

Estate Planning Today

Where Local Good Grows

Hendricks County Community Foundation

The Estate Planning Challenge

When it comes to estate planning, there are a variety of challenges. Luckily, there are also a number of reliable, time-tested planning approaches that are both effective and economical. The first and most central component is a will, but it is also important to separately consider substantial assets—retirement plans, jointly-owned property, life insurance—that pass directly to named beneficiaries. And of course, estate planning is not just about what you pass on but to whom—family members, friends and loved ones, and often meaningful charities. In fact, creating a charitable legacy can be a positive and integral part of estate planning.

Does It Pass by Will?

Some assets pass through probate before they are distributed to heirs (probate assets) while others bypass the court process and go directly to beneficiaries (non-probate assets). Let's look at an example.

> Paul recently passed away, and his estate is typical. He was married, and his house and bank accounts were jointly owned with his wife, Agnes. Paul owned a portfolio of stocks, bonds and mutual funds. He was retired and Agnes was the named beneficiary of his retirement plan. He owned two life insurance policies—Agnes was the beneficiary on one, and his grown son, William, was the beneficiary on the other. Paul had a will to determine the division of his property, but did that will govern the distribution of *all* his property?
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> No—only the investment portfolio was subject to probate under the terms of Paul's will. The rest of his property was distributed like this:
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> - Property he jointly owned with his wife passed directly to Agnes.
> - Retirement plan assets also passed directly to Agnes, since she was named on the plan's beneficiary designation form.
> - Life insurance proceeds passed directly to the named beneficiaries, Agnes and William.

Probate assets are often only a fraction of the total value of an estate, so a will is only part of any estate plan. A good estate plan coordinates the disposition of all of the assets. Let's look at the process for developing an effective estate plan.

Step One: Determine Objectives

It is important to look at your ultimate objectives—not in terms of dollars, but in terms of what you want to accomplish. Do you want to provide security for your spouse? Financial protection for dependent children? An inheritance for adult children? A gift for certain friends? A donation to express your commitment to one or more meaningful charitable organizations?

Planning Tip: Take the time to write down your ultimate estate objectives. At this early stage, forget about dollars. Simply think about your legacy and what you want to accomplish for yourself and your beneficiaries.

Step Two: Prepare an Estate Inventory

Make a list of your assets:

- Securities (stocks, bonds, mutual funds)
- Real estate (including vacation property and investment realty)
- Bank accounts (savings, checking, CDs, money market)
- Personal property (art, collections, jewelry, furniture, cars, etc.)
- Life insurance (cash value, term, universal, group, etc.)
- Retirement assets (IRAs, 401(k)s, pension plans, etc.)
- Digital assets (email accounts, online banking, etc.)

Planning Tip: Be sure to include all your assets, even jointly owned property.

Step Three: Consider Trusts

One early decision you will need to make is whether you want to leave property outright in your will or in trust. Certainly, if the beneficiary is a minor, or ill or incapacitated, it makes more sense to place the property in trust. You might also consider a trust when you want to:

- Save the beneficiary from the task of managing property or other assets.
- Ensure that property or income will be available to provide security for the beneficiary's lifetime.
- Pass property (or income from the property) to one person immediately, then to charity or another person at some later time.

Planning Tip: Your attorney can draft a trust to accomplish your objectives. You name the trustee and define the trustee's powers and duties. You name the beneficiaries and define their rights, along with what they will receive.

Step Four: Consider Lifetime Gifts

Sometimes it is best to transfer an asset during life. Let's assume you decide to place property or other assets in a trust. Your next decision might be whether to transfer these assets during your lifetime or at death. If you think you might need the property to maintain your financial security, you would want to wait. If not, you might decide to make a gift now.

Planning Tip: Current gifts allow you to save through use of the annual gift tax exclusion. They also tend to be more personally satisfying—especially when beneficiaries need money or when charitable gifts are involved—because you can see your legacy in action.

Planning Your Will

Each state has statutes that specify the requirements of a valid will. It's important to consult an attorney to ensure that your will meets the requirements of your state (if you move or own property in another state, it's important to consult an attorney in that state as well). In general, you can:

- Bequeath a sum of money, a specific property or a specified percentage of the value of your estate to a beneficiary of your choosing.
- Create a trust through your will or during your life.
- Nominate one or more executors to manage the settlement of your estate (typically a family member, a friend, your attorney, or a bank or trust company) and define the executor's powers.
- Name one or more residuary beneficiaries (such as a charity) to receive property not specifically bequeathed.

A GIFT TO CHARITY IN YOUR WILL

Consider the good you accomplish when you leave a portion of your estate to charity. Your gift can be:

- A sum of money
- A specific property
- A percentage of the value of your estate
- All or part of your residuary estate

If you would like to discuss a memorial bequest, or if you would simply like to know more about planning a gift in your will, please contact us. Of course, there is no cost or obligation.

A Revocable Living Trust

There is also another method for directing the transfer of your assets—a revocable living trust. As the name implies, this is a trust you create during life that you are free to change or revoke at any time.

When you transfer properties to a revocable living trust, the trust becomes the legal owner of those properties. You can serve as trustee, making

certain to name a substitute trustee to take over in the event of death, disability or incapacity. You can reserve the right to receive all the trust income for life, add or remove property, or modify or cancel the trust arrangement at any time.

A revocable living trust takes more money and effort than a will, but it can accomplish more. The trust can:

- Provide asset management during life, then distribute the assets at death.
- Minimize probate costs, since assets transferred to the trust are usually not subject to probate.
- Make income and principal available to your beneficiaries immediately, since it won't be tied up in probate.
- Protect your privacy by keeping transfers away from the public scrutiny of probate.



The Rewards of Estate Planning

Effective estate planning takes time and effort. Frequently, the process involves making complicated or difficult decisions. Nonetheless, the rewards more than justify the costs. We encourage you to contact our office if you have questions or concerns.

OUR MISSION:

The Hendricks County Community Foundation partners with generous people to realize their charitable goals while addressing community needs in meaningful and lasting ways.

OUR VISION:

Hendricks County is a vibrant, giving community.

Where Local Good Grows

Hendricks County Community Foundation

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