



GUIDESPRING
WEALTH STRATEGIES^{llc}

Estate Planning

4 major roadblocks and
solutions to common asked
questions regarding trusts,
estates, and wills

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Introduction

Oftentimes people don't know where to start when creating an estate plan and when in life they should start. By the end of this e-book my hope is that you'll be able to recognize the 4 major roadblocks and have solutions to how to overcome them, know more about types of trusts, and the importance of them. Discussing an estate plan is no walk in the park, but it may be easier to address when you think about what it truly is - the gift of passing on a legacy in a tax-efficient manner to your loved ones. Being a business owner, your business should be included in your estate as well, doing so will create ease when someone takes over. Take your time working through the emotional roadblocks discussed below, and keep moving forward in developing a successful estate plan now to protect your family in the future.

One of the major problems that occurs with planning for one's passing and financial distribution is that people frequently leave the matter to the very last minute and then make rushed decisions with bad information. No surprise, common mistakes occur that are oftentimes very avoidable with a bit of planning and thinking a bit earlier. Every financial advisor will be quick to say a good financial portfolio includes planning for one's estate distribution after they pass, but it can frequently sound like a foreign language to others not as familiar with estate planning. One of the biggest roadblocks is discussing death and deciding who gets what in the trust.

Roadblock #1: Discussing Death

Talking about one's own mortality isn't a particularly fun thing to do, especially in the company of a partner, spouse, children or grandchildren. But the reality is, not discussing it doesn't keep it from happening. Instead of trying to sit down and talking about your future death with your family, try to use gentler terms like "when I'm gone" or "once you're on your own." Finding other, softer ways to frame it can help you and your loved ones move past the morbidity and on to thinking about the next steps and how to move forward efficiently.

Roadblock #2: Deciding Who Gets What

Uncomfortable truths can start to surface when you begin thinking about who should be left with what. Even happy parents and kids with no family issues need to be realistic about the future - what's the likelihood the widow will remarry, what happens if a child dies unexpectedly, what if there's a divorce in the family, etc. And things can get even harder to discuss for families who may be struggling. Do you leave the child who's battling addiction a large sum of money, or do you give the majority of your wealth to your more stable child? If things have gotten rocky between you and a loved one, do you disinherit them altogether? There's no shortage of emotional decisions to be made around who should get what, but you can't let that stop you from

pushing forward in determining who will receive what in the event of your passing - or else you may lose control of who receives what altogether.

Have a Plan

It could be an absolute train wreck for your family and estate not to have some kind of a plan in place at all. Even a simple will is far better than nothing. Ignoring the matter means that your entire estate will be decided by a probate court. This means the judge involved could transfer your assets to just about anyone who makes a good argument in the required probate hearing.¹ Do everyone a favor and at least prepare a basic will designating a default beneficiary for all your assets if nothing else. Deciding whether your spouse gets everything or what your kids get can be a challenge to decide, but having a plan in place on how things need to be divided up can be beneficial in the end. Being a Certified Estate and Trust Specialist™ I know that creating a trust can be difficult and time consuming, which is why hiring a professional can help. If you are a small business owner, you might need to think about who will take your place when you either pass away or retire. Getting a succession plan and knowing who will take over your hard earned business will help with the success of the business after you leave. Creating a plan is no easy task and that is why a lot of people don't create one nor get help, which is roadblock #3.

Roadblock #3: Paying For an Estate Plan

Establishing a successful estate plan doesn't come cheap. But if that's keeping you from pushing forward in creating one, it may help to think of it as establishing a legacy for your family and leaving a gift to your beneficiaries. Taking the time to work with a professional now can help save your family members from costly tax obligations or other fees associated with dividing up your property.

Some people try to tackle building a will or estate plan on their own, oftentimes they will forget about some assets they have. By working with a professional they can offer opinions that you may not have even considered. Oftentimes it is making the first step to realize you need help to avoid some common mistakes people have with doing it yourself. Once you realize creating a will and estate plan can be tricky, finding a professional can help. This next section is about the importance of a Certified Estate and Trust Specialist™.

Get a Certified Estate and Trust Specialist™ to Help You Regularly Update Your Will, Estate Plan, or Trust

If you have a will, estate plan, or trust already, make sure it is regularly updated. Your financial situation and universe of beneficiaries is regularly changing and oftentimes growing.¹ Big changes that should be adjusted for include new children joining a family, inheritance of assets from someone else, changing large assets such as homes and cars, and designating inheritance of

new financial accounts (bank accounts, brokerage accounts, investments etc). Not updating regularly means that when the plan is needed, it may not match or apply at all to extra assets gained after the fact or new beneficiaries not previously identified being left out. Making updates can sometimes be challenging, but as a Certified Estate and Trust Specialist™ I recognize that you need to have your trust and will created so it can be passed down to your heirs easily. If you are a small business owner I also recognize that your business needs to have trust and be a part of your estate as well. Not only is creating a will, estate plan, or trust important but having all your files that are being stored correctly labeled, but in a digital cloud as well. Not being able to find the documents because they are mislabeled or are locked away in a desk somewhere you wouldn't be able to access in an emergency is not an ideal situation. GuideSpring Wealth Strategies uses a digital cloud storage to make sure that you have access to your documents when you need to, but they are also safe and secure. This also goes hand in hand with noting your assets and addressing them.

Roadblock #4: Assessing Assets

In order to craft a successful estate plan, you need to account for every asset. And if you're well-established and have lived a long life, you've likely accumulated quite an estate. But it can be overwhelming to think about assessing each and every account, property, car, painting, piece of jewelry and more. So overwhelming, in fact, that you find yourself putting it off altogether.

If you're able, work together with your spouse or a loved one to start two lists - financial and physical. As you think of things you own, start jotting them down into their appropriate category. Once you have a fair amount listed out, you can begin working on the next set of details - breaking down the categories into smaller, more specific subsections, listing out the price or value and thinking about who you'd like to have what. Move through this process one small step at a time to help reduce the feeling of being overwhelmed while still making progress toward your estate plan. One of the ways to easily avoid and address these situations is to have a plan.

Transferring Assets as a Gift

An easy way to transfer assets early without taxes is a gift, but people hardly use it while alive. Any individual can transfer up to \$14,000 without taxes on the amount or value annually to any other individual.² This is an easy, simple way to liquidate parts of an estate early without the transfer having to go through the estate distribution process after a person passes away. Even better, you are entirely in control of the asset and transfer as opposed to relying on an executor. Along with assessing your assets, another big factor in an estate is your trust. Creating a trust can be difficult if you don't know all the parts and how to create one. We will now look at trusts and how to pick one that best suits your needs.

Trusts

A majority of Americans understand the importance of estate planning, yet an alarming percentage of adults do not have arrangements in place. According to a 2019 survey, 51 percent of people believe having an estate plan is necessary, but only 40 percent have actually implemented one.³ If you're a part of the majority of Americans who have put off facing the future of their finances after death, it might be time to start weighing your options. We're offering helpful insights on what trusts are, who they benefit and why you may want to make them an integral part of your estate plan.

What Are Trusts?

Trusts are legal documents you set in place to protect and control all of your assets. While some people may associate trusts with ultra-wealthy families, this stereotype is often untrue. Trusts are for anyone looking for an efficient way to control their assets after death or in the case of incapacitation. Additionally, trusts can help those caring for minors, children with special needs or pets make future arrangements for dependents.

Types of Trusts

If you decide to incorporate a trust into your estate plan, the next decision to make is the type of trust(s) you wish to use. There are four main types of trusts, although these can be broken down further into smaller, more detailed trust types.

The main types of trusts include:

- Revocable trusts
- Irrevocable trusts
- Living trusts
- Will trusts

Just as they sound, revocable trusts can be altered and amended after creation, while irrevocable trusts can not. And while a living trust is established while the individual is still living, a will trust is created at or after death, based on the individual's will.

Top Three Benefits of Establishing Trusts

Benefit #1: Tax Efficiency

For some couples, establishing a revocable trust may help in minimizing estate tax burdens. With the recent Tax Cuts and Job Acts, federal estate taxes will only be triggered if an individual's accumulated assets equal \$11.2 million or more, or a combined total of \$22.4 million for couples, as of 2018.⁴ Couples with a high accumulation of wealth and assets may want to work with their legal and financial professionals to create trusts that help shelter the remaining spouse from estate tax burdens after the passing of their loved one.

In December 2019, the government passed the SECURE Act, which affected certain aspects of retirement savings, distributions, withdrawals and estate planning. Previously, non-spousal beneficiaries of the deceased's IRA could stretch distributions out over the rest of their estimated lifespan. But with recent changes enacted, the account must be distributed over a 10-year span. Exceptions include those who are disabled or chronically ill, less than 10 years younger than the deceased or under the age of 18.⁵

As far as tax efficiency, this shorter distribution period can mean a greater tax burden to your beneficiaries, with higher yearly withdrawals required to meet the 10-year requirement. If you previously made a trust the beneficiary of your IRA, you may want to revisit the terms of the trust with your financial advisor to make sure it's still relevant and effective with these recent changes. With certain types of trusts, this setup could potentially help non-spousal beneficiaries (such as children or grandchildren) bypass the 10-year rule, thus creating more tax-beneficial distributions.

Benefit #2: Avoid Probate

If your loved ones are left with only a will after your passing, the will must be sent through the state's probate process. This means the contents of the will become public record, and your heirs may be delayed in receiving their inheritance. Additionally, probate can be an expensive and burdensome process to put on your beneficiaries. In establishing a trust, you can help your loved ones avoid the probate process. This can mean more privacy and less delay in fulfilling your final wishes.

Benefit #3: Protect Your Estate

What's a more obvious reason why someone would want to set up a trust? To control what happens to their things after they die. Simply put, trusts can help you protect your estate. When done right, a trust can determine who gets what and how things are cared for once you're gone. Neglecting to provide instructions like these means your biggest assets could end up in the

wrong hands. Instead, creating a trust allows you to pass along what you have to who you want, including your children, grandchildren and charitable organizations.

Disadvantages of Establishing Trusts

While there's potential to greatly benefit from having trusts as a part of your estate plan, there are a few considerations to make before establishing a trust. Most of the advantages listed above are only effective if a trust has been established correctly. And these are often complex documents, especially when compared to the simplicity of a will.

Any number of small errors could negate the benefits your beneficiaries were intended to receive. Because of this, it is recommended that you seek legal help if you decide to establish a trust. A professional can help you understand your options and work to maximize the benefits. This, however, means that establishing a trust can come with an upfront cost, as well as ongoing costs for maintenance, revisions and re-titling of assets.

Whether you've been trying to make estate planning a priority or it's been at the bottom of your to-do list, you may want to consider if establishing a trust could benefit you, your estate and your loved ones. When done right, you may be able to avoid costly and slow probate processes and protect your dependents in the event of an unexpected death. Don't do your estate planning alone, create a team that will help you with estate planning. If you don't have a trust, it is not too late, contact me today and let's get started building your estate plan.

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