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## Financial Briefs

MARCH 2025

### Leaving a Legacy

Many of us want to do our part to leave the world a better place. Fortunately, there are many ways you can ensure you'll have a meaningful impact on the world and leave a legacy that lasts long after you're gone, including the work you do or how you raise your family. Of course, you can also leave a financial legacy, using the wealth you've accumulated in your lifetime to do good in the world. 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 triggering gift tax (\$19,000 per person in 2025).

**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 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

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### Should You Consider Incentive Trusts?

You're looking for an effective way to get your heirs to do what you think is best for them, for the family, and for the world. Is an incentive trust the right vehicle to accomplish that?

An incentive trust is much like a traditional irrevocable trust, except that it sets specific conditions on trust distributions. Some people establish incentive trusts to make sure beneficiaries stay in the family business. Others want to encourage higher education or public service. Some want to discourage behavior — laziness, reckless spending, or drug use. Still others want to encourage beneficiaries to get married and raise a family.

#### Incentive Trusts Have Advantages and Disadvantages

If you think an incentive trust may be a useful part of your estate plan, consider the advantages and disadvantages.

The advantages of incentive trusts include:

- If you write the conditions for disbursement properly, they provide objective criteria for when and how to make these disbursements.
- They encourage beneficiaries to behave in ways that are important to you.
- They allow you to condition disbursement on your beneficiary's

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## Leaving a Legacy

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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). 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

## Discussing Your Estate with Your Family

It is essential to have this conversation with your family so they know what to expect, understand why you made certain decisions, and have time to absorb and accept your decisions. Having this conversation before your death, when choices can be explained, will help avoid problems after your death.

### 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 health care proxy, because this person may have to remove you from life support during a medical crisis. This is a very difficult thing to do, so you have to name appropriate individuals whom you are confident will be able to carry out your wishes.

### Prepare the Appropriate Documents

You also need to get the proper paperwork drafted and notarized. These documents may include: your will, trust, durable power of attorney, healthcare power of attorney, and guardianship designations.

Before you have the conversa-

tion, you should have the proper paperwork with copies for all involved individuals, so there is no room for misinterpretation.

### Prepare for the Conversation

You'll want to take the time to think through this conversation and anticipate the questions your family members 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 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 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.

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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. ■

## Incentive Trusts

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age, so you can decide when he/she is old enough to responsibly manage the inheritance.

- They can help you accomplish goals through your beneficiaries, such as continuing the family business or pursuing philanthropic interests.

There are also disadvantages:

- While incentive trusts allow you to specify conditions for distributions, they restrict the ability of trustees to make different decisions if new circumstances arise.
- Incentive trusts can cause resentment among beneficiaries, who may feel it is not your place to tell them how to live their lives.
- Encouraging goals you think are important may cause beneficiaries to neglect other good opportunities. For example, you may want a beneficiary to start a business, but she may be better suited to another career choice.
- Incentive trusts may be plagued by the law of unintended consequences. How can you foresee the future long after you've died? You may instruct the trust to pay out a stipend for your beneficiaries to go to school, but that can encourage them to become professional students.
- Because incentive trusts are often more complicated than traditional irrevocable trusts, they may be more expensive to establish and maintain.

### What to Think About

There are a number of issues that could affect the design and implementation of an incentive trust. Consider these points carefully:

- **Goals** — What behaviors do you want to promote? Incentive trusts are often created to encourage beneficiaries to pursue higher education degrees. Discouraging reckless consumption and unproductive behavior are other common reasons behind incentive trusts. Think about what matters to you and your beneficiaries. What goals are fair and

## Sharing an Inheritance

**M**arried individuals who receive a large inheritance face a tough decision — should you share the inheritance with your spouse or hold the assets separately? Legally, you aren't required to share the inheritance, even in community property states where almost all other income must be split equally. Even if all other marital assets are owned jointly, you might want to consider keeping an inheritance separate for a couple of reasons:

- Should you get divorced, you probably wouldn't have to split a separately-held inheritance with your spouse.
- When you die, you control who receives the inheritance. If the inheritance is owned jointly, it

goes to your spouse. If your spouse remarries, there is a chance the inheritance will ultimately go to a second spouse or children from a second marriage. You can get around that result through the use of a trust, but it may be simpler to just keep the assets separate.

While there may be sound financial reasons for keeping the inheritance separate, those reasons may be difficult to explain to a spouse. Rather than remaining evasive, discuss your concerns openly with your spouse. Even if you decide to keep the inheritance separate, that doesn't mean you can't share some of the assets for common goals. ■■■

reasonable for you to expect your beneficiaries to achieve?

- **Coordination with your estate plan** — Incentive trusts are just one component of an estate plan. Decide whether you want to create a separate incentive trust or build incentive clauses into a trust designed for another purpose. Make sure the incentive trust doesn't conflict with or detract from other components of your estate plan.
- **Duration** — How long do you want the incentive trust to last? For grantors with substantial wealth, a trust may span many generations. Can you realistically set expectations for beneficiaries who aren't even born yet?
- **Beneficiaries** — Who will benefit from the monies disbursed from the incentive trust? Considerations here are similar to those for any kind of trust: who do you include and exclude?
- **Trustee designation** — The trustee of an incentive trust typically has a more difficult job than the trustee of a simple traditional trust, since he/she must decide when beneficiaries have met the conditions you specified. Make that job easier by writing condi-

tions that are objective and easily measured.

### How to Prepare an Incentive Trust

If you decide an incentive trust may be right for you, you should:

- Sit down with your beneficiaries and trustee to discuss your goals for the incentive trust. The likelihood that your beneficiaries will later resent the incentives is greater without this discussion.
- Build flexibility into the trust to accommodate changes in circumstances. This will mitigate unintended and undesirable consequences.
- Ensure the conditions you want to include comply with state and federal laws.

If you don't want to establish an incentive trust, you can limit each beneficiary's inheritance to an amount that isn't likely to encourage reckless consumption and unproductive behavior. Another alternative, if your interest lies in philanthropy, is to establish a private foundation and name your beneficiaries as board members. That way, your money is still controlled by your beneficiaries, but it is put to charitable use.

Please call if you'd like this in more detail. ■■■



## News and Announcements

### From The Bolander Household

Spring is a wonderful time filled with promises of sunny days and family activities. This year over spring break we will be staying close to home as we are having a tornado shelter installed in our garage and some much-needed yard work done. My annual Zoo membership should come in handy that week also. Our last trip to the OKC Zoo was a sunny day in early January. Some Safari Lights elements made of brightly colored fabrics were still in place, and we took fun snapshots of the grandkids running from the sixteen-foot-tall boa constrictor and the T-Rex, and being swallowed by a giant yellow flower. From the Lion Overlook, we were excited to see all the lions out sunning themselves, including the male whom we had rarely seen on previous trips. He reminded us that he is the king of the jungle by roaring several times which echoed throughout the park, and the cubs who were born in May were playfully gnawing and tumbling over each other.

Of course, spring has St. Patrick's Day and Easter celebrations, but the biggest thing we are looking forward to this year is our son Jake's wedding! Jake is marrying Haleigh, a wonderful young lady that came into his life a few years ago, and we are overjoyed. We have lots of fun coming our way this spring, and we wish you a joyful one as well.

*Brenda C. Bolander, CFP®  
CPA/PFS™  
Executive Vice President*

### From the Sterling Household

Spring is here and we just wrapped up our second wrestling season. My son, Eli, came home one day last year as an eighth grader and told me he wanted to wrestle. I was surprised, and I didn't know much about the sport, but also didn't want to stand in the way of a new challenge.

So, he joined the team, and at first, he got tossed around quite a bit. It's a tough sport, and most of the boys have been wrestling for years. There is as much strategy as there is strength involved, and it takes time to master both. He stuck with it and kept practicing. As the final tournament of this second season came to a close recently, I was overwhelmed with pride. He has improved by leaps and bounds, winning most of his duels this year and placing a couple of times as well.

I reflected on how far he has come and all of the work he has put in and was reminded of a quote from Goethe that hangs in our house: "Everything is hard before it is easy." I have always believed in the human ability to grow, change, and improve. When we try new things, it can feel incredibly uncomfortable and difficult, but in time, it gets easier. I love watching my kids embrace new challenges and see them through.

*Sylvia L. Sterling, CFP®, CDFAs®  
Senior Vice President*

### Client Services Team

Our client service team is here to help you prepare for tax season. If you have any questions, please email [ServiceTeam@TheRetirementPath.com](mailto:ServiceTeam@TheRetirementPath.com) or call (405) 842-3443.

The following are a few items to keep in mind for this year's tax season:

- **Contribution limit information:**
  - 2024 IRA contributions are due by April 15, 2025
  - Explore our Key Financial Data guides for more information on contribution limits:
    - <https://bit.ly/2024FinancialData>
    - <https://bit.ly/2025FinancialData>
- **Required Minimum Distributions:**
  - If you turn 73 this year, you must begin your plan for taking Required Minimum Distributions from IRA accounts:
    - Your first RMD is due by April 1, 2026, based on your account balance on December 31, 2024, and
    - Your second RMD is due by December 31, 2026, based on your account balance on December 31, 2025.

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