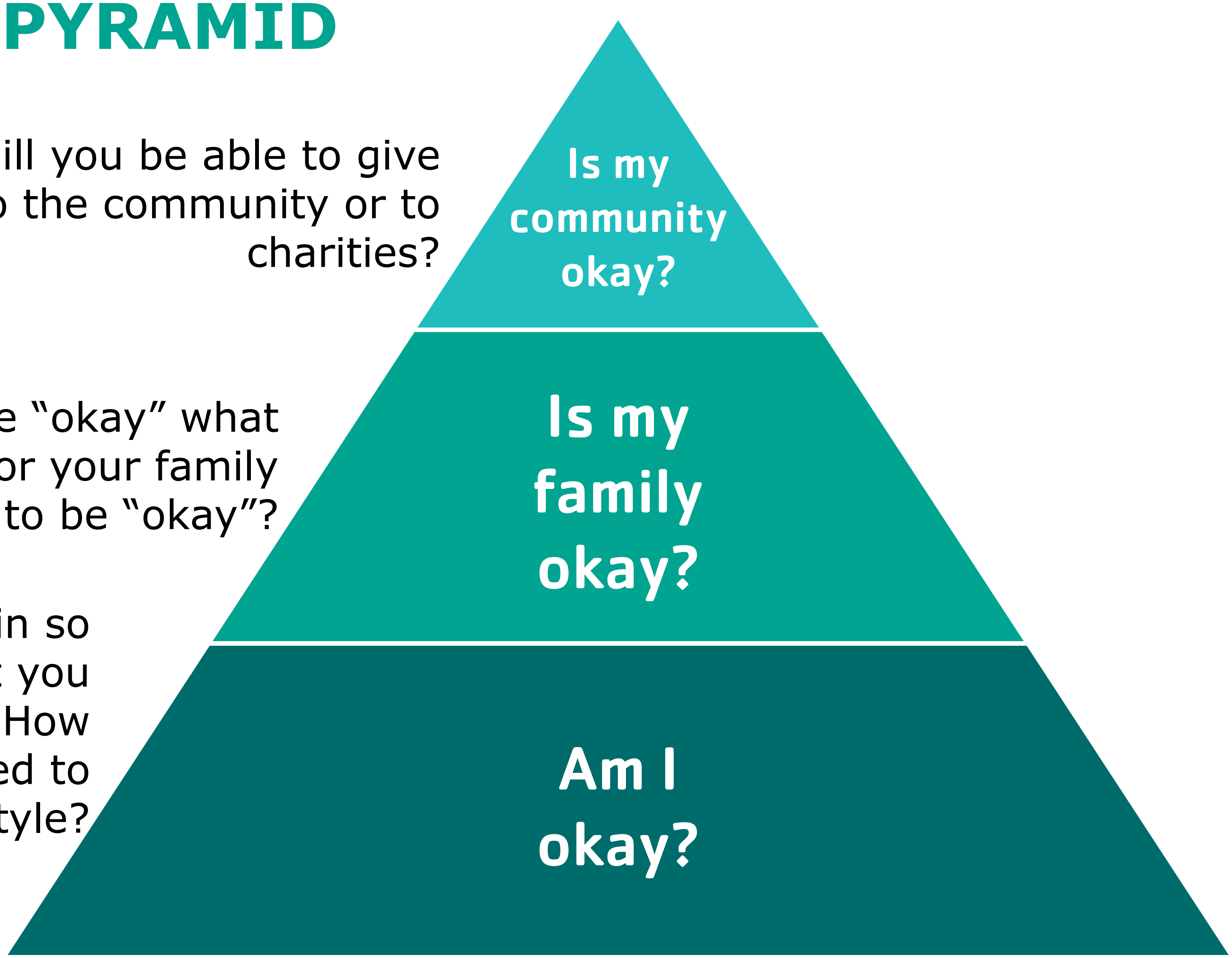

1883 LEGACY SOCIETY

The YMCA `Legacy Society was named to recognize the year we were founded and the longevity of support.

It recognizes those key supporters who have included the YMCA of Pierce and Kitsap Counties in their estate plans. In doing so, you ensure the services of the Y will continue to meet the needs of our community for the next 140 years.

As you make your estate plans, please consider joining the 1883 Legacy Society.

BUILDING SUSTAINABILITY FOR THE YMCA

» Investment in the YMCA community.
» Endowment gifts provide income to support essential operations and programs.
» Your donations will continue to grow through prudent investing.

We invite your participation in the Legacy Club to create a lasting impact for future generations.

ESTATE PLANNING SERVICES
Preserving Your Values

- Clarify values and intentions
- Determine your legacy
- Complimentary
- Confidential
- No obligation
- No sales pitch or solicitation

"I think people don't get involved with estate planning because they don't know what to expect. With this process, there is nothing to fear."

Randy Rushforth
Legacy Club Member

HOW THE YMCA CAN HELP

RESOURCES FOR YOU

Individual Estate Planning Advice Our gift planning team can meet with you individually to see which avenue makes sense for you.

FreeWill The YMCA has partnered with an organization named FreeWill who prepares basic estate documents online.

A community service provided as part of our charitable mission This is our gift to you and we hope it helps you consider the options available as you begin your planning. In the information we send you after the class, there is a link to access our page.

QUESTIONS

Contact

Thank You!

253-244-8737
cdenault@ymcapkc.org

529 Plan

A 529 college savings plan works much like a Roth 401(k) or Roth IRA by investing your after-tax contributions in mutual funds, ETFs and other similar investments.

Some families use 529 plans as an estate planning vehicle since contributions are considered completed gifts to the beneficiary. Up to $19,000 per donor, per beneficiary, qualifies for the annual gift tax exclusion in 2025.