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Financial Briefs

MAY 2023

Estate Planning for Complicated Family Situations

In our modern and increasingly complex society, planning for the future is not always straightforward. Divorce and remarriage, blended families, children with disabilities, or even a financially irresponsible child can complicate estate planning to the point where procrastination is tempting. If any of these situations apply to you, the reality is you should have a well-thought-out estate plan in place.

If You Are Divorced

One of your top priorities is updating your beneficiaries, last will, trusts (along with the executor/trustee), durable power of attorney, and healthcare proxy. Likewise, because you no longer have the benefit of combining your estate and inheritance tax exemptions with a spouse, you may need to consider more strategic estate planning to avoid estate taxes.

If there are children involved, you have even more decisions to make, including guardians of any minor children. Typically, you will not want your former spouse or his/her new blended family to receive any of your assets.

While you can name anyone as your beneficiary on life insurance policies, annuities, retirement accounts (if permitted by your plan), IRAs, and health savings accounts, your children typically cannot receive these funds until they turn 18. In the meantime, your children's appointed guardian, such as their surviving parent, could be designated by the court to manage these monies until they reach adulthood. Proper estate planning can avoid any mishandling of those funds and provide you with the reassurance that your children will be protected.

One way to ensure this outcome is to set up a trust with an appointed trustee, such as a grandparent, aunt, or godparent.

If You Have Remarried

While remarrying is a beautiful reminder that second chances really do exist, this can often complicate estate planning — particularly when

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Avoid Estate Planning Mistakes

When it comes to estate planning, Americans are making a lot of mistakes. You can save time and money for those you leave behind by not making 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: don't forget to check your beneficiary designations on retirement plans and insurance polices periodically. The people listed on these forms will receive those assets, even if your will says otherwise.

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. The legal issues surrounding estates can be quite complicated. A skilled attorney (working in partnership with

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Estate Planning

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at least one spouse has children from another marriage. The first step is to sit down with your spouse and discuss what you both feel is fair for each other and your children. Because of state marital estate laws, unless you have a prenuptial agreement in place, your current spouse has legal entitlement to up to half of your estate, regardless of what your will may designate.

Assuring that your surviving spouse is provided for while leaving a legacy for your children can be a frail matter; it's important to have a plan intact that assures both your spouse and children receive what you intend. You might consider a trust, such as a marital trust, qualified terminable interest property trust (QTIP), or irrevocable life insurance trust (ILIT) that can provide lifetime income to your surviving spouse, while simultaneously ensuring that your heirs receive the remaining proceeds.

If You Have A Special Needs Child

Understandably, parents of a special needs child are often so distracted with accommodating their children's immediate needs that important financial matters are overlooked. The consequences of putting off estate planning are far worse in these situations.

The two most important factors to consider are preserving your child's eligibility for Medicaid and other essential benefits while continuing to provide the best possible lifestyle for him/her. However, without a proper action plan, an inheritance could disqualify your special needs child from vital benefits.

To avoid this situation, parents often leave special needs children out of the inheritance equation, listing other siblings or a designated guardian as heirs with the intention that their special needs child will be provided for as he/she continues to receive necessary medical benefits. The truth is, misuse of these intended funds is always a possibility, as intentions and reality often do not mesh. A much more reassuring path is to consider a special needs trust, which can assure that your child continues to qualify for medical benefits while providing a sound financial future.

An Irresponsible Adult Child

It's quite common for parents to worry that a child could get into serious trouble when presented with a large sum of money. This depends on a variety of factors, such as age at the time of inheritance, lifestyle, or even addiction issues. Consider establishing a trust — such as a spendthrift trust or even an incentive trust — where the appointed trustee can limit your child's inheritance to several installments throughout the course of his/her lifetime (even on an annual basis if you so wish), place conditions such as good behavior on the disbursements, or even appropriate the funds for something as specific as college tuition.

Please call to discuss this topic in more detail.

Giving Back

Leaving behind a legacy is important to many people. A charitable giving strategy can provide a number of tax-saving benefits, ultimately preserving more of what you're able to leave behind.

There are many ways to build charitable giving into your estate plan. Here are just a few items for you to consider:

- **Lifetime Giving**: In addition to the rewarding experience of donating, you'll enjoy the added benefit of tax deductions as well. If you're concerned with exceeding state or federal estate tax exemptions, lifetime giving is an advantageous option, since you reduce your taxable estate while also receiving a current income tax deduction.
- **Charitable Trust:** There are several types of charitable trusts that are mutually beneficial for your selected charities, as well as you and your family. Estate tax savings, income tax deductions, and even income payments are all possibilities while benefitting your favorite causes. For example, a charitable remainder trust (CRT) is a private fund you can establish to provide yourself or selected beneficiaries with taxable income over a designated number of years. After your death, the remainder is passed to your chosen charities tax free. Your contributions are tax-deductible based on the projected remainder value allocated for charity.
- **Private Foundation:** This is an entity run in your name and funded throughout your lifetime, enabling you to endow others while deducting these contributions on your federal tax return. This can be an especially attractive option for people with a high net-worth or highly appreciated assets.

If you have many current and upcoming expenses, such as paying off debt, saving for your children's college educations, or saving for retirement, beginning a charitable giving strategy now may not be feasible. There are still ways to donate after your death:

- **A Gift in Your Will:** Simply request that your last will be drafted or revised to include your chosen organizations. This not only benefits the causes near and dear to you, but also helps reduce or eliminate estate taxes.
- **Retirement Accounts:** Because retirement accounts are among the highest-taxed assets in your estate, listing your favorite charities as the beneficiary could be a good estate tax savings route (although you may need your spouse's written consent). The charities are not subject to income or estate taxes, enabling them to put your entire gift to good use.

Estate Planning Mistakes

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your other advisors) can help you avoid complications and design an estate plan that is 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.

Not Thinking about Digital Assets — 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 will make things easier on your family. But you may also want to include information about your other online assets, like social media accounts, online photo albums, libraries of digital videos and music, and even online businesses.

Fortunately, it is fairly easy to avoid 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.

5 Estate Planning Tips for Dependents

When you have people who are dependent on you, like children or elderly parents, you want to ensure that they will be well taken care of in the event that you can no longer care for them. Here are five tips for creating an estate plan that will do this:

1. **Hire an estate planner —** An estate planner will make sure you think of and lay out every aspect of your estate plan. Estate planners stay up-to-date on tax rules and regulations, so they can help you ensure that your plan is legally and financially sound, leaving your dependents in the best situation possible.
2. **Choose a guardian —** Choosing someone to take care of your children in the event that both you and the children's second parent are deceased is a huge decision to make and deserves great care and time. You want to choose a guardian who loves your children and has the capacity to take care of them into their adulthood. That means a guardian who has the financial capacity to care for your dependents, as well as the physical capacity to do so.

   So even though grandparents may be able to love and care for your children just as you did, they may not be in good enough health to care for a child or children. On the other hand, your sister may be able to love your dependents just as much as you did and be in perfect health, but is unable to hold a steady job or stay in a committed relationship. The goal of choosing a guardian is to make sure your children are loved and taken care of adequately, they receive a good education, their lives remain as stable as possible, and they receive emotional support to cope with your loss. It's crucial to communicate with your chosen guardian. Ask early (and often) if they are comfortable being the guardian of your child or children.
3. **Develop a trust —** A trust is often used when people have minor children or dependents that are incapable of taking care of themselves. You, the trustor, puts a trustee in charge of the beneficiary's property and/or assets until the beneficiary meets certain requirements such as reaching a specific age or milestone. Usually the named guardian is also the trustee, however every situation is different. Just like choosing a guardian, make sure you take time in choosing a trustee and pick someone who is trustworthy and capable.
4. **Start as soon as possible —** As soon as you have a child or otherwise become responsible for a dependent, it is important to get an estate plan in place to protect them in case of emergency.
5. **Reevaluate often —** As time goes on, your situation may change quite a bit from your original plan. For example, anytime you acquire a new asset or debt, it should be included in your estate plan. Also, you may realize the guardian you originally chose for your dependent is no longer the right choice — they might get sick or die, or move far away. You may have more children or unexpectedly start caring for an elderly family member. Any time major changes happen in your life that impact what you would leave behind and who you'd want to leave it to, you should revisit your estate plan.

We all want the people we leave behind to be cared for after our deaths as we cared for them in our lives. You may have no control over when or how you will die, but you do have control over what happens to your dependents. To get started with your estate plan, please call.

News and Announcements

From the Alexander Household

We are in the midst of our son Luke's soccer season. As with all parents, we enjoy watching him compete and develop his skills. To be candid, it feels as if we have been in a perpetual soccer season since he began playing for a club team in 2016. Since Luke is our fourth son, we cherish this time with him.

Luke changed positions from forward to goalie in 2016. In addition to his club team, he plays for his school's team. We were told that their win last night qualifies them for the playoffs, which they did not make last year. Since Luke is a sophomore, we will have the opportunity to watch this team mature under dedicated coaches.

Luke expects a lot of himself. He believes that perfection is a concept that is impossible to achieve, yet he strives for it. Luke explains, "There is always room to be more and more perfect, in other words, perfection is impossible. Despite this, we wake up every day and strive to improve, pushing closer and closer to perfection. This battle between humans and perfectionism is one that might never end, yet it is the human spirit to keep battling toward it."

Carol Ringrose Alexander, CFP®
AIF®, CEPS, RLP®, CDFA™
Executive Vice President

From the Rudy Household

PTA (Parent Teacher Association) is devoted to the educational success of children. Participating in PTA helps to bridge the gap between home and school. Ever since our girls started school, my wife Amy has been very active in PTA.

At the elementary level, Amy focused on helping our girls' teachers with small tasks like cutting out learning materials, assisting with class parties, or volunteering for school-wide fundraisers. It seemed like there was a reason to be up at school nearly every day. Once our girls entered middle school, the PTA parents were more behind the scenes, coordinating school shirt sales or planning school dances. Once our oldest daughter started high school, Amy decided to join the PTA Board and therefore increased her level of involvement, especially during her two years as President. Activities included planning senior events, gathering treats to show appreciation to the teachers, coordinating membership meetings, and scheduling parenting seminars. During her time as President, our high school was recognized by the National PTA as a School of Excellence.

Amy's involvement has been driven by the desire to contribute to the success of our community while being a part of our girls' lives. This year she was recognized by her peers and will receive the Honorary Life Membership Award. I am very proud of her and we're looking forward to attending the official recognition ceremony!

Chad A. Rudy, CFP®
Executive Vice President - TX

From the Sterling Household

"I slept and dreamt that life was joy. I awoke and saw that life was service. I acted and behold, service was joy."
-Tagore

Service has always been a big part of my husband's and my life. We feel strongly that helping others is one of our basic duties in this world, and we have worked to instill this value in our kids as well. Over the years, we have been involved in a number of organizations and causes. This work brings us a tremendous amount of joy, which is a wonderful byproduct of service that never ceases to amaze me.

One project close to my heart has been working with older kids and young adults that have recently left a homeless shelter and are working toward independent living. I teach them basic financial literacy concepts and discuss the behavioral side of money with them as well. These kids continually amaze me with their questions and their insights. It takes a certain amount of optimism for any of us to think long-term, a skill necessary for making good financial decisions, and despite the overwhelming number of hardships they have endured, they are willing to look toward the future with hope and determination. My afternoons with them have become one of the brightest spots in my week and have served as a good reminder of the joy of helping others.

Sylvia L. Sterling, CFP®
Senior Vice President