

Basic Estate Planning

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Agenda

This session is intended to help you understand the following:



1

What is Estate Planning

2

The Importance of Estate Planning & Asset Titling

3

Probate Pros & Cons

4

Taxation of Gifts & Estates



What is Estate Planning?

Through estate planning, you develop a strategy that provides for the people they care about and helps ensure that your estate will be managed according to your wishes.

Who do you want to inherit your assets?


Who will care for your children?

Who should succeed the client as owner of their business?

What is the client's potential estate tax liability—and how will it be funded?

Whom does the client most trust to manage their affairs if they become unable to do so?

What kind of trust structures should the client consider for their family?

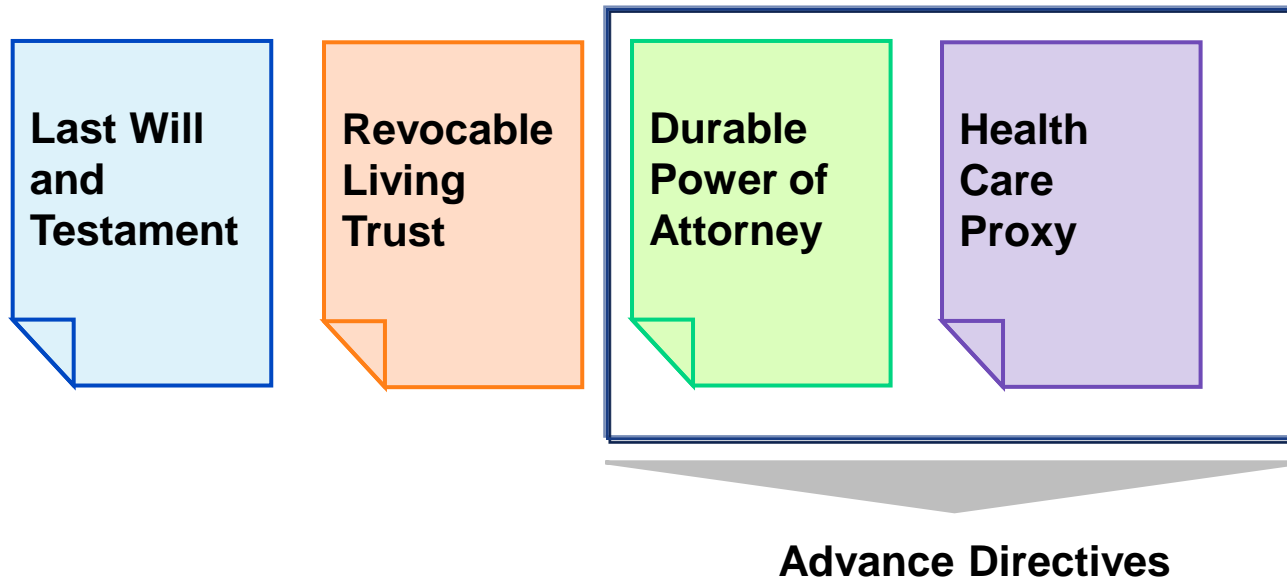


We work with you to identify your preferences and come up with a plan for you.

Basic Documents

Essential Components of an Estate Plan

- ◆ Last Will and Testament
- ◆ Revocable Living Trust
- ◆ Durable Power of Attorney
- ◆ Health Care Directive



The Importance of Estate Planning

Don't leave home without it!

Execute a Will to Avoid the Jerry Brown Plan

Purpose of a Will

To provide instruction for the orderly transfer of wealth at death, including identification of who, what, where, when and how transfer shall occur.

Enables a client to:

- ◆ control the passing of his or her property to avoid intestacy
- ◆ appoint an executor for disposition of assets
- ◆ appoint a guardian of the person or of the property, or both, for any minor children of the client

Types of Wills:

- ◆ Holographic Will
- ◆ Statutory Will
- ◆ Witnessed Will
- ◆ Pour Over Will
- ◆ Will with a Testamentary Trust



Probate

Pros

1. Court supervision of estate transfer to resolve ambiguities / conflicts
2. Expedited way to deal with creditors
3. Supervised accounting

Cons

1. Very expensive
2. Public process – Whitney Houston
3. Court delays long and increasing
4. Separate procedure for each state

Probate

Pay US Now or Pay US Later?
Probate is Expensive and
Time Consuming

Statutory Probate Fees

The State of California has established the “minimum” cost of probate which is set forth in the accompanying chart. However, it is most unusual to complete the probate process at such a low fee because the chart does not include extraordinary fees granted by the court for sales of assets during probate, preparation of death tax returns (Form 706), litigation expenses, etc.

| Probate Assets | Probate Fees | Probate Assets | Probate Fees |
|----------------|--------------|----------------|--------------|
| \$10,000 | \$800 | \$675,000 | \$33,000 |
| 20,000 | 1,600 | 700,000 | 34,000 |
| 40,000 | 3,200 | 725,000 | 35,000 |
| 60,000 | 4,800 | 750,000 | 36,000 |
| 80,000 | 6,400 | 775,000 | 37,000 |
| 100,000 | 8,000 | 800,000 | 38,000 |
| 120,000 | 9,200 | 825,000 | 39,000 |
| 140,000 | 10,400 | 850,000 | 40,000 |
| 160,000 | 11,600 | 875,000 | 41,000 |
| 180,000 | 12,800 | 900,000 | 42,000 |
| 200,000 | 14,000 | 925,000 | 43,000 |
| 225,000 | 15,000 | 950,000 | 44,000 |
| 250,000 | 16,000 | 975,000 | 45,000 |
| 275,000 | 17,000 | 1,000,000 | 46,000 |
| 300,000 | 18,000 | 1,100,000 | 48,000 |
| 325,000 | 19,000 | 1,200,000 | 50,000 |
| 350,000 | 20,000 | 1,300,000 | 52,000 |
| 375,000 | 21,000 | 1,400,000 | 54,000 |
| 400,000 | 22,000 | 1,500,000 | 56,000 |
| 425,000 | 23,000 | 1,600,000 | 58,000 |
| 450,000 | 24,000 | 1,700,000 | 60,000 |
| 475,000 | 25,000 | 1,800,000 | 62,000 |
| 500,000 | 26,000 | 1,900,000 | 64,000 |
| 525,000 | 27,000 | 2,000,000 | 66,000 |
| 550,000 | 28,000 | 2,500,000 | 76,000 |
| 575,000 | 29,000 | 3,000,000 | 86,000 |
| 600,000 | 30,000 | 3,500,000 | 96,000 |
| 625,000 | 31,000 | 4,000,000 | 106,000 |
| 650,000 | 32,000 | 5,000,000 | 126,000 |

*In excess of \$5,000,000 add 2% of the excess to \$126,000

How Assets are Transferred at Death

Probate

- ◆ “Probate Property” – assets owned in individual name that do not pass by operation of law or via contract
- ◆ Probate is the process of proving that a will was the valid last will of a decedent
- ◆ Probate costs are high and procedures are time consuming in California
- ◆ Privacy concerns
- ◆ Property located in another state
- ◆ Surviving spouse's elective share

Non-Probate

- ◆ Property not owned in individual name or otherwise passing outside of will; not payable to the estate
- ◆ Funded revocable living trusts
- ◆ Life insurance
- ◆ Qualified plans and IRAs
- ◆ Annuities
- ◆ Property owned ‘jointly with rights of survivorship’
- ◆ Important to check titling and beneficiary designations

How to Avoid Probate

- A. Trusts – Revocable / Irrevocable
- B. Beneficiary Designation – IRA, Life Insurance
- C. Pay on Death Designation – Bank Account, Brokerage Account
- D. Small Estate Affidavit PC 13100
- E. Property Passing to a Spouse
- F. Joint Tenancy – Drawbacks of Joint Tenancy
- G. Totten Trusts

Taxation of Wealth Transfer

- **What is Probate Estate?**
- **What is Taxable Estate?**

Overview of Estate & Gift System

Estate and gift tax rates

| Calendar Year | Highest Estate Tax Rate | Applicable Exclusion Amount | Highest Gift Tax Rate | Gift Tax Exemption |
|---------------|-------------------------|-----------------------------|-----------------------|--------------------|
| 2013 | 40% | \$5,250,000 * | 40% | \$5,250,000 |

| Marital Deduction | Amount | Annual Gift Exclusion | Amount |
|-------------------|-----------|-----------------------|--------------------------|
| 2013 | Unlimited | 2013 | \$14,000 per recipient * |

* Subject to CPI increase annually

Source: Internal Revenue Code as amended by the American Taxpayer Relief Act of 2013

“The best way to predict the
future is to create it.”
~ Peter Drucker

Tredway, Lumsdaine and Doyle has Solutions

Call Mark Doyle at 949-756-0684 for your free consultation today!

- First Meeting: no cost, no obligation
- Basic Estate Plan done on a fixed-fee basis
 - Powers of Attorney
 - Wills
 - Revocable Living Trust
- ◆ Usually a 2 meeting process over 1 month – 2 months

“Failing to Plan is Planning to Fail”