

ESTATE PLANNING ESSENTIALS IN 2022

HUGHES FINANCIAL
SERVICES, LLC



OUR SPEAKERS



PATRICK HUGHES, CFP®

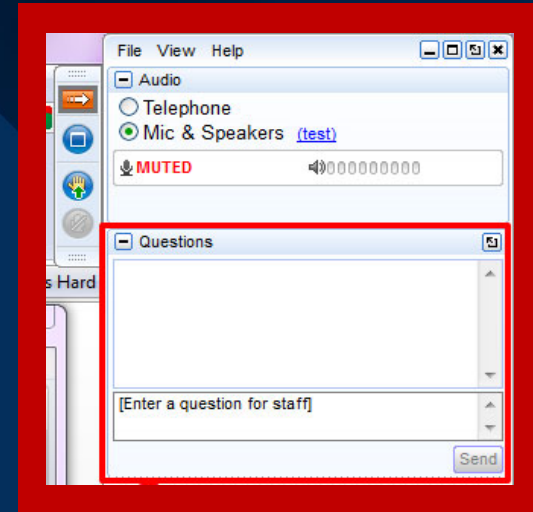
Managing Partner
& Financial Advisor



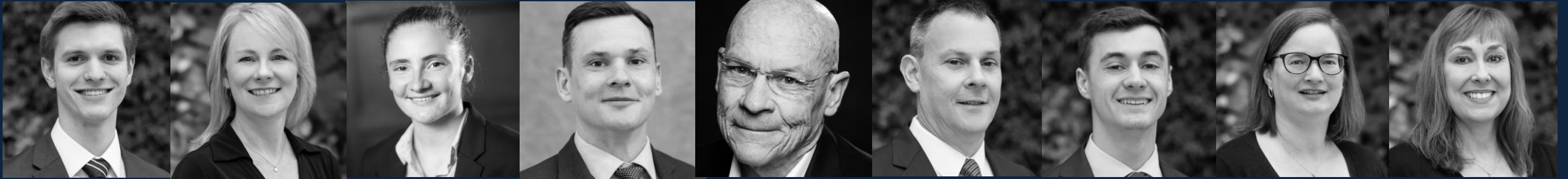
BERKELEY MEREDITH, CFP®, CDFA®, CPWA®

Financial Advisor

Q&A HAVE QUESTIONS?



ABOUT HUGHES FINANCIAL SERVICES



Independent
Registered
Investment
Advisor



Comprehensive
financial planning
and wealth
management



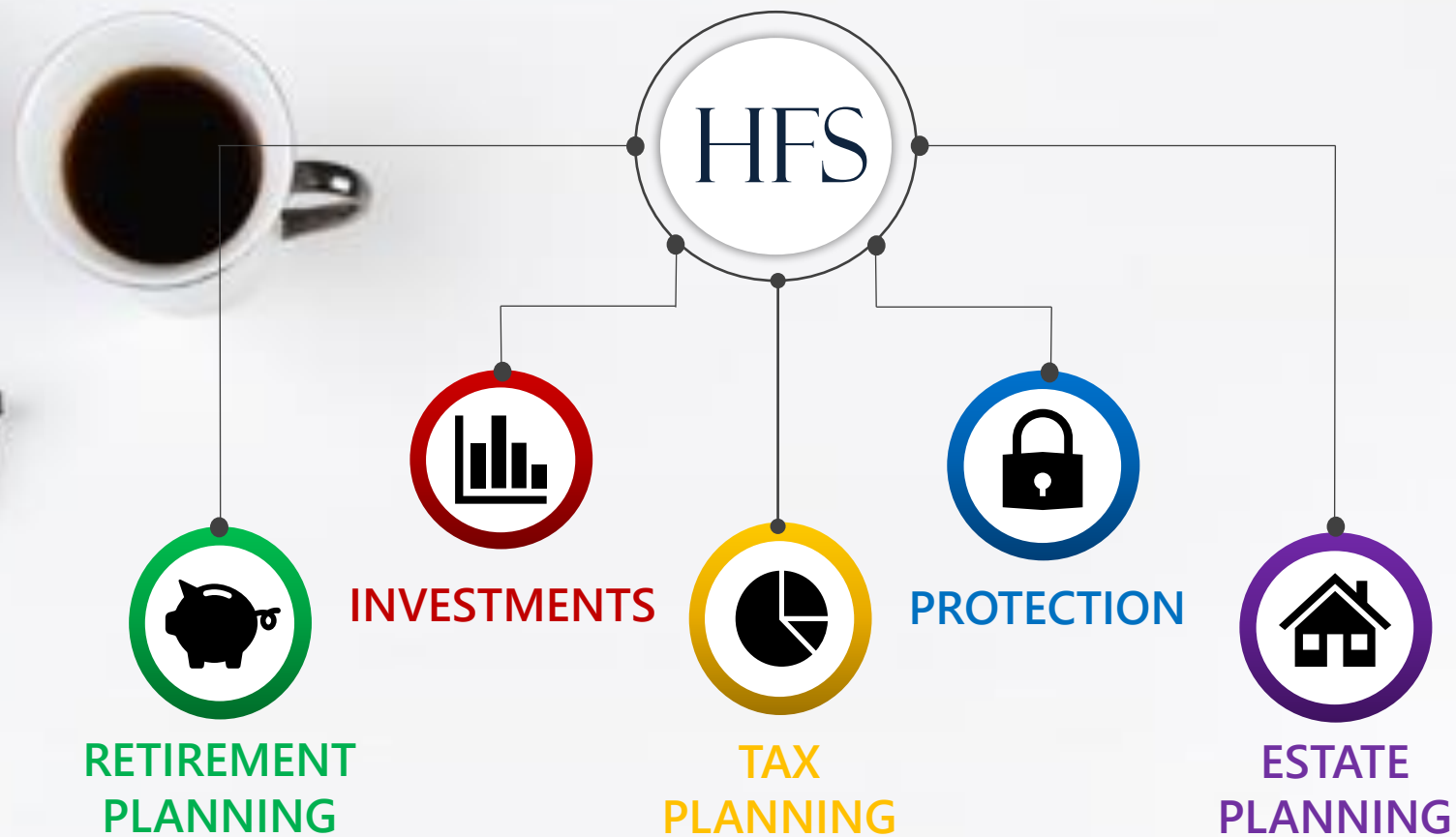
Fiduciary



Professional
certifications,
licenses, and
continuing
education



Over 110
years
combined
advisor
experience



5 KEY AREAS OF FINANCIAL PLANNING



“If you fail to plan,
you are planning
to fail.”

BENJAMIN FRANKLIN



ESTATE PLANNING

Why do I need an estate plan?

- Everyone has an estate no matter the size of your assets
- Could increase value of your estate
- Can help loved ones avoid potential conflicts, confusion, and delays during an already emotional time

EXCUSES, EXCUSES

Primary reasons people give for not having a will or a living trust



WHERE THERE'S A WILL

A last will and testament is the core of estate planning



- Specifies your wishes for distributing your assets
- Names an executor to administer your estate
- Designate guardian for minor-age children or adult children with special needs
- Intestate (without a valid will): state laws and distribution formulas could decide how assets will be distributed

WHEN YOU CAN'T SPEAK FOR YOURSELF

Making your medical and financial wishes known

- **Legal Documents:** Living Will and Durable Powers of Attorney for Healthcare (HPOA) and Finances (DPOA)
- **Informal Letter of Instruction:** list of important documents and locations, contacts for legal and financial professionals, list of bills and creditors, login information for important sites, final wishes for funeral, organ donation and charitable contributions in your memory



1. Let appropriate people know where your Letter of Instruction is located
2. Letter of Instruction can and should be updated regularly and/or as needed

DO YOU KNOW YOUR BENEFICIARIES?

Carefully consider who you name

- Beneficiary designation forms for retirement accounts and insurance policies legally override any bequest in your will (legal precedent)
- Always designate secondary/contingent beneficiaries in case primary beneficiary predeceases you; otherwise, proceeds are distributed according to default method specified in account docs or state law



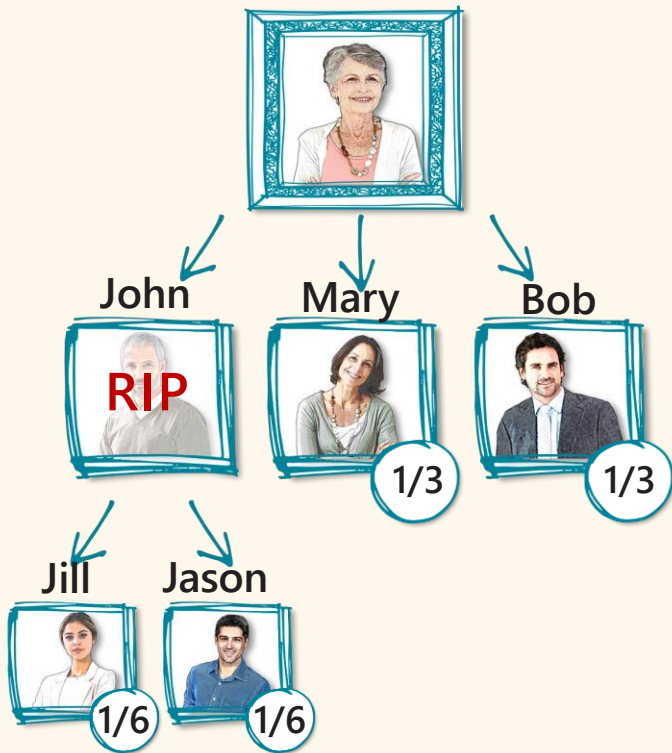
LEARNING LATIN

Per Stirpes vs. Per Capita: determines asset distribution if a beneficiary dies before you

Per Stirpes

(by the root)

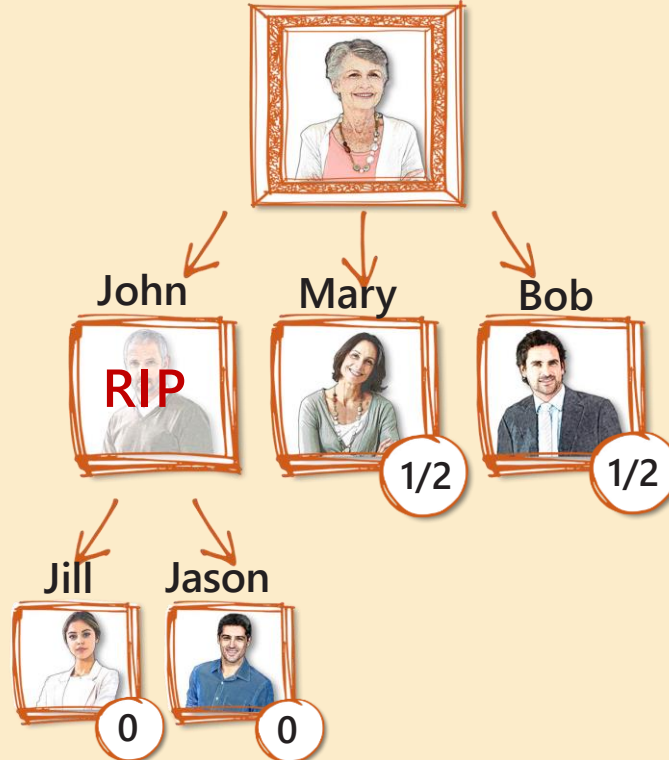
Edna



Per Capita to Children

(by the head)

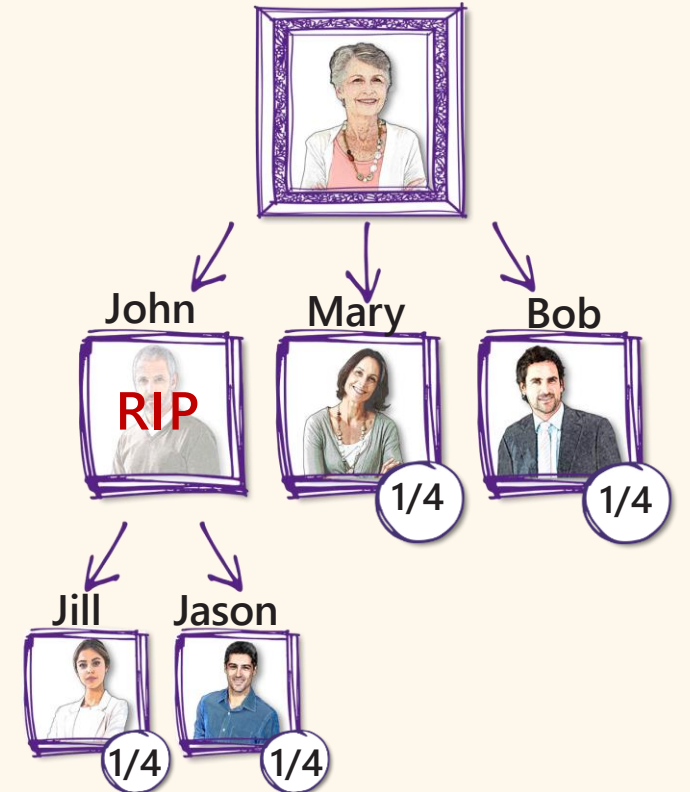
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Per Capita to Heirs

(by the head)

Edna



WHAT IS PROBATE?

Not always a simple process

Refers to the court proceedings that conclude all the legal and financial matters of the deceased



- **Expensive:** Costs vary by state and attorney fees could be a factor
- **Time Consuming:** Can take a few months to a year
- **Public Record:** anyone can find out specifics about your estate

AVOIDING PROBATE

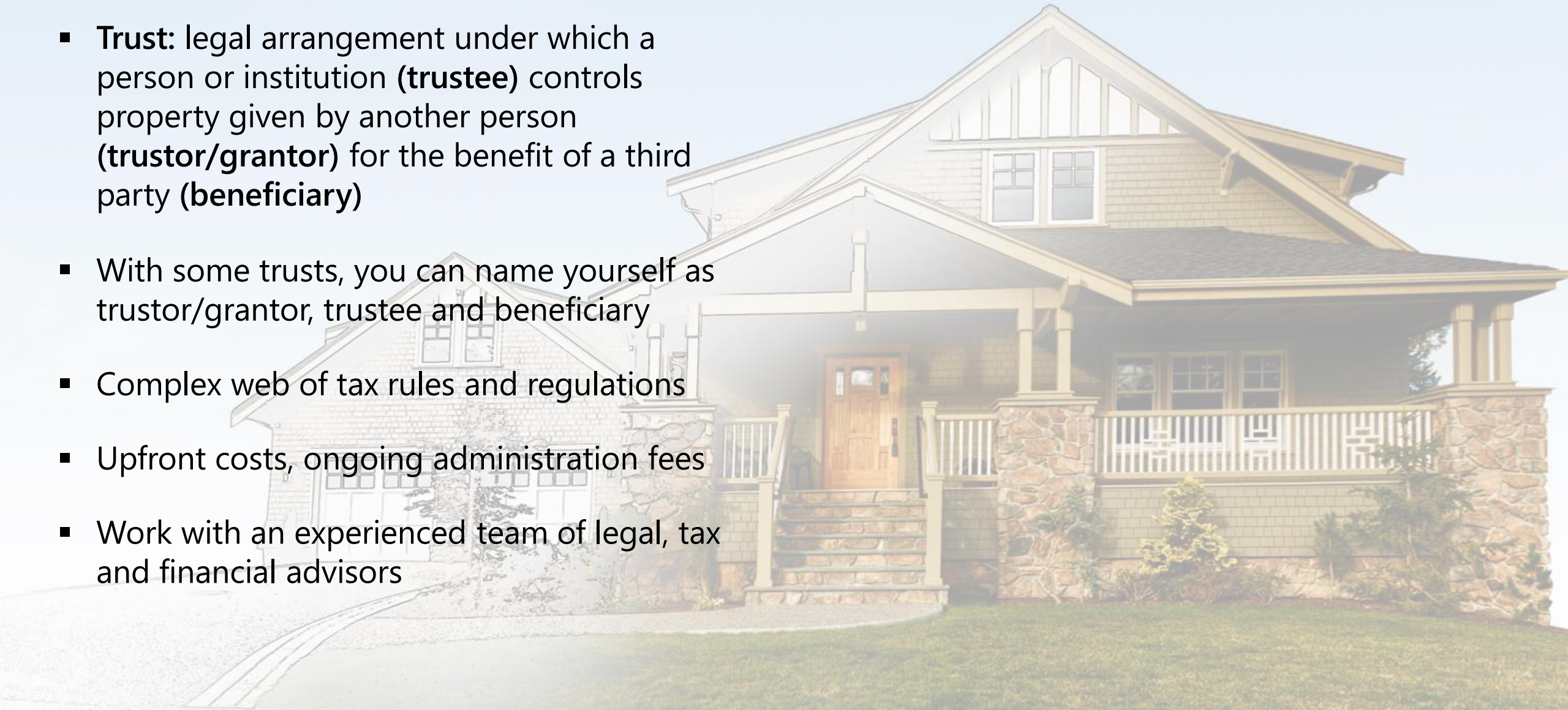
- Make sure beneficiary elections are made and up-to-date
- Set up accounts to be payable on death or transfer on death
- Ensure that your Trust is or will be funded properly



TRUST STRATEGIES

An important tool in estate planning

- **Trust:** legal arrangement under which a person or institution (**trustee**) controls property given by another person (**trustor/grantor**) for the benefit of a third party (**beneficiary**)
- With some trusts, you can name yourself as trustor/grantor, trustee and beneficiary
- Complex web of tax rules and regulations
- Upfront costs, ongoing administration fees
- Work with an experienced team of legal, tax and financial advisors



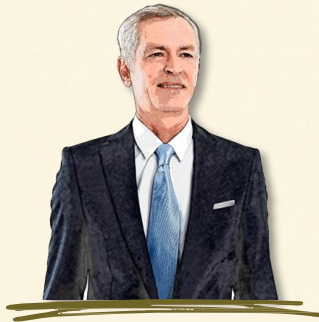
TRUST STRATEGIES



- **TESTAMENTARY TRUST:** effective upon death; established by will; control distribution of estate; does not avoid probate; always irrevocable
- **LIVING TRUST:** takes effect during your lifetime; transfer title of assets placed in trust; can maintain control of assets if you name yourself as trustee
- **REVOCABLE TRUST:** can be dissolved or amended at any time while trustor/grantor is alive
- **IRREVOCABLE TRUST:** extremely difficult to modify or revoke, subject to state law

TRUST STRATEGIES

Parties involved in a trust



Trustor/Grantor



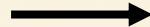
Trustee



Beneficiaries



Assets



Trust

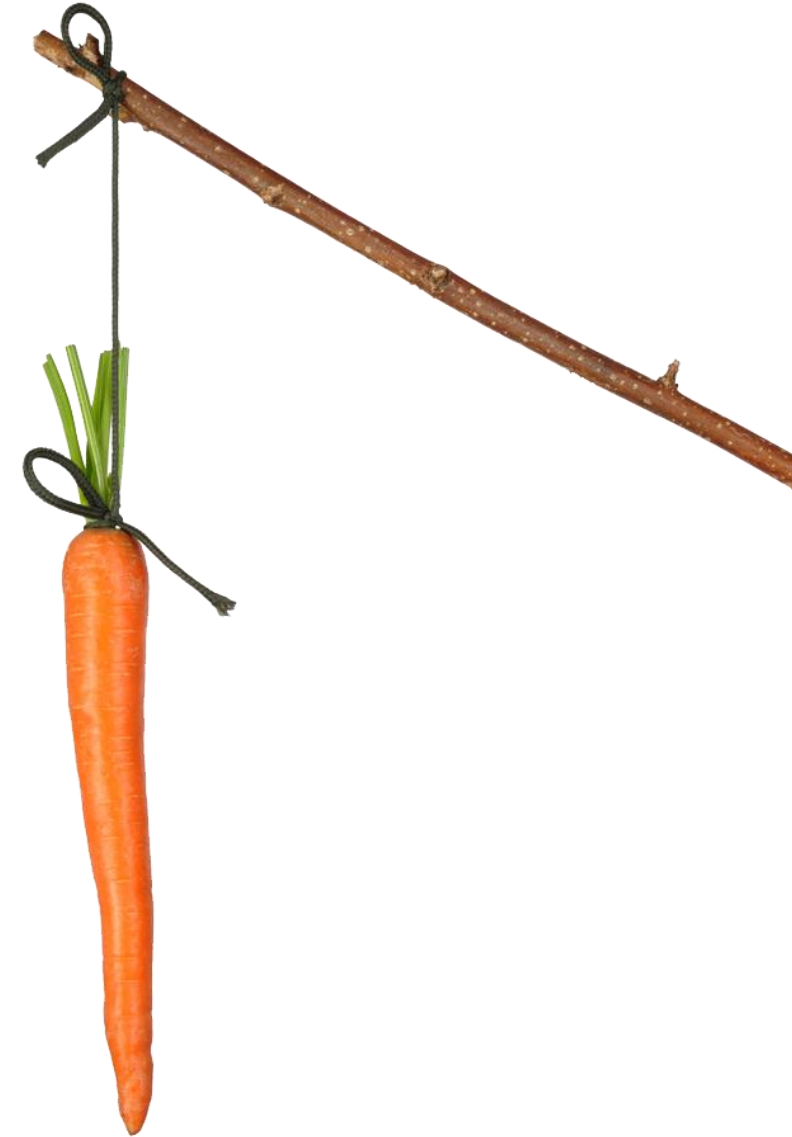


Assets

SPECIALIZED TRUSTS

Incentive Trust

- Requirements or milestones that must be met before a portion of the trust money is awarded
- Can help promote and incentivize higher education, entrepreneurship, philanthropy, supplement income or discourage harmful behaviors



SPECIALIZED TRUSTS

Special Needs Trust

- Can provide for a lifetime of care and other financial needs while maintaining eligibility for government assistance programs
- Distributions from trust can be made at discretion of trustee to pay for beneficiary's special needs



***More than 13.2%
Americans have
a disability***

FEDERAL ESTATE AND GIFT TAXES

The tax burden could be substantial

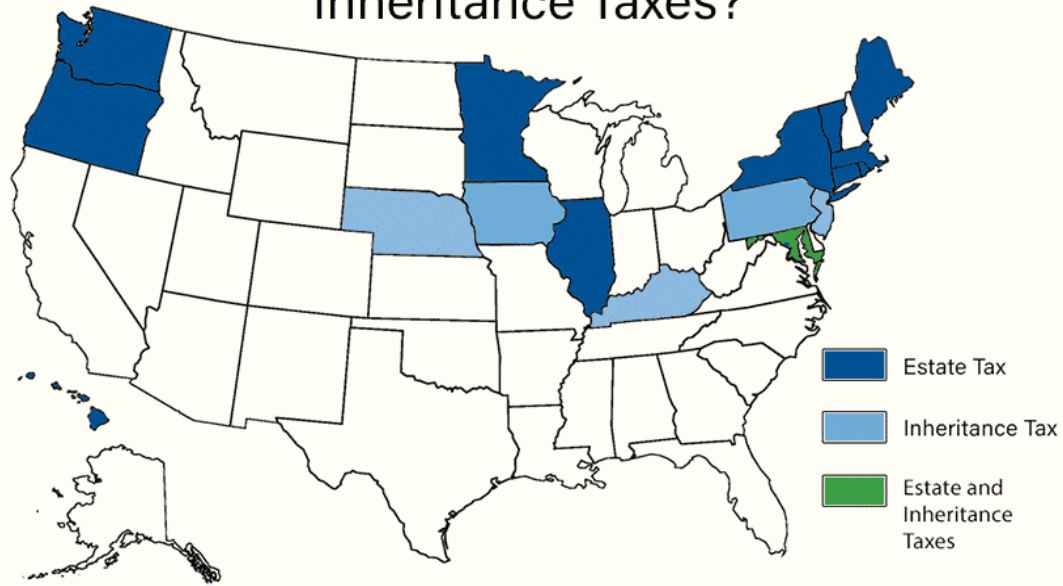
Lifetime Exclusion

- Applies to combined gift total given during your lifetime and value of estate after death
- **2022 Individual Exclusion: \$12.06M**
- Assets left to spouse not subject to estate tax
- Portability: Unused portion of exclusion can be used by surviving spouse; certain steps must be followed

Annual Gift Tax Exclusion

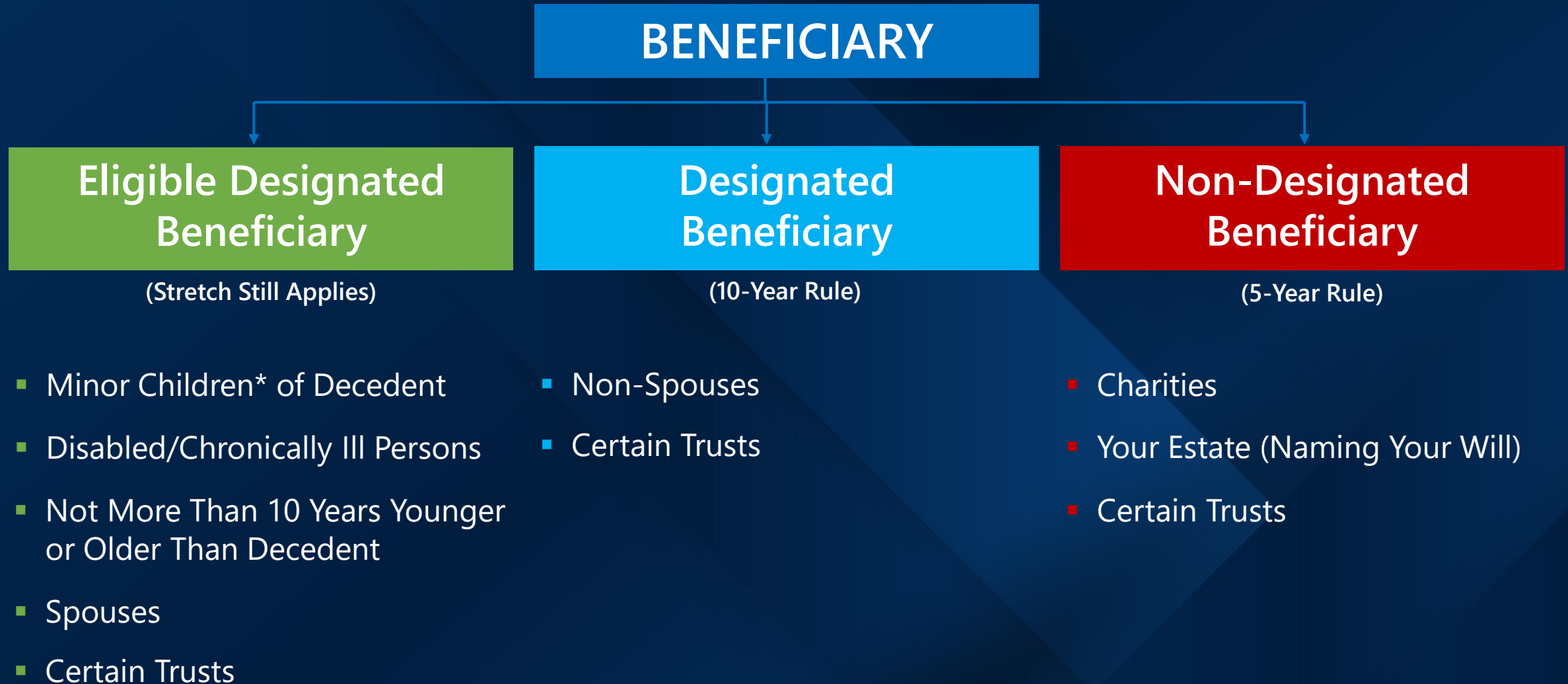
- **\$16,000 (\$32,000 married couple)** without gift tax liability
- Not taxed: gifts to spouse (must be U.S. citizen); qualifying charitable organizations; and payments of tuition/medical expenses paid directly to educational or medical institutions

What States Charge Estate and Inheritance Taxes?




THE SECURE ACT

IRA Beneficiaries



* Applicable until the minor reaches the age of majority

SOURCE: Michael Kitces



Review your estate planning documents regularly and update as necessary

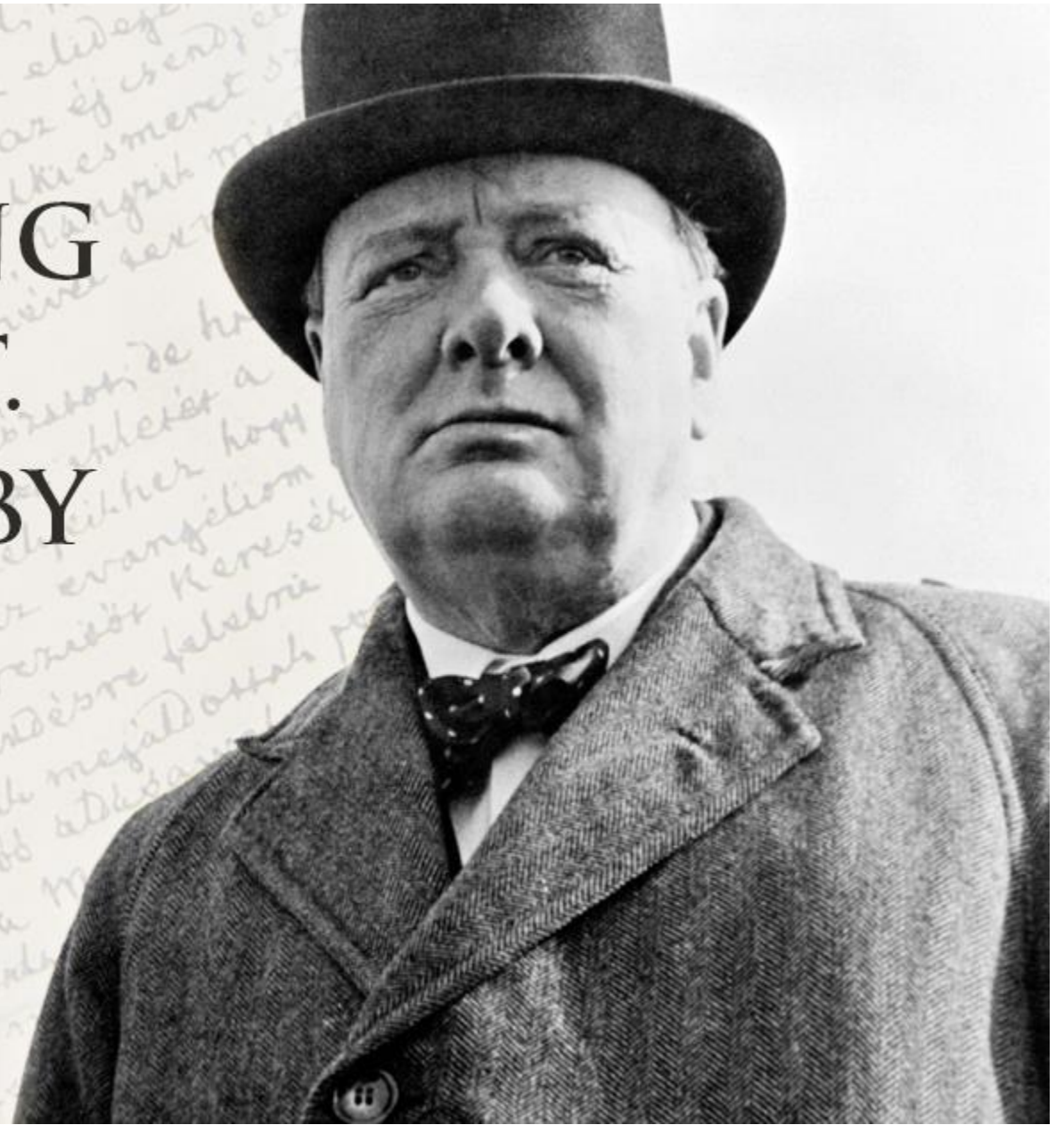
- ☐ Any family changes such as the birth of child or grandchild, death, divorce or remarriage?
- ☐ Do your beneficiary designations reflect these changes or reflect your current wishes?
- ☐ Have there been financial changes that could affect your estate?
- ☐ Have there been changes in your health or the health of your spouse or other family members?

REMEMBER: If you make changes to your estate plan, you may need to modify multiple documents



WE MAKE A LIVING
BY WHAT WE GET.
WE MAKE A LIFE BY
WHAT WE GIVE.

WINSTON CHURCHILL



ESTATE PLANNING

Leave a greater legacy & peace of mind for your loved ones



LOOKING AHEAD

What can YOU focus on in 2022?



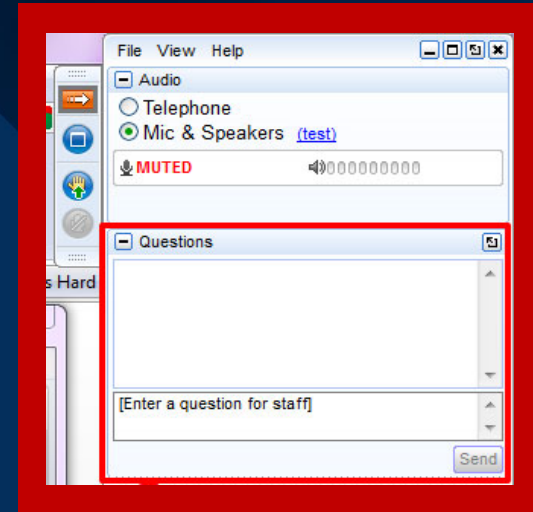
YEAR-END TAX PLANNING WEBINAR

NOVEMBER 9th

Noon-12:30 pm

Register online at www.h4fs.com

Q&A HAVE QUESTIONS?





5 STAR TIP

Sending your child or grandchild off to college and they're 18 years of age or older?

- Get legal documents in place to help protect your child and provide you with a peace of mind
- Includes: Health and Financial Powers of Attorney, FERPA and HIPAA
- Quick, easy and inexpensive to create state-specific forms
- Documents will be need to be notarized



www.mamabearlegalforms.com

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SOURCES: Michael Kitces; caring.com (2021); legalzoom.com; AARP; statista.com (2021); Broadridge Advisor Solutions; Broadridge Financial Solutions, Inc.; mamabearlegalforms.com

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