

## TRUSTS & BENEFICIARIES

# The Benefits of Estate Planning

**Estate planning is a crucial component of financial stability, and it can actually be a simple process. Even for families or individuals with more complex tax planning considerations, the options are finite and straightforward. And the benefits are well worth the effort:**

### Ensure your wishes.

Estate planning can give you the peace of mind that your wishes will be carried out after you're gone.

### Simpler, faster resolution for heirs.

The process of administering an estate after the passing of a loved one can be simple and efficient—or cumbersome and conflicted. A small amount of structure goes a long way.

### Effective planning for taxes.

For families or individuals whose net worth is expected to surpass estate tax limits, planning tools can drive efficient organization of your assets for tax purposes.

### Cover your living needs.

Estate planning tools also protect your wishes and assets in a circumstance where you become incapacitated or otherwise unable to manage your own affairs. Some tools, such as life

insurance or select types of trusts, can also act as dual-purpose assets meant to support loved ones after you're gone while providing accessible value to you in your living years.

### When There Is No Plan

Estates are governed primarily by state law, and if someone passes away without essential documents in place, there is a default process for how their estate is handled. While every state is different, a few basics generally apply:

#### Everything goes through the probate process.

Probate courts are special courts that resolve the debts and assets of the deceased. Without estate documents and structures, a probate court will collect evidence of all liabilities and assets, oversee the process of paying taxes and other debts, and distribute remaining assets to heirs. The court will appoint an executor to manage the administration. The process can take anywhere from several months to years, in extreme cases.

#### Assets go to next of kin.

Every state is slightly different, but assets are generally disbursed to next of kin, including spouses or children, or more distant relatives if needed.

## MAXIMUM ESTATE TAXES MAY APPLY

Estates may be subject to federal or state taxes, upon death, if the total value of the estate exceeds current limits.

### FEDERAL LIMIT OF \$10M (IN 2011 DOLLARS), INDEXED TO INFLATION FOR FUTURE YEARS

**The Tax Cuts and Jobs Act of 2017 updated the base exemption amount for gift and estate taxes to \$10 million (in 2011 dollars, indexed each year to inflation), up from the prior base of \$5 million (also indexed to inflation).**

For 2020, the exemption limit is \$11.58 million (\$23.16 million for married couples when estates are handled properly). We do note, however, that the legislation has a "sunset" provision—the \$10 million base will revert back to the old \$5 million base as of 2025, unless new legislation is passed to preserve it.

Think of it this way: over your lifetime, you can gift or bequeath a total of \$11.58 million to heirs. The value of your estate above that amount is subject to federal estate taxes of up to 40%. If you have distributed prior annual gifts in excess of the annual gift limit, the value of excess gifts is added back to your estate for determining taxable assets.

### STATE INHERITANCE AND ESTATE TAXES

**Some states have their own estate or inheritance tax (or a combination of the two), often at a lower threshold for estate value than for federal taxes.** Consult your tax advisor for the specifics of your state.

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