The Blueprint For Estate Planning

The Step-By-Step Guide To Protect Your Assets and Leave the Legacy You Intend

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If You Only Read One Page – Read This

Estate Planning Is Not Just for the Wealthy. It Is for Anyone Who Cares About What Happens Next.

An estate plan is the set of legal and financial decisions that determine what happens to your assets, your family, and your wishes after you pass away or become unable to manage your own affairs. Without one, the state makes those decisions for you — and the results may not reflect what you would have wanted.

Why Estate Planning Matters:

- It ensures your assets are distributed according to your wishes, not a default legal formula
- It protects your spouse, children, and other loved ones from unnecessary legal delays and costs
- It can significantly reduce estate taxes, probate fees, and other wealth transfer costs
- It provides clear direction for healthcare and financial decisions if you become incapacitated

The 3 biggest questions this guide will answer:

1. **What are the essential components of an estate plan?**
2. **How do different estate planning tools work, and when does each one apply?**
3. **How can proper planning reduce taxes and help your wealth transfer efficiently?**

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UNDERSTANDING ESTATE PLANNING

Estate planning is the process of arranging for the management and distribution of your assets during your lifetime and after your death. A well-constructed estate plan does more than simply direct who receives your property — it protects your family from unnecessary legal processes, minimizes taxes, and ensures your wishes are honored even when you cannot speak for yourself

THE FOUR PILLARS OF ESTATE PLANNING

1. Asset Distribution
Deciding who receives your assets, and how and when they receive them, is the foundation of any estate plan. This includes property, investments, retirement accounts, life insurance proceeds, and personal belongings. Without clear direction, these decisions fall to state law through a process called intestate succession, which may not reflect your intentions.

2. Incapacity Planning
Estate planning is not only about what happens after death. It also addresses what happens if you become unable to manage your own financial or medical decisions during your lifetime. Powers of attorney and healthcare directives ensure that trusted individuals can act on your behalf without requiring a court-supervised guardianship process.

3. Tax Efficiency
For larger estates, transfer taxes can significantly reduce what passes to heirs. Strategic use of trusts, gifting strategies, and beneficiary designations can help minimize estate taxes, gift taxes, and income taxes paid by your beneficiaries. Even for smaller estates, tax-efficient planning can preserve more wealth across generations.

4. Legacy and Family Protection
Estate planning allows you to go beyond simply transferring wealth. It can protect assets from creditors, provide for minor children or family members with special needs, support charitable causes you care about, and ensure that family businesses or other unique assets are handled according to your wishes

THE CORE ESTATE PLANNING DOCUMENTS

A complete estate plan typically involves several coordinated legal documents. Each serves a distinct purpose, and together they provide comprehensive coverage for both lifetime and end-of-life decisions.

Last Will and Testament

A will is the foundational document of most estate plans. It directs the distribution of your probate assets, names an executor to manage your estate, and, critically, allows you to name a guardian for minor children. Assets with designated beneficiaries or held in a trust generally pass outside of the will and are not controlled by it.

Revocable Living Trust

A revocable living trust allows assets to transfer to beneficiaries without going through probate, the court-supervised process of validating a will. Assets held in a trust can be distributed privately, more quickly, and often at lower cost. During your lifetime, you typically serve as your own trustee and retain full control. The trust becomes irrevocable at death.

Durable Power of Attorney

A durable power of attorney designates someone to manage your financial affairs if you become incapacitated. Without this document, a court may need to appoint a guardian or conservator, a costly and time-consuming process, before anyone can act on your behalf.

Healthcare Directive / Living Will

A healthcare directive (sometimes called a living will or advance directive) documents your wishes regarding medical treatment if you are unable to communicate them. It can address decisions about life-sustaining treatment, pain management, and organ donation. A healthcare proxy names a specific person to make medical decisions on your behalf.

Beneficiary Designations

Many of your most valuable assets — including retirement accounts, life insurance policies, and certain bank and brokerage accounts — pass directly to named beneficiaries regardless of what your will says. Keeping beneficiary designations current and coordinated with your overall estate plan is essential to avoid unintended outcomes.

PROBATE, TRUSTS, AND HOW ASSETS TRANSFER

Understanding how different assets transfer at death is one of the most important and most overlooked aspects of estate planning. Not all assets are treated the same way.

HOW ASSETS PASS AT DEATH

Transfer Method	Examples	Goes Through Probate?
Beneficiary Designation	IRA, 401(k), Life Insurance	No
Joint Tenancy / JTWROS	Joint bank accounts, real estate	No
Revocable Living Trust	Assets held in trust	No
Will (Probate)	Individually owned property	Yes
No Plan (Intestacy)	Assets with no named beneficiary or plan	Yes — state law decides

WHAT IS PROBATE AND WHY DOES IT MATTER?

Probate is the court-supervised legal process of validating a will and distributing a deceased person's assets. While necessary in some situations, probate can be time-consuming, expensive, and very public. Depending on the state and complexity of the estate, the process can take months or even years.

Time: Probate can delay asset distribution by 6 months to 2+ years

Cost: Attorney fees, court costs, and executor fees can consume 3-7% of the estate

Privacy: Probate proceedings are public record — anyone can see what you owned and who received it

Control: A court oversees the process, limiting flexibility in how assets are distributed

A revocable living trust is the most common way to avoid probate while maintaining full control of your assets during your lifetime. Assets must be properly titled in the name of the trust, a process called funding the trust, for this strategy to be effective.

ESTATE TAXES AND WEALTH TRANSFER STRATEGIES

For larger estates, federal and state estate taxes can take a significant portion of the wealth you have spent a lifetime building. Understanding how these taxes work and the strategies available to reduce them is an important part of comprehensive estate planning.

THE FEDERAL ESTATE TAX EXEMPTION

The federal estate tax applies to the value of your taxable estate above a certain exemption threshold. For 2025, the federal exemption is **$13.99 million per individual** ($27.98 million for married couples with proper planning). Estates above this threshold are taxed at rates up to **40%.**

Important: The current elevated exemption is scheduled to sunset at the end of 2025 under current law, potentially reverting to approximately $7 million (inflation-adjusted). Families with larger estates should review their plans proactively.

COMMON WEALTH TRANSFER STRATEGIES

Annual Gift Exclusion

Each year, you can give up to $18,000 per recipient (2024 limit, indexed for inflation) without using any of your lifetime estate and gift tax exemption. For a married couple, this means up to $36,000 per recipient per year can be transferred tax-free. Over time, consistent gifting can meaningfully reduce a taxable estate.

Irrevocable Life Insurance Trust (ILIT)

Life insurance proceeds are generally income tax-free, but they can be included in your taxable estate if you own the policy. Placing a life insurance policy inside an irrevocable trust removes it from your estate, allowing the death benefit to pass to heirs free of both income and estate taxes.

Charitable Giving Strategies

Donations to qualified charities are fully deductible for estate tax purposes. Charitable Remainder Trusts (CRTs) and Charitable Lead Trusts (CLTs) can provide income to you or your heirs while simultaneously reducing your taxable estate and supporting causes you care about.

Spousal Portability

Married couples can take advantage of portability, which allows a surviving spouse to use any unused portion of their deceased spouse's federal estate tax exemption. A portability election must be made by filing a timely estate tax return, even if no tax is owed.

COMMON ESTATE PLANNING MISTAKES

Even well-intentioned plans can fall short when key details are overlooked. Understanding common estate planning mistakes can help you avoid issues that may create significant problems for your family after you are gone.

1. Not Having a Plan at All
Passing without an estate plan, called dying intestate, means state law determines how your assets are distributed. This often produces outcomes that differ significantly from what most people would have chosen. It also leaves no guidance for guardianship of minor children or decisions during incapacity.

2. Failing to Update Beneficiary
Designations Beneficiary designations on retirement accounts and life insurance override your will. An ex-spouse, a deceased family member, or a minor child named years ago could inherit assets directly if designations are never updated. Reviewing beneficiaries after major life events, such as marriage, divorce, births, deaths, is essential.

3. Not Funding a Trust
Creating a revocable living trust but failing to transfer assets into it is one of the most common estate planning errors. A trust that holds no assets provides no probate protection. Each asset must be re-titled in the name of the trust to be governed by it.

4. Ignoring State Estate Taxes
Several states impose their own estate or inheritance taxes, often with much lower exemption thresholds than the federal level. Residents of states like Oregon, Massachusetts, or Maryland may face state estate taxes on estates that would be exempt at the federal level.

5. Not Planning for Incapacity
Many people focus solely on what happens after death and neglect planning for potential incapacity. Without a durable power of attorney and healthcare directive, even a temporary health crisis can require expensive and time-consuming court intervention before anyone can act on your behalf.

KEY PLANNING QUESTIONS AND NEXT STEPS

Estate planning is not a one-time event. It is an ongoing process that should be reviewed as your life, your family, and the law evolve. If you are beginning or revisiting your estate plan, these questions are a useful starting point.

QUESTIONS TO CONSIDER

- Do I have a current will, trust, and power of attorney in place?
- Are my beneficiary designations up to date and coordinated with my overall plan?
- Is a revocable living trust appropriate for my situation to avoid probate?
- Could my estate be subject to federal or state estate taxes?
- Have I considered annual gifting or other strategies to reduce my taxable estate?
- Do I have a plan for incapacity — both financial and medical?
- If I have minor children, have I named a guardian in my will?
- Are my estate planning documents coordinated with my retirement and investment accounts?

IN SUMMARY

As discussed throughout this guide, your estate planning decisions should be coordinated with your broader retirement strategy, including Social Security timing, investment horizon, tax planning, inflation expectations, and when you and your spouse stop working. Estate planning does not exist in a vacuum, and the right choice depends on your full financial picture.

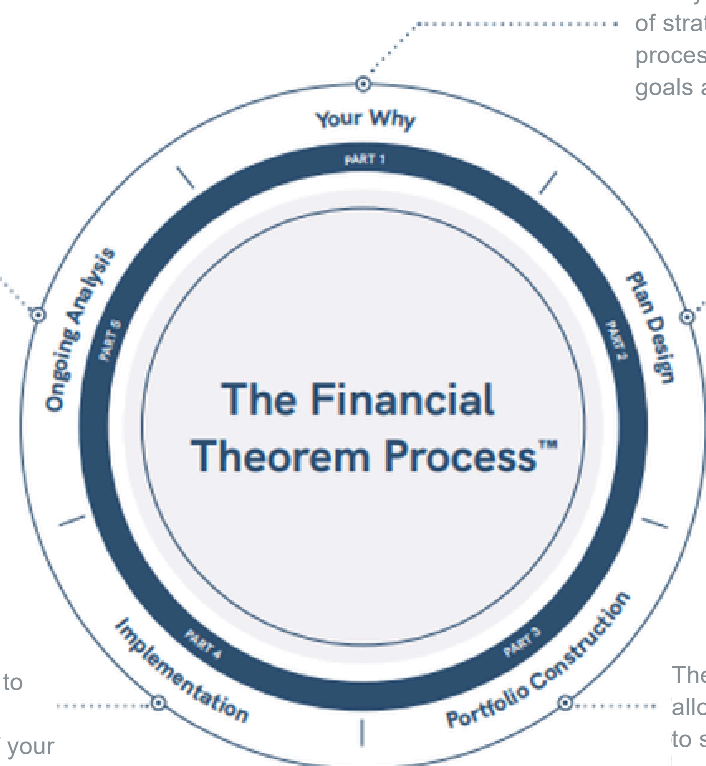
THE THEOREM PROCESS

At Theorem Wealth Management, our process is designed to understand your goals, both short-term and long-term. We take your entire financial picture into consideration. Decisions like estate planning are planned using a multi-scenario analysis to ensure we are analyzing the long term impacts of every financial decision.

Clarity of purpose is prerequisite to any form of strategic decision-making. Our discovery process is all about understanding your fears, goals and priorities.

We continuously monitor and adapt your custom plan, while actively managing your investment portfolio. We also help mitigate stress over time through client communication.

Throughout our plan design process, we are happy to share with you any of the details that will help you gain peace of mind, such as our planning metrics, the inputs and outputs of our scenario projections, or the software functions that help us analyze risk factors.



Our team takes the time to follow through on each applicable component of your custom plan and to ensure all administrative details are completed with precision.

The investment strategies and asset allocation that we recommend are designed to suit your comprehensive financial plan.

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THEOREM WEALTH MANAGEMENT CAN HELP

Estate planning is only one part of your retirement strategy. Theorem Wealth Management can create a strategy that is based on your unique needs and goals. Your retirement strategy is what should drive your investment decisions.

FIDUCIARY STANDARD OF CARE

At Theorem Wealth Management, we are an independent firm committed to helping you reach your goals through conflict free advice. We are a fiduciary, bound by law to put our clients' best interests above all else.

A TAILORED APPROACH

We do not believe in a one size fits all approach. We create a personalized portfolio tailored to your unique financial goals.

BEST IN CLASS

Our CEO, Johnathan Rankin was named a Forbes Best-in-State Next Generation Wealth Advisor*, an accolade that represents both quantitative and qualitative achievements in his work within the wealth services field. The ranking is designed to help families identify local professionals who deliver an exceptional level of comprehensive service and expertise.

We believe Theorem Wealth Management can help you reduce the stress of financial management and the major decisions that need to be made when considering retirement.

A second set of eyes on your financial future is always a good idea. If you want an experienced financial professional to review your portfolio and financial goals, click here for a complimentary evaluation.

We look forward to hearing from you.

*Source: Forbes "Best-in-State Next-Generation Wealth Advisors" list, September 4, 2019. Forbes "Best-in-State Next-Generation Wealth Advisors" list was developed by SHOOK Research. Advisors considered for this ranking were born in 1980 or later with a minimum 4 years relevant experience; advisors have: built their own practices and lead their teams; joined teams and are viewed as future leadership; or a combination of both. Ranking algorithm is based on qualitative measures: telephone and in-person interviews, client retention, industry experience, credentials, review of compliance records, firm nominations; and quantitative criteria, such as: assets under management and revenue generated for their firms. Investment performance is not a criteria because client objectives and risk tolerances vary, and advisors rarely have audited performance reports .Rankings are based on the opinions of SHOOK Research, LLC and not representative nor indicative of any one client's experience, future performance, or investment outcome. Neither Forbes nor SHOOK Research receives compensation in exchange for placement on the ranking. Forbes is a trademark of Forbes Media LLC. All rights reserved. Rankings and recognition from Forbes are no guarantee of future investment success and do not ensure that a current or prospective client will experience a higher level of performance results and such rankings should not be construed as an endorsement of the advisor. Forbes Best-In-State Next Generation Wealth Advisors, created by SHOOK Research. Presented in September 2019 based on data gathered from September 2018 through September 2019 No fee was paid to be included in the ranking and no fee was paid to hold out marketing materials. Not indicative of adviser's future performance. Your experience may vary.