

Key estate planning steps

You don't have to be a multimillionaire to need an estate plan. It's a good idea for anyone with assets. It's important to think about where and how your assets will be distributed when you're gone, both to help ensure that your wishes are carried out and to make the process easier for your heirs. Here are three key steps to take regarding estate planning.

1 Create essential estate planning documents

In order to ensure that your wishes are known and met, take the time to create these key documents. Some may require the assistance of a lawyer. This isn't an exhaustive list, and you should consult with an estate planning attorney to create a comprehensive estate plan.

1. Medical directive/living will

This outlines end-of-life health care instructions including:

- Use of life-sustaining procedures for a terminal condition or persistent vegetative state
- Use of artificial nutrition and hydration procedures for a terminal condition or persistent vegetative state
- Release of information to loved ones
- Organ donation

2. Power of attorney

These documents allow an individual to act in your place as agent or attorney-in-fact for some or all legal or financial matters.

- Health care power of attorney
- Financial power of attorney
- Durable power of attorney—stays in effect even if you become incapacitated, while a non-durable power of attorney does not

3. Will

A will is essentially a letter to the probate court stating how assets are to be distributed and naming the executor of the estate.

- Executor—person who administers the distribution of assets
 - Family member
 - Trusted friend or colleague
 - Professional executor (for a fee)
- Codicil—a formal amendment that changes the terms of a will



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4. Disposition of last remains

This document states a person's wishes regarding burial or cremation and memorial services, and names the person(s) responsible for carrying these out.

5. Instructions for digital assets

Consider how you want your executor and beneficiaries to access digital accounts such as:

- Banking, brokerage, or insurance
- Email and online photo, video, or storage
- Social media, which may need to be disabled
- Noncash, like airline or hotel rewards programs, which have monetary value that might be passed on to beneficiaries, depending on the rules of the programs
- Cryptocurrency accounts
- Online sports gambling accounts

Instructions can be included in a legal document such as a will. A list of accounts with logins and passwords needs to be accessible to the executor either physically via a separate document or through an online aggregation and storage application.

2 Name beneficiaries on most financial accounts

Many accounts allow for you to designate a beneficiary. This ensures that assets pass directly to the named beneficiary and avoid probate. It can save your beneficiaries time and money.

Account types that typically have beneficiaries	<ul style="list-style-type: none">• Bank• Brokerage• Life insurance policies• Annuities	<ul style="list-style-type: none">• IRAs• 401(k)s and other workplace retirement savings plans• Pension plans
Types of beneficiaries	<ul style="list-style-type: none">• Primary<ul style="list-style-type: none">– Assets pass to primary beneficiaries first– Multiple primary beneficiaries can be named	<ul style="list-style-type: none">• Contingent<ul style="list-style-type: none">– Assets pass to contingent beneficiaries only if all primary beneficiaries have predeceased– Multiple contingent beneficiaries can be named
Who you can name as a beneficiary	<ul style="list-style-type: none">• Spouse• Children• Siblings• Parents	<ul style="list-style-type: none">• Family members• Friends• Charitable organizations

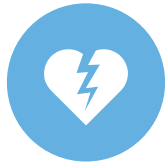
Regularly review beneficiaries

It is critical that you review your designations at least yearly. This ensures that your assets pass to the correct beneficiary. Remember, beneficiaries can be changed at any time, often by filling out a form.

Major life events may necessitate a beneficiary review, including:



Marriage



Divorce



Birth of a child



Death of a beneficiary

3 Know estate tax exemptions

The federal estate tax exemption for 2023 is \$12.92 million per person. This means the IRS levies no estate tax on any assets below \$12.92 million. Up to a 40% estate tax is applied on assets above \$12.92 million. This tax is paid by the estate prior to assets being transferred to heirs. Keep in mind that married couples can aggregate their exemption amounts for a total of \$25.84 million. This means that if one spouse dies and doesn't use their full exemption amount, the remaining exemption amount passes to the surviving spouse.¹

2023 federal estate tax exemptions

$$\leq \$12.92M = 0 \text{ estate tax} \quad > \$12.92M = \text{Up to } 40\% \text{ estate tax}$$

Remember, you can use part or all of your lifetime exemption during your life by gifting assets to beneficiaries or trusts. Also, an individual can gift up to \$17,000 per year, per person, to as many people as they like without using any of the lifetime exemption.¹

Transfers that do not trigger estate tax:



Between spouses



Assets left to a charity



Assets that pass from a trust to a beneficiary

Current federal estate tax exemption amount sunsets in 2025

The current estate tax exemption amount was set in the Tax Cuts and Jobs Act of 2017. It's scheduled to sunset in 2025, meaning the exemption amount will decrease to \$5 million per person, with annual adjustments for inflation.² So while you may be well under the \$12.92 million threshold in 2023, in future years you could face estate taxes.

State estate tax

Some states have a separate state estate tax. Many of the state estate tax exemption thresholds are much lower than the federal threshold. This means that even though you may not be subject to the federal estate tax, you might still be subject to a state estate tax. Check with your tax advisor to see whether you could be subject to state estate tax.

Preparation is key

These relatively simple steps can help ensure that your wishes are carried out when you are gone, while also making the process easier for your heirs. Remember to consult with an estate planning attorney for a more comprehensive plan.

¹ IRS Rev. Proc 2022-38.

² "Tax Cut and Jobs Act, Public Law 115-97," <https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.htm>.

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