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left to right: Brenda C. Bolander, Joe Bowie, Randy Thurman, Carol Ringrose Alexander, Chad Rudy, and Andrew Flinton

Financial Briefs

MARCH 2021

Avoid These Estate-Planning Mistakes

When it comes to estate planning, Americans make a lot of mistakes. From putting off creation of key documents, forgetting to update their plan after a divorce or remarriage, or neglecting to leave instructions about what to do with certain assets, many people are leaving a legacy of frustration and confusion for their heirs. You can save those you leave behind money and time by avoiding these estate-planning mistakes.

Not Having a Will

Not having a will is probably the biggest estate-planning mistake you can make. It's also one of the easiest to fix. An attorney can help you draft a simple will that offers instructions on what to do with your assets and who should care for your minor children, among other matters. What happens if you don't have a will? The courts decide who gets your property and who will assume guardianship of your kids — and it may not be who you would have chosen.

Not Updating Your Estate Plan after Life Changes

Some people think that estate planning is a set-it-and-forget-it issue. But your estate plan needs to evolve with your life. If your family grows, a marriage ends, or you acquire new wealth, you may need to

update your will, beneficiary designations, and other documents. One key thing to remember: Check your beneficiary designations on retirement plans and insurance policies periodically. The people listed on these forms will receive those assets, even if your will says otherwise. If you name one child as the beneficiary of your IRA and then neglect to add your second child to the form after her birth, you'll end up disinheriting one of your children.

Not Working with an Estate-Planning Attorney

Online legal sites and fill-in-the-blank documents have given many people the mistaken idea that estate planning is a do-it-yourself activity. Nothing could be further from the truth. The legal issues surrounding estates can be quite complicated. A skilled attorney (working in partnership with your other advisors) can help you avoid complications and design an estate plan that is

Continued on page 2

Leaving a Legacy

Many of us want to do our part to leave the world a better place. Below are five different ways you can leave a financial legacy.

1. Give gifts in your lifetime. If you have the financial freedom to do so, making financial gifts while you are still alive is a great way to leave a legacy. Money you donate to qualified charitable organizations can be deducted from your taxes, saving you money while also helping you support a good cause. If you want to leave a family legacy, consider giving gifts to loved ones while you are living, like helping pay for your grandchild's college education. Just make sure you're aware of annual limits on what you can give to individuals without trig-

gering gift tax (\$15,000 per person in 2021).

2. Make a bequest in a will. Many people use their will to make philanthropic bequests, leaving funds to their favorite charity, alma mater, or church. For people who have money to give, recognizing an organization in their will is a relatively easy way to leave a legacy. Bequests in a will don't require any additional planning and are exempt from estate tax, provided the recipient is a qualified charitable organization. However, if you plan to make a substantial bequest to a charity, you may want to inform them of your plans in advance. This is particularly important if you plan

Continued on page 3

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Avoid These

Continued from page 1

complete without unintended consequences.

Not Thinking about Long-Term Care

The average 65-year-old has a 68% chance of becoming disabled and needing long-term care during their lifetime. If you don't have a plan for how you might pay for that care, you can quickly exhaust your savings, leaving little for your heirs when you do pass away. Smart planning strategies, like purchasing long-term-care insurance or certain types of life insurance, can allow you to protect your wealth for your loved ones while also helping you afford the care you need.

Not Taking Steps to Avoid Family Conflict

Disagreements among family members over how your assets are distributed after your death can lead to permanently damaged relationships and expensive litigation. A detailed, well-thought-out estate plan will help prevent conflict, as your wishes will be clear and there will be less opportunity for legal challenges. Even more important, however, is thinking about your unique family dynamics and taking steps to ensure everyone you love is treated fairly. For example, if you have children from a prior marriage, you may need to take special steps to make sure they aren't disinherited if you pass away. In some cases, you may be able to head off trouble by sitting down with your loved ones and explaining your plans, so no one is blindsided after your death.

Not Thinking about Digital Assets

These days, many of us live a significant portion of our lives online. As you develop your estate plan, you may want to include instructions for how to handle your digital assets. Putting together a master list of accounts and passwords (particularly for financial accounts) will make things easier on your family as they try to sort out your affairs. But you may also want to include information about your

Discussing Your Estate with Your Family

Having this conversation before your death, when choices can be explained, will help avoid the potential relationship damage that can happen if no one is aware or understands your decisions.

Choose the Right Person for the Right Job

While you are likely to consider the feelings of your family members, try to take the emotion out of your decisions and select the people who will be best at certain tasks. Once people understand the various roles and what they entail, they tend to understand why a particular person was selected.

The roles can range from being the executor of the estate, to the guardian of your children, to making medical decisions on your behalf. For example, you need to select a very strong person to be your healthcare proxy, because this person may have to remove you from life support during a medical crisis. This is a very difficult choice to make even when they know that's what you wanted, so you have to name appropriate individuals whom you are confident will be able to carry out your wishes.

Prepare the Appropriate Documents

Once you have determined who will handle the key roles in your estate, you will want to get the proper paperwork drafted and notarized to officially document your wishes. These documents may include: your will, trust, durable power of attorney, healthcare power of attorney, and

guardianship designations.

Before you have the conversation, you should have the proper paperwork with copies for all involved individuals, so there is no room for misinterpretation and everyone understands the parameters of your decisions.

Prepare for the Conversation

You'll want to take the time to think through this conversation and anticipate the questions people will have. You will want them to understand what your goals are for the estate plan, what the various roles are and what they entail, and why certain people were chosen for certain roles.

It is important to think through your family dynamic in approaching this conversation. Should it be a more formal conversation that includes an attorney or financial advisor to help explain the roles and your choices? Should it be a more casual discussion around the dinner table with only family?

Either way, you will want to make sure you set ground rules to avoid confrontation. You will want people to express their thoughts, but if it becomes argumentative, let them know the meeting will be canceled until it can be discussed rationally.

Keep the Conversation Going

Let your family know that this will be an ongoing discussion as circumstances change, such as new marriages, new children, divorce, etc. By having regular conversations, you can avoid the "Mom would have wanted this" argument. Setting this expectation can help prevent future family tension. ■■■

other online assets, like social media accounts, online photo albums, libraries of digital videos and music, and even online businesses, so that your family can gain access to that information.

Fortunately, it is fairly easy to avoid — or correct — any of these estate-planning mistakes. Working

with an experienced estate-planning attorney, along with your financial advisor and other professionals, can allow you to create a comprehensive estate plan that protects you and your family. Please feel free to call to discuss this in more detail. ■■■

Leaving a Legacy

Continued from page 1

to donate physical property, like real estate or artwork, as not all charities will want or be able to accept such donations, or if you plan to place restrictions on how the gift is used.

3. Create a charitable remainder trust. If you would like to make a substantial gift to a charity but also want to provide for your heirs or continue to receive income during your lifetime, a charitable remainder trust (CRT) may be an option. Here's how it works: You transfer property to the trust (and get a tax deduction at the time of the transfer), and you or your heirs receive income from the trust for a specified period of time. Then, when that period ends, the remaining assets go to the charity of your choice. A word of caution: CRTs are irrevocable, which means once you've made this decision, you can't reverse it.

4. Set up a donor-advised fund. Know that you want to leave money to a charity, but not ready to hand it over just yet? Consider setting up a donor-advised fund. A donor-advised fund allows you to make contributions to a fund that is earmarked for charity and claim the associated tax deduction in the year you contribute the funds. You continue to make more contributions to the fund, which are invested and grow free of tax. Then, when you are ready, you can choose a charity to receive all or some of the accumulated assets. It's a great way to earmark funds for charity now while also accumulating a more substantial amount of money to leave as a legacy.

5. Fund a scholarship. Endowing a scholarship is a great way to make a difference in the life of a talented student. Here's how it typically works: You give a certain amount of money to the school of your choice, which earmarks it to fund scholarships, often for certain types of students (e.g., female math majors, former foster children, or people suffering from a certain disease).

Do You Really Need a Will?

Many people believe they don't need a will. But how valid are the more common reasons for not preparing a will?

Your estate is too small. Some believe that if their estate won't be subject to estate taxes (in 2021, your taxable estate must be over \$11.7 million before estate taxes would be owed), there is no need for a will. However, a will's purpose is not to save estate taxes, but to:

- **Provide for the distribution of your assets.** Without a will or other estate-planning documents, your estate will be distributed in accordance with state law, which may or may not coincide with your desires.
- **Name guardians for minor children.** Without a will, the courts decide who will raise minor children when both parents die.
- **Select an executor for your estate.** The executor assembles and values your assets; files income, estate, and inheritance tax returns; distributes assets; and accounts for all transactions. You will typically be in a better position, based on family relationships and individual qualifications, to decide who should be named executor of your estate.

All your property is jointly owned. When one owner dies,

jointly-owned property passes directly to the joint owner, regardless of provisions in a will. Also, the unlimited marital deduction allows you to leave any amount of your estate to your spouse without paying estate taxes. Thus, many married couples use joint property ownership as their sole estate planning technique. However, individuals with very large estates may save estate taxes by distributing some assets to other heirs or there may be other reasons to distribute some assets to other heirs.

A living trust will distribute your assets. Only assets actually conveyed to the living trust are controlled by the trust document. Typically a pour-over will is also needed, which places any asset not held by the trust at your death in the trust.

You expect your estate to grow significantly in the future. Some feel it is premature to plan their estate while it is being built. However, a will can be changed. In fact, you should periodically review your entire estate plan to see if changes in your personal situation, preferences, or tax laws require changes to your plan.

Please call if you'd like to discuss the role of a will in your estate plan. ■■■

Other scholarships are established through community foundations. A seed gift of \$25,000 or \$50,000 may be enough to get started. Be aware, however, that while you may be able to have a say in selection criteria for the scholarship, there's a good chance you won't be able to select the recipient yourself. If you want to do that, you'll need to distribute the money in another way, perhaps by setting up your own nonprofit organization.

6. Start a foundation. Starting a family foundation is appealing to many, especially those who like the idea of having greater control over how their money is used as well as

the prestige that comes with running a foundation. Well-managed private foundations can also endure for many generations after you're gone. But you'll need substantial assets to make setting up a foundation worth it. Plus, foundations are complicated and expensive to set up and administer. But, if you are committed to the idea of giving back, and especially if you want to keep the entire family involved in giving (a concern for many wealthy families), a private foundation could be the way to go.

Curious about steps you can take to leave a meaningful legacy? Please call to discuss this topic in more detail. ■■■

News and Announcements

From the Thurman Household

My son, Levi is really into Jiu Jitsu. It's a form of martial arts, or combat sports and they would say, with a lot of grappling. He competes in tournaments and does very well. The last one he even went up a weight level and won the blue belt division with a flying arm bar. It looked pretty cool.

I just had a birthday and am now eligible for social security. Not going to take it for many years, but seems surreal to be eligible.

I'm really into a sport called pickleball. The fastest growing sport in America they tell me. Very roughly, you play on a small tennis court, with oversized ping pong paddles, hitting a whiffle ball but there are rules you can't hit the ball in the air close to the net and a couple of dozen other rules and differences. It's an incredible amount of fun.

My wife, Pati conquered 2 ultra marathons and a century ride last year. They're pretty extreme. She's going after a mega trail running adventures in 2021.

Life is good.

Randy Thurman, CFP®, CPA/PFS

From the Flinton Household

This past year has been one for the records books for sure. I am certain that my daughters have met a lifetime quota for listening to their parents' positive quotes, affirmations, and 'look at the bright sides'. But hey, they say you got to grow through, what you go through! See what I mean.

I can't recall where or by whom, but I'm fairly certain I heard people saying 2021 was surely going to be better than 2020. Last month as we were chopping up our dining table and living room furniture to burn in the fireplace in the -30 degree temperatures, I couldn't help but feel this wasn't the beginning to the year I had envisioned. But, they say you got to put the past behind you. It was day 4 of the frigid temperatures and we jumped back into positive digits, although the schools were still out and now everybody in our house was getting restless. My wife and I were having coffee in bed and the girls were in the living room having breakfast and rustling about. For whatever reason, they had turned on the news and we overheard the normal 6:00 AM weather ramblings from our bedroom. As the meteorologist continued the barrage of negative temperatures, rolling black-

outs, snow duration, wind chills, and overall problems created by this storm, we heard our youngest daughter Emerson bark at the TV through groggy eyes, "You gotta be kidding me! What next, is it going to be 225 degrees in summer!" We were laughing hysterically. We knew at that moment that Emerson was coming to her wits end. When your 8-year-old daughter turns in a crotchety old man barking at the weatherman on TV at 6:30 in the morning, you know it's been a long year.

Wishing you a wonderful month,

Andrew Flinton, CFP®

From the Rudy Household

Our three daughters are staying busy these days. Kayla is in her freshman year at Texas A&M, Megan is a junior in high school, and Tatum is in 8th grade, her last year of middle school.

Kayla is already working on her summer and fall plans. She's living in a dorm now, but is planning to move with three new friends to an apartment this summer. She plans to enroll in summer school and is very focused on completing her business masters in four years (can you see me smiling?). She loves college life and has been getting involved in many freshman and business organizations.

It's hard to believe, but Megan is well into her college planning process. She had completed the entrance exams, checked out colleges online and is now deciding which colleges to visit in person. She is also exploring areas of study. Most career aptitude quizzes point her towards a career in healthcare or animal care. I am personally looking forward to this decision!

Tatum just finished her final middle school basketball game. Having coached her and Megan for many years, I really enjoyed watching her this final season. She has her sights set on some different high school activities and I look forward to cheering her on.

While the girls stay busy in their bubbles, they do an amazing job of staying connected with each other. Kayla makes it home occasionally and the girls definitely keep up with each other through their phones.

Chad Rudy, CFP®