

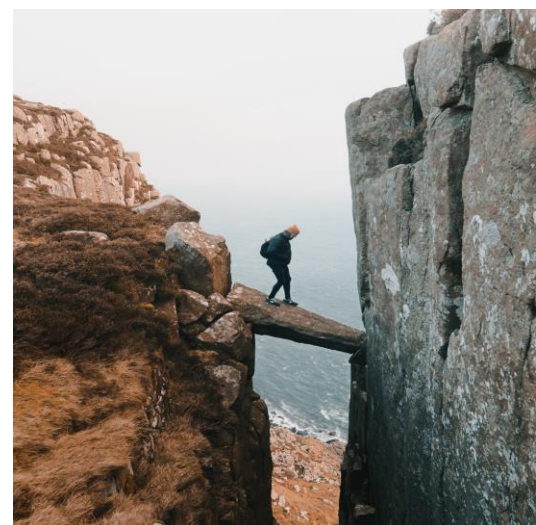


Contemplating Your Estate Plan:

The questions you should be asking

CONSIDER THE FOLLOWING WHEN CONTEMPLATING YOUR ESTATE PLAN:

- When was the last time you reviewed your plan?
 - If it has been several years, it is probably time to give it a full review with an estate planning professional, making sure it is aligned with your current wishes, and compliant with current federal and state tax codes.
- Has your situation changed?
 - Have you moved to a different state, and need to revise your current plans because of different tax codes and laws?
- Do you have an estate tax problem?
 - If yes, does your current plan address the issue in the most tax-efficient way? Your estate planning professional should be able to help you navigate the complexities of estate tax, creating efficiencies for your estate.
- Has your marital status changed?
 - Sometimes we just get caught up with life, and forget that major life changes, like marriage, divorce, or death of a spouse or partner, can have implications to your estate.
- Do you now have children to add, children that have reached the age of majority (18), or children to remove?
 - As with a 'change in status', birth of your first or additional children or children aging out of dependency can also impact your estate plans.
- Has your health taken an unfortunate turn for the worse?
- If you were incapacitated, who would make financial and healthcare decisions on your behalf?
- Would you want to be kept alive by a machine if there was no end to your sickness in sight?
- If you were to pass too soon, would your plan protect your loved ones from themselves or their significant others?
- If you are fortunate enough to receive a future inheritance, what happens if you predecease the inheritance timeline?
- Does your personal representative (Executor), your successor trustee, or beneficiaries to your estate know where your estate documents are located? Have you informed them of the responsibility you have bestowed upon them?



COMMON ESTATE PLANNING CHALLENGES AND ERRORS, EASILY CHECKED FROM HOME:

- Most people designate their spouse as primary beneficiary, and children as contingent beneficiaries. However, the Secure Act, enacted Jan 1, 2020, has had a significant impact on estate planning considerations for retirement accounts (IRAs and the like). Your wealth planner or estate planning professional can discuss how this new act may affect your beneficiary designations across all retirement accounts.
- Life insurance and long-term care policies are assets that pass through beneficiary law, which can supersede a will, trust and probate. Now is a great time to review designated beneficiaries. Keep in mind children under the age of majority (18) cannot legally receive death benefits. Any benefits directed to them through insurance will be subject to probate. I've seen probate courts place disgruntled ex-spouses in charge of life insurance proceeds directed to the children! A bit of clarity, forethought and communication can prevent worst case scenarios after the fact.
- Community property states, like where I live in Washington, allow for taxable investment accounts held jointly with a spouse to be titled as Community Property, instead of Joint Tenancy. This simple maneuver provides a full (100%) stepped-up basis to the date of death valuation of the underlying positions in the portfolio upon the first death of either spouse, saving potentially thousands of dollars in capital gains tax exposure, while providing the opportunity to rebalance a portfolio with tax efficiency in mind.
- Keep in mind that the execution of a Transfer on Death, or Transfer on Death Deed, should flow with your underlying estate plan. In the past, I have seen errors made by other professionals that aren't familiar with the entire estate plan, and a simple error could result in lost estate settlement options, such as assets being directed to a credit shelter or a bypass trust.
- Some people think by adding their child's name to their checking and savings account, CD's, brokerage accounts, or deed to the home they are making it possible for their child to pay bills on their behalf or to facilitate business in the unlikely event of their incapacitation. This elementary form of planning can be wrought with many unintended and potentially costly outcomes. By adding a child or friend's name to your account, you are by way of gifting, making them a joint owner. If the value of the account was over \$15,000 at the time of the change, then a gift tax return (Form 709) is required to be filed with the IRS for the year the gift was made. Additionally, any assets under this new joint titling would be subject to liability claims made against either owner, including divorce if either owner were party to one. Last, the opportunity for a full stepped-up basis at your death would be forfeited and the gift may not be in alignment with your underlying estate plan.
- Request that all children over the age of majority (18 years) execute a Power of Attorney (POA) for all financial and healthcare decisions. When our children are just becoming adults, the last thing we want to think about is them becoming ill or incapacitated. Due to the age of majority laws, our kids are emancipated from us legally on their 18th birthday. This means without a properly executed POA for financial and healthcare decisions, your child could be facing conservatorship or guardianship issues — issues that can be very expensive to obtain, very onerous to administer, and cannot be achieved in a timely manner. The simple execution of a POA can alleviate all of this.

ESTATE PLANNING CHECKLIST

- An executed Last Will and Testament and/or a Revocable Living Trust
- Execute a Power of Attorney (POA) for financial and healthcare decisions.
- Execute a living will or healthcare directive to provide your wishes if faced with incapacitation and end-of-life consequences.
- Confirm that primary and contingent beneficiary designations on retirement plans, life insurance, long-term care policies, and annuities are in alignment with your estate plan.
- Keep in mind changes, such as the Secure Act (enacted Jan 1, 2020), may impact your estate plans and retirement accounts – contact your wealth manager or estate planner to discuss.
- Check tax implications on how your taxable investment accounts are titled, especially in Community Property states like Washington state.
- If you have executed a Transfer on Death or Transfer on Death Deed designation for any assets check with your estate attorney or wealth manager to insure it complies with your updated estate plan.
- Be aware of tax implications from adding children or others to existing checking accounts, brokerage accounts and real estate – what seems like a short cut could end up having significant tax implications.
- Execute a POA for any children over the age of majority that are still connected with your household.

DISCLOSURES

To ensure compliance with requirements imposed by the IRS, we inform you that any federal tax advice contained in this communication (including attachments) is not intended or written to be used and cannot be used for (1) avoiding penalties imposed under the Internal Revenue Code or (2) promoting, marketing or recommending to another party any transaction or matter addressed herein unless the communication contains explicit language that it is a tax opinion in compliance with IRS requirements. Please contact your tax advisor for guidance on your individual situation.