

7 Estate

Estate planning may be one of the least favorite subjects for most retirees. We're all trying to avoid death, discussing it makes it feel too real.

Estate Planning Can Be Fulfilling



However, estate planning can be fulfilling if centered on your values. Also, there are many aspects of estate planning that focus on life experiences rather than death.

This summary will cover these topics:

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The Estate Plan Everyone Should Have

In full disclosure, let's add the word "nearly" everyone should have. A foundational estate plan should include the following:

- **Will**
- **Trust**
- **Power of Attorney**
- **Healthcare Directives**
- **Guardianship instructions for minors if applicable**

Here are some of the issues that arise for those without a foundational plan.

- Your home will likely go through probate unless it is owned by your trust.
- Your minor children's caretakers may be determined by a judge rather than you.



- Your preferences for life-saving measures will not be known.
- If you are alive, but unable to make financial decisions, your family may have to hire a doctor to prove you are incompetent before they can help with your assets.

Most estate planners will charge a flat rate for a package which includes all these documents. An estate plan will need to be updated as you experience changes in your family, values, and the legal and tax environment. Retirees should revisit their plan every 1 to 3 years. Many estate planners will make updates to your plan in the future for a discounted rate or potentially for free.

Wills & Trusts

Wills and Trusts are documents that help instruct or transfer ownership of things you own. Probate is a court process for dividing up your property. A will is used in probate to instruct a probate judge on your wishes for your assets. A trust avoids probate. You assign a successor trustee in your trust and they are responsible for dividing up the assets at the right time to the right people. If a trust avoids probate, why have a will? A trust can only control the assets you assign to it. In order to ensure your assets are

controlled by your trust, a will can help “pour over” any assets that are not assigned to the trust prior to your passing. They often refer to this will as a “Pour-Over Will”.

Naming Beneficiaries

Some assets, like your retirement and bank accounts, have the ability to list beneficiaries. Beneficiary designations avoid probate and can simplify the distribution process. It is important that you understand the consequences of naming certain beneficiaries. Naming an individual directly will allow the individual to delay taxes on retirement accounts for as long as possible, however, it will limit your ability to control the timing of when the individual has the right to spend the money. Naming your trust on a retirement account will allow more control over the timing of distributions to the beneficiary (which is important in the case of minors). However, it may accelerate the government required withdrawals. In other words, it could cost them more in taxes.

Most people name individuals on their retirement accounts as their beneficiaries. In some circumstances, trusts are used. This is where estate planning is personal and family specific.





Estate Taxes

Very few people will pay estate taxes. The few that do, often pay millions of dollars worth. It is either not an issue or your biggest concern. There is an amount of money you can give away to others without paying any estate taxes. This amount combines gifts made during and after life. The amount has been so high that a couple could give away \$30,000,000 in assets without paying any estate taxes. For those who cross the line, the tax bill is steep. They pay 40% of any amount over the exemption in taxes.

There is an annual exclusion amount of

\$19,000 in 2026
that you may give to anyone without reporting the gift.

Any amount more than this will be added to your lifetime limit (\$30 million for a couple)
(\$15 million for an individual)

Most people don't need to worry about estate taxes, but if you do, slow down and build a plan.

Issues that are more prevalent amongst the general population are:

- **Cost basis step up**
- **Annuity inheritances**
- **IRA taxation**

Cost Basis Step Up

When you pass away owning a non-retirement asset, in most states, your beneficiaries are eligible to pretend like their "cost" of that property is the value upon your passing, this is called a cost basis step up. It can save thousands of dollars in capital gains tax because you avoid taxes on the growth the previous owner had. However, it can be easily lost. For example, adding your child as a joint owner of your home prior to your passing will negatively impact their ability to step up the basis.

Annuity Inheritances

Annuity contracts may have death benefits. Most insurance companies or agents don't spend a lot of time walking you through those options. Slow down and look at all the options. Sometimes we find great value in taking a monthly payment from the insurance company instead of a lump sum.



IRA Taxation

Most IRA beneficiaries have required distributions. You'll want to understand your options and schedule for withdrawals. You may choose a different approach based on whether you are inheriting a Roth or Traditional IRA.

Preventing a Family Disaster

Keeping your family together comes down to clarity of purpose and communication. Most issues arise when too much interpretation is required. It can also arise when control dynamics create strained relationships.

When designing your estate plan, understand the balance between control and complexity. In our experience, we believe retirees should seek simplicity in their plan unless their family circumstances require more control or care.



Estate planning is done right when it is based on values. Here are the steps and questions to ask yourself to center your plan around your values.

STEP:1

DETERMINE IF YOU WILL PASS AWAY WITH EXCESS MONEY OR SPEND IT DURING YOUR LIFE.

STEP:2

ASK YOURSELF WHAT YOUR ASSETS SHOULD ACCOMPLISH?

- EXPERIENCES
- EASE FINANCES OF CHILDREN UPON YOUR PASSING
- CHARITABLE ENDEAVORS

STEP:3

ALIGN YOUR ASSETS TO YOUR VALUES. WHAT IS YOUR LEGACY?

You must spend time on this topic, but you can think of it positively. Think of the good you will do with your wealth and how you may accomplish lifelong goals as a result of your hard work. Work closely with an attorney you trust.

Think of Estate Planning Positively

