

Advanced Estate Planning & Asset Protection

- Revocable vs. Irrevocable Trust Design
- Asset Protection Strategies for All Clients
- Specialized Planning for High-Net-Worth Families
- Avoiding Medicaid Estate Recovery and Probate Problems

What Clients Want vs What They Need

Understanding Client Priorities

- Simplicity vs. Comprehensive Protection
- Immediate Gratification vs. Long-Term Security
- Why Proper Education = Higher Closing Rates and Happier Clients





Red Flags for Advanced Planning

Checklist:

- Significant non-retirement assets
- Blended families
- Disabled heirs
- Business ownership
- Family conflict potential
- Long-term care cost concerns

Core Planning Concepts

Foundational Principles

- Control vs. Protection
- Revocability vs. Irrevocability
- Income and Principal Access
- State and Federal Benefit Interactions



BASICS

Revocable Trusts: What They Solve

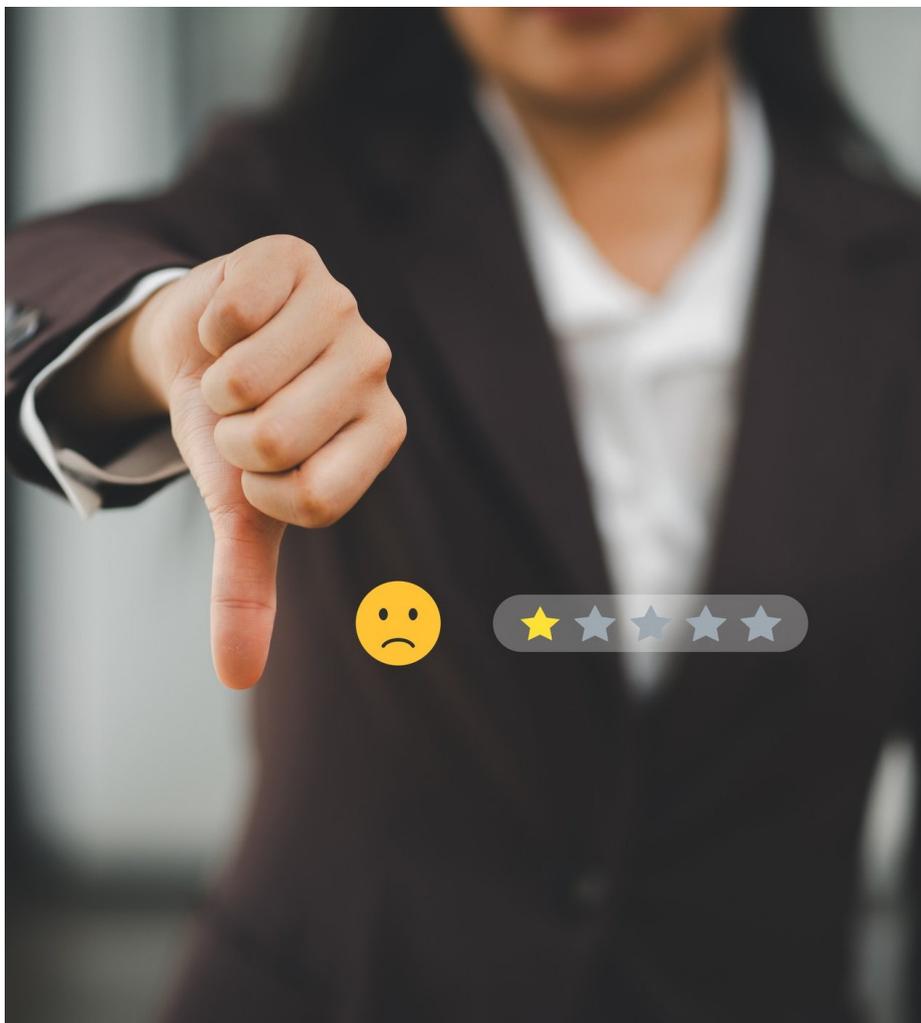
- Avoids probate
- Provides incapacity planning
- Allows easy amendments during lifetime
- Offers minimal asset protection

Common Revocable Trust Mistakes

Mistakes That Undermine Trust Planning

- Failing to fund the trust
- Poor successor trustee choices
- Inadequate distribution provisions
- Not coordinating with retirement accounts





When a Revocable Trust is NOT Enough

Limits of Revocable Trusts

- No creditor protection
- No Medicaid planning benefits
- No tax shelter for high-net-worth estates
- Often “false security” if improperly drafted/funded

What is a Special Needs Trust SNT?

- Preserves government benefits (SSI, Medicaid)
- Enhances quality of life for disabled beneficiaries
- Protects assets from being counted against eligibility



Types of Special Needs Trusts

Three Types of Special Needs Trusts

1. First-Party SNT (funded with beneficiary's own assets)
2. Third-Party SNT (funded by parents, grandparents, etc.)
3. Pooled Trusts (managed by non-profit. They do the paperwork)



First-Party Special Needs Trust

- Funded with personal injury settlements, inheritances
- Payback provision required to Medicaid
- Must meet strict federal and state guidelines

Third-Party Special Needs Trust

- Funded by others (family, friends)
- No Medicaid payback
- Can be flexible and customized to improve quality of life





Client Red Flags for Special Needs Trusts

Checklist:

- Disabled children or grandchildren
- Adult children receiving Medicaid, SSI, or SSDI
- Clients worried about future care needs
- Protecting assets while maximizing benefits

The Case for Freestanding SNT

- What Congress gives, Congress can take away
- Get it reviewed by Social Security
- Other people may want to give money to the child



Irrevocable Trusts: When and Why

- Protects assets from nursing home spend-down
- Protects inheritance for vulnerable beneficiaries
- Enables strategic tax planning for wealthy clients

Types of Irrevocable Trusts

Common Types

- Medicaid Asset Protection Trust
MAPT
- Intentionally Defective Grantor Trust
IDGT
- Spousal Lifetime Access Trust SLAT
- Special Needs Trust (First-Party and
Third-Party)

Key Terms in Irrevocable Trust Drafting

Essential Drafting Points

- Distributions: Health, Education, Maintenance, Support (HEMS) standard
- Trustee Powers and Limits
- Powers of Appointment (Limited vs. General)
- Tax Implications (Income Tax, Estate Tax, Gift Tax)



Titling Assets Correctly

Funding Irrevocable Trusts Properly

- Deeds, bank accounts, brokerage accounts must be retitled
- Life insurance must often be re-owned by the Trust
- Retirement accounts require delicate beneficiary planning



High-Net-Worth Client Goals

Primary Objectives for HNW Clients

- Estate Tax Minimization
- Asset Protection
- Multi-Generational Planning
- Business Succession
- Philanthropic Goals
(Charitable Trusts)

Trust Structures for Wealthy Clients

Key Strategies

Checklist:

- Credit Shelter Trusts Bypass Trusts
- Generation-Skipping Trusts (GSTs)
- Grantor Retained Annuity Trusts (GRATs)
- Charitable Remainder Trusts (CRTs)



The Big Picture

GRAT - An **estate tax minimization tool**. You're freezing the value of a gift today, pulling the future appreciation out of the taxable estate, while the client still gets income back during the GRAT term.

CRT - A **charitable giving + income tax planning tool**. You're giving assets to a charity in the future, locking in an income stream for the client now, and potentially avoiding capital gains taxes on appreciated assets.

How They Work

GRAT

- Client transfers assets into a trust for a fixed term.
- Trust pays the grantor an **annuity** each year (calculated using the IRS Section 7520 rate).
- At the end of the term, **any remaining assets go to beneficiaries** (often children) **with little or no gift tax** if structured correctly.
- **If the grantor dies during the term**, the trust assets are included in their estate — so term length matters.

How They Work

CRT

- Client donates assets into an irrevocable trust.
- Trust pays the client (or other named beneficiaries) an **income stream for life or a term of years**.
- At the end of the trust, the **remainder goes to a qualified charity**.
- Immediate **charitable income tax deduction** for the present value of the charity's remainder interest.
- No capital gains tax at the time of transfer if the trust sells appreciated assets.

Core Differences

Feature	GRAT	CRT
Primary Goal	Shift appreciation to heirs with minimal gift/estate tax	Support charity + get tax benefits + income
Remainder Beneficiary	Heirs (family, trusts)	Charity
Tax Impact	Reduces estate tax exposure	Charitable deduction + avoids capital gains
Who Gets Income?	Grantor during term	Donor or other income beneficiaries
Risk Factor	Death during term brings assets back into estate	No estate tax benefit unless income rights are limited/life ends before trust term
Flexibility	Works best in low-interest-rate environments	Works anytime, but benefits maximize with highly appreciated assets

Lifetime Gifting and Trusts

The Power of Gifting Now

- \$19,000/year annual gift tax exclusion (2025 limits)
- Lifetime exemption planning
- “Seed” gifts for advanced trusts



Balancing Flexibility and Protection

Designing for Future Change

- Incorporating limited powers of appointment
- Decanting statutes for trust updates
- Using Trust Protectors for flexibility

Building an Estate Plan for a \$10M Client

A Practical Example of Advanced Trust Stacking

Client Profile:

- Married couple, both mid-60s
- Combined net worth of \$10 million (mix of real estate, investments, small business)
- Primary goals:
 - Minimize federal estate taxes
 - Protect surviving spouse
 - Provide for adult children and grandchildren
 - Preserve charitable giving legacy



Step 1 Lifetime Gifting and Use of SLATs

Spousal Lifetime Access Trusts

- Husband creates a SLAT for Wife; Wife creates a SLAT for Husband.
- Each funds the trust with \$5 million of their personal exemptions (use of lifetime estate/gift tax exemption — currently \$15M).
- Assets moved out of personal estate = future appreciation also shielded from estate tax.
- Bonus: Each spouse retains indirect access to the trust assets via the other spouse.
- SLATs allow wealthy clients to remove assets from their taxable estates without losing total flexibility.

Step 2 Upon First Death — Bypass Credit Shelter Trust

When Husband dies, his SLAT or outright estate portion funds a Bypass Trust (also called a Credit Shelter Trust).

First \$13.9M for 2025 exemption, 15M next year can be shielded from federal estate tax.

Assets grow inside the trust without being taxed again at Wife's later death.

Wife can access income and principal under HEMS standard (Health, Education, Maintenance, Support).

Teaching Point: “Bypass Trusts 'lock in' use of exemption and maximize protection across generations.”

Step 3 GST Planning for Multigenerational Wealth

Generation-Skipping Transfer Trusts

- Structure portions of SLATs and Bypass Trusts as GST-exempt.
- Assets earmarked for grandchildren or future generations are fully protected from estate taxes at each generation's death.
- Potentially tax-free wealth transfer for 100+ years depending on state law.
- Dynasty Trust planning.

“GST Trusts preserve wealth across generations without double taxation.”



Step 4 Charitable Planning Strategies

Charitable Remainder Trusts or Donor Advised Funds

- Couple sets up a Charitable Remainder Trust CRT or Donor Advised Fund DAF .
- Transfers appreciated stock or real estate into CRT → receives charitable deduction → avoids capital gains tax on sale.
- CRT pays lifetime income stream to the clients, with the remainder going to charity after death.

Charitable strategies reduce taxable estate, generate income and fulfill philanthropic goals



Results for the Client

Objective	Solution	Outcome
Minimize Estate Tax	SLATs + Bypass Trust + Lifetime Gifts	\$10M largely outside taxable estate
Asset Protection	Trusts hold assets, not individuals	Protection from creditors, divorce, remarriage
Multigeneration Wealth	GST Trusts	Tax-free passing to grandchildren and beyond
Charitable Giving	CRT / DAF	Lifetime income + major tax deductions

What is Estate Recovery?

Understanding Medicaid Estate Recovery

- Medicaid can recover against probate assets after death (sometime non-probate assets)
- Avoidance strategies: Trusts and proper asset titling



Probate 101

Time-consuming

Public record

Costs (legal fees, court fees)

Family conflict risks

How Trusts Bypass

Probate

Keeping Assets Out of Probate

- Proper funding into Revocable or Irrevocable Trusts (a home in a revocable trust is a COUNTABLE asset)
- Beneficiary designations POD, TOD, direct designations
- Joint ownership strategies (with caution)

Medicaid Trusts and Probate

Protecting the Home from Medicaid

- Deed property into Medicaid Trust properly
- Retain lifetime use rights (Life Estate) if desired
- Five-Year Lookback planning needed!

Case Study Example

Saving the Family Home from Estate Recovery
Older client deeds home into Irrevocable Trust →
Survives Lookback → Family inherits home free and
clear without Medicaid payback or probate←

Practical Tips to Avoid Pitfalls

Critical Do's and Don'ts

- Always fully fund trusts immediately
- Review Medicaid rules in your state annually
- Regularly update beneficiary designations

Key Takeaways

Advanced Planning Mastery

- ✓ Protect client assets at every stage
- ✓ Plan for complexity now to avoid future problems
- ✓ Use the right tools for the right client needs
- ✓ Be the trusted advisor your clients deserve

Questions????