



Reinventing Retirement®

Trusts & Estates: Transferring Your Wealth

© 2011 Knollan, Inc.

Welcome to our Fifteen Minute Finance Presentation :“Trusts & Estates: Transferring Your Wealth.” Wealth transfer is a bit of a buzzword. It’s another way of saying Estate Planning. It’s interesting how people are afraid of talking about some words or activities, like estate planning, or writing a will. It’s not surprising, I suppose. In our society, we generally don’t do a great job of accepting or embracing death, which, to paraphrase Ben Franklin, is as inevitable as taxes.

Because we don’t want to think about death, far too many of us haven’t dealt with it by preparing a will or a proper estate plan. Do you have an estate plan? Have you prepared a will? If not, you’re definitely not alone. 65% of Americans don’t have a will, according to a recent survey. What are the risks of not taking care of these basic life and death details? To find out about these risks and what you can do about them, let’s listen to John and Sue. They are a fictitious couple that we use to give life to the strategies and situations that we discuss in these presentations. It can be helpful to hear a realistic dialogue between two people in a situation that may be similar to yours.

John: You know, Sue, I think procrastination is one of those things that gets easier the more you do it.

Sue: I don’t want to delay things any further, John. What’s on your mind?

John: I think we’ve put off for far too long dealing with our wills and the rest of our estate plan.

Sue: I couldn’t agree with you more, John. Let’s not wait another day.

John: So, what’s on our estate planning to-do list?

Reinventing Retirement®

Your Will and More



Sue: Your will is the cornerstone of your estate plan. In addition to stating exactly how you'd like your possessions distributed, if you have children under age 18, you need to choose a guardian for the children, and make sure that person is on board. It's also very important to make sure we've named beneficiaries or updated the beneficiaries that are already in any documents. That goes beyond the will, and includes any life insurance policies and retirement plans, for example. We should also look into the various types of trusts that might be helpful.

John: I also understand that there are some other documents that are important to include, in case we're unable to make decisions for ourselves, right?

Sue: Yes, they're called powers of attorney. You should have one for medical matters and another one for your finances.

Reinventing Retirement®

Estate Planning Mistakes to Avoid

- Not updating your beneficiaries
- Not having a will
- Not letting people know where important documents are
- Keeping people guessing
- Not having a living will or other key documents



2

John: O.K. Sue. I think I understand the big picture. Now, let's go through this with a bit more attention to detail.

Sue: And there are numerous mistakes people make, like not taking full advantage of tools such as trusts, or gifting limitations, or ways to minimize the estate tax. And not updating your beneficiaries in your will and your life insurance policy and retirement plans when you go through life changes could be very costly.

John: Could you give me some examples of mistakes to watch for?

Sue: Other than the major mistake of not having a will, there are some other common errors that come to mind. Imagine putting a plan together but not telling people where all the important documents are? People frequently do that. Another one that can be problematic is to have an estate plan but not tell anyone what's in it or who will get what. Communicating your intentions in advance is not essential and that's not everyone's style. But just think of the family squabbles you could avoid by not only *planning* well, but also *communicating* those plans clearly.

John: Those definitely sound like things to avoid. Got any others, Sue?

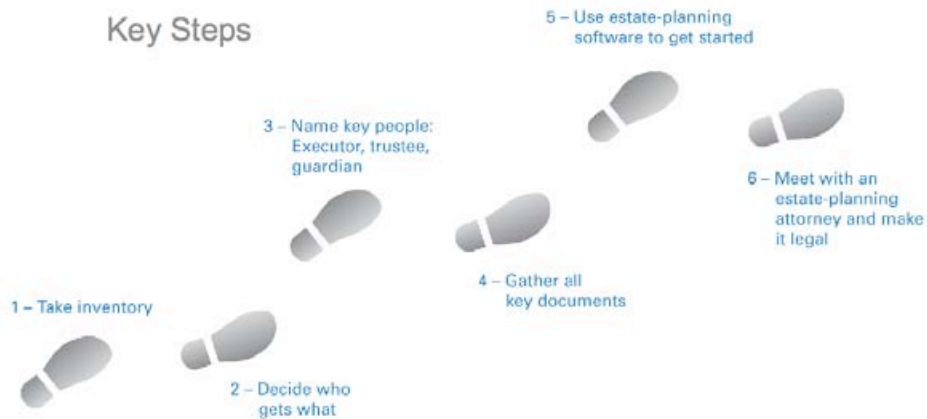
Sue: Another error is to not have powers of attorney drawn up, or a living will. There have been well-publicized cases where someone is in a coma or in a vegetative state, and it's up to the family to decide what to do, and there's a big feud over what action to take. If you and I could avoid that kind of mess, that would be great.

John: I'm with you 100%, Sue.

Sue: Attention to detail is what it's all about. A single mistake in drawing up an estate plan could be very costly — and the big problem is that you might not know you've made a mistake until after you die, when it obviously would be too late to change it.

Reinventing Retirement®

Key Steps



3

John: So, Sue, what's next?

Sue: Let's start by simply deciding who gets what. Take inventory of everything you own and all that you owe. Then, decide how to divide your assets.

John: And then choose a guardian for the kids and ask that person or couple if they accept, right?

Sue: Right. And choose a trustee if we set up a trust, which is another optional tool that I'll explain in more detail in a minute. And name an executor, which is the person who will be responsible for seeing that your will is carried out after you die. The executor will handle details, such as gathering and distributing your assets to your heirs or trustees, and dealing with any probate proceedings. And write a living will and durable power of attorney for health care and another one for financial matters. One way to do all this is to work with estate-planning software, which you can buy for \$30 to \$50. It will give you a good start and send you in the right direction. Then meet with an estate-planning attorney to make sure everything is as it should be, and have witnesses sign the final document.

Reinventing Retirement®

Name and Update Your Beneficiaries

Not just in your will...

Beneficiaries need to be updated in all other accounts, too!



John: What about beneficiaries? We need to make sure that all of our beneficiaries are up to date on other documents, too, right? But why isn't the will the final word? Why do we need to worry about retirement accounts and life insurance policies?

Sue: Those other documents – insurance policies and IRAs or 401(k) accounts – override the will. So, any time you're naming or updating beneficiaries in a will, you need to make sure your beneficiaries for all your assets are up to date. Otherwise, some people could be in for a big surprise after you die. So, make sure you name a beneficiary for your retirement plan and then review and update it whenever you go through a major life change, such as marriage, divorce or the birth of a child. It's easy. You can even do it online.

Reinventing Retirement®

All About Trusts

Why use a trust?

- Minimize taxes
- Meet special needs
- More control & flexibility
- Avoid probate
- Manage charitable giving
- Protect against creditors



5

John: Sue, you've mentioned trusts quickly a couple of times. I trust that you're not going to keep me hanging on much longer. Please tell me what they're all about and why we might consider using one. The impression I have is they're pretty complicated and just for wealthy people.

Sue: Well, John, without further ado, I'll put you out of your misery (or mystery). A trust is a way for you to exercise further control over your estate. You could use it to help reduce income tax and estate tax. Or you could set one up to control assets until your children are old enough to manage them, or to meet the special needs of a particular beneficiary. You can use a trust to avoid probate or to help you carry out a plan to give much of your estate to a favorite charity. Some people use a trust to protect property from creditors. Trusts are very versatile and powerful tools that you can use in a number of ways.

Reinventing Retirement®

Trust Types

Four Main Types:

TESTAMENTARY
Living Trusts
Irrevocable Trusts Revocable Trusts

6

Sue: Are you with me, John?

John: Yeah, Sue. So far, so good.

Sue: There are four broad categories of trusts that are based on when they come into effect and whether you'll want to change them or not after you create them.

A *testamentary* trust is one that goes into effect when you die. You can see from its name that it has to do with your Last Will and Testament. In contrast to that, you could have a living trust, which you create and which takes effect while you're still alive. A *living* trust can either be revocable or irrevocable. A *revocable* living trust allows you to revoke the trust at any time. It can protect against probate but it doesn't provide any protection against income or estate tax because you still have control over the assets. On the other hand, with an *irrevocable* trust, you permanently give up any control over the assets that are transferred to the trust. This type of trust can reduce probate costs, protect assets against creditors, and possibly reduce your estate tax.

John: Wow. There's a lot to think about.

Sue: Yes, John. Let's take our time going through all this but at the same time, let's not procrastinate.

John: All right. I look forward to checking all these items off my "To Do" list.

Reinventing Retirement®

Don't Delay! Start on Your Estate Plan Today.

- Read further
- Buy estate-planning software
- Call a lawyer



7

The topic of trusts and estates can be a bit intimidating at first, but once you take the time to become familiar with the basics, it's not that complex. Why procrastinate any more? Put an estate plan into place and then revisit it and update it regularly. And remember to review and update your beneficiaries on all your documents, including your retirement plan.

Reinventing Retirement®

USEFUL RESOURCES

ON THE WEB:

- <http://www.nolo.com> (Click on "Wills, Trusts & Estate Planning")
- <http://money.cnn.com/magazines/moneymag/money101/lesson21>
- <http://www.elderlawanswers.com/> (Click on "ElderLaw 101" and then on "Estate Planning.")

BOOKS:

- *Plan Your Estate* by Denis Clifford
- *Kiplinger's Estate Planning: The Complete Guide to Wills, Trusts, and Maximizing Your Legacy* by John Ventura
- *60-Minute Estate Planner: Fast and Easy Plans for Saving Taxes, Avoiding Probate, and Maximizing Inheritance* by Sandy F. Kraemer

8

Here are some resources that can help if you'd like to learn more:

On the Web:

- <http://www.nolo.com> (Click on "Wills, Trusts & Estate Planning")
- <http://money.cnn.com/magazines/moneymag/money101/lesson21>
- <http://www.elderlawanswers.com/> (Click on "ElderLaw 101" and then on "Estate Planning.")

Books:

- *Plan Your Estate* by Denis Clifford
- *Kiplinger's Estate Planning: The Complete Guide to Wills, Trusts, and Maximizing Your Legacy* by John Ventura
- *60-Minute Estate Planner: Fast and Easy Plans for Saving Taxes, Avoiding Probate, and Maximizing Inheritance* by [Sandy F. Kraemer](#)

Reinventing
Retirement®

Thank you

©2011 Kmotion, Inc. All rights reserved.