# Estate Planning for the Young Family

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# Who needs a Will?

- Every adult should have a Will regardless of age, health or wealth.
- It is a common misconception that if one “doesn’t have a lot,” they don’t need a Will or estate plan – this is completely false.
- Wills have nothing to do with how much money you have.
- Basically, if you get married, have a child or buy a home, you need a Will.
- Let’s cover a few basics about Wills to get a better understanding.

# Why do I need an estate plan?

- Who will be in control of your assets and guardians of your children if you (or your spouse) were to pass away?
  - Wouldn’t you feel much more comfortable having someone you choose, rather than having a court appoint a potential stranger?
- If you die without a Will, state law will determine who receives from your estate and how much. Assets don’t simply transfer automatically to your spouse or children.

# Why do I need an estate plan?

- Your children not only need to be taken care of, but there also needs to be a person appointed to handle their fiscal needs.
  - If your funds aren't managed properly, your children could be left with limited funds to live on.
- Business owners (large or small) need to plan for a business sale or continuation
  - Many businesses fail upon the death of an owner because no plan is in place to keep the business active during the transition period.

# Aren't I too young?

- Simple Answer: NO!
- If you have any assets, you have the ability to protect the assets from creditors, lawsuits, unnecessary taxes & avoiding probate.
- Estate plans aren't just used upon death. They are also necessary for incapacitation.
  - Statistically it is more likely for a younger parent to be disabled for a period of time rather than pass away (this is why powers of attorney are so important!).

# Aren’t I too young?

- A good estate plan will ensure that:
  - Your children are properly cared for after you are gone by having you choose their guardian.
  - Your assets are used to support your children, and will be managed by someone you trust.
  - If you don’t want the same person to hold both positions, you can customize your estate plan to make sure that your children receive the best care and financial support.

# Wills

- Testate vs. Intestate
  - Testate:  Dying with a valid Last Will and Testament
    - You control all distributions of property.
    - You have the power to appoint Executors, Guardians and Trustees.
    - Tax savings.
      - Ex: Bypass Trusts.
  - Intestate:  Dying without a valid Last Will and Testament
    - You have no control.
    - The Court makes all decisions based upon statutes.
    - Loss of up to 48% of your Estate in taxes, fees and costs.

# Contents of a Will

- Wills can be completely tailored to the needs of the testator.
- They can be short, concise and cover the basic desires of the testator.
- They can also be more lengthy, detailed and outline any issues that may be of concern to the testator. These issues may include:
  - Power of Appointment;
  - Spendthrift concerns;
  - Education;
  - Trusts (including for Minor Children);
  - Tax implications.

# Uniform Transfers to Minors Act (UTMA)

- The Uniform Transfers to Minors Act (UTMA) is an act that allows minors to own property such as securities, via the use of Custodians.
- The gift is irrevocable.
- The child must get the full distribution at age 21.
- Any disbursements over $2,000 is taxed at the parent's tax rate.
- UTMAs can negatively impact college financing.
- All of our wills can include "minor trusts" which give greater flexibility with fewer tax issues.

# Additional Estate Planning Documents

- Durable Power of Attorney (POA)
  - Gives the person(s) you choose the power to act on your behalf if you become incapacitated, or unavailable.
  - The documents can grant unlimited power – or create narrow authority.
  - ***Connecticut has a new Power of Attorney effective October 1, 2016***

# Additional Estate Planning Documents

- Health Care Proxy/Instructions
  - Allows who you appoint to be your voice when you are incapacitated.
  - They will carry out your wishes regarding artificial life support, resuscitation & even organ donation.
    - Without these documents not only would someone not have the authority, but they might not have the necessary information to authorize your desires.
    - These documents also help to relieve a loved one of having to make very serious choices without knowing what you may want.

# Additional Estate Planning Documents

- Living Will
  - Very similar features to the Health Care Proxy.
  - Has additional substance that can grant more power or authority than a HCP.
    - Ex. You can choose a Conservator if you desire one upon incapacity.
    - A conservator is someone who is appointed by the Probate Court to handle all of the decisions you would normally make had you not fallen into a terminal state. Both health & financial.
- HIPPA Disclosures
  - This is an authorization to release protected health information.
  - It allows the named individuals to have access to all un-redacted medical information/records.

# Minimizing Estate Taxes

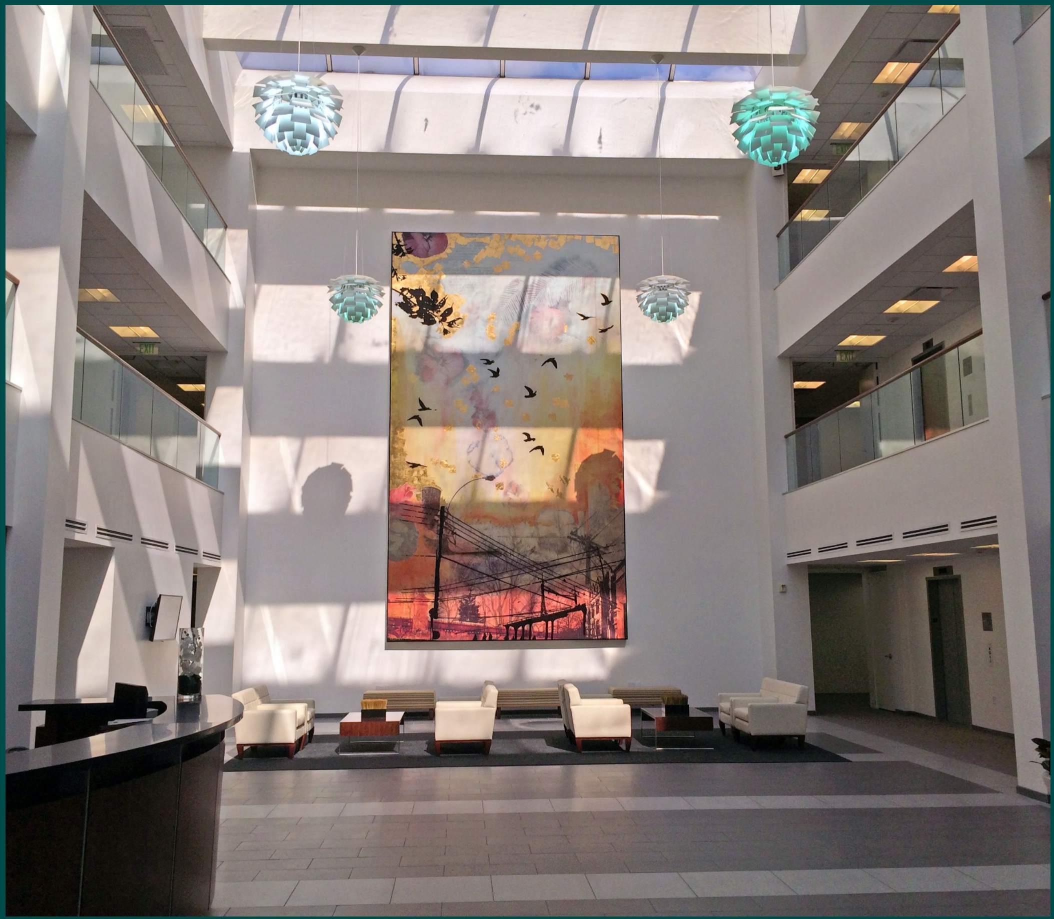
- One great way effective estate planning can be used, is to minimize the taxes the estate has to pay to the State & Federal taxing authorities (as well as Probate Court fees)
- There are many different ways to minimize estate taxes, each technique depends on the size of the estate.
- The following are commonly used methods regardless of estate size:
  - Giving away assets during your lifetime
    - Current Federal tax law allows you to gift up to $14,000 per year to anyone without paying gift taxes.
      - This can be used to transfer some of your money to your children or others to reduce your taxable estate.
      - You can gift up to $14,000 per person, per year, allowing you to gift substantially more than just $14,000.
      - Husband & wife can gift $28,000, per person & can gift directly to colleges for tuition costs.

# Minimizing Estate Taxes

- Give more of your estate to your spouse
  - Federal law generally permits the transfer of assets to your spouse without incurring gift or estate taxes, regardless of the amount.
  - Be careful with the “first to die syndrome.”
- Donate to charity
  - Charitable gifts to registered charities are not taxed, regardless of whether the gift is made during one’s lifetime or after death.
- Set up at Life Insurance Trust (ILIT)
  - Irrevocable Life Insurance Trusts can keep life insurance proceeds out of your estate while simultaneously providing liquid funds to pay fees, costs and immediate expenses. Life goes on…

# Life Insurance

- Many factors need to be considered when deciding upon a life insurance type and amount. Such factors include (but are not limited to):
  - Immediate obligations
  - Funeral expenses
  - Medical bills
  - Estate settlement costs
  - Outstanding debts
  - Mortgage balance
  - Future obligations
    - Tuition costs
  - A life insurance trust is a far better option to satisfy all of these issues.



# Thank you for attending "Estate Planning For The Young Family"

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