

Trust issues

For long-term family financial security, estate planners often recommend using a trust for asset management. A trust can provide flexible protection across multiple generations as well as professional investment management of assets.

Related questions concern whom you should entrust with settlement of your financial affairs. Who will settle your estate, supervising the implementation of the terms of your will? If you decide upon trust-based wealth management, who will be the trustee? Who, with the necessary expertise, will be available to see to it that your wishes for your wealth are carried out?

These are important questions, and it's too easy to put off answering them. For the sake of your beneficiaries, and for your own peace of mind, take care of your estate planning soon.

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What is estate planning?

You have an estate plan in place, right now. Even if you haven't taken the important first step of having a will drafted, you already have an estate plan, because every state has a property management plan that takes over when someone dies without a will. It's called the law of intestacy. Most people find the state-provided estate plan to be unsatisfactory, and they prefer to exercise a measure of control over the final disposition of their property. Wills and trusts are the means to this end. You should be familiar with the broad outlines of your estate planning documents, or with the law of intestacy if you don't have any.

What would happen to your assets if you died today? Is that what you want? Does your estate plan:

- provide an adequate income for your surviving spouse?
- meet the education needs of children or grandchildren?
- support your favored charities and meet philanthropic goals?

These are just a few of the possible goals that you may have for your wealth. If you are not confident of your answers, you'll want to schedule an early meeting with an attorney who specializes in estate planning.

Inventory your assets

What do you own and, just as important, how do you own it? Three categories of ownership need to be taken into consideration, each with a different place in the estate plan.

Assets owned jointly with right of survivorship.

Married couples often use this approach to titling their property. At the death of any owner, the property passes to the survivor. Passage of such property is not affected by the terms of a will. Note that an asset owned jointly as a tenant in common does not pass to survivors, but the deceased ownership share passes instead through the estate.

Assets with a named beneficiary. Life insurance policies, retirement plan assets, IRAs and annuity plans typically include beneficiary designations. If the beneficiary dies, the assets may pass to the owner's estate; disposition then is controlled by the terms of the will.

Solely owned assets. Property that one owns by oneself presents the greatest challenge and greatest possibilities in planning. Such property is typically the source of funds for meeting estate administration expenses as well as death tax obligations.

Once you've tallied your resources, you know what you have to work with.

Assess your distribution plan

Your asset distribution plan needs to take into account everything you own and the beneficiary designations that already have been made. The plan answers these questions:

- Who will inherit?
- What or how much will each beneficiary inherit?
- When will they inherit (immediately or at a future date)?
- If the inheritance is delayed, who will manage the assets in the meantime?

Consult your attorney, accountant or tax advisor for information specific to your needs. Neither the broker-dealer, nor any of its representatives may give legal or tax advice.

Beneficiaries may be identified specifically or generally, that is, "Dick, Jane and Sally" or "my children." Wills and trusts typically provide for the possibility of the premature death of a beneficiary, but sometimes these provisions lead to unexpected results.

Tax issues

Planning for estate and inheritance taxes has long been a hot-button issue for getting around to estate planning. It still is.

The amount exempt from federal estate tax duties is \$12.92 million in 2023. Married couples can double this, protecting \$25.84 million from federal estate taxes. (However, this exemption is scheduled for reduction in 2026.)

State death taxes may be just as important. States may impose an estate tax (on the right to transfer property to heirs) or an inheritance tax (on the heirs' right to receive inherited property). Some states have both; some have dropped these death duties completely. Check with your estate planning attorney. Where state death taxes are collected, they generally have lower exemption amounts than the federal estate tax. If the state in which you reside does not have death taxes, your estate still may be subject to them if you own property in another state.

Estate planners have a wide range of strategies to help bring a measure of control to estate taxes. For married couples, the most important of these is the marital deduction. A variety of trust strategies has been designed to defer all taxation on bequests to a surviving spouse.