

A 30,000-foot view of estate and tax planning



Class of 1973

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Briefing by Dale Zschoche
Director of Gift Planning

A nod to my son, USAFA '10, who really flies at 30,000 feet:





Objective of today's session

- ▶ Impart information which may be useful to you in the establishment of, or refinement of, your estate plan.
- ▶ Convey the importance of having a sound, complete and up-to-date estate plan
- ▶ A simple update on the 2018 tax changes
- ▶ Answer your questions - this is interactive
- ▶ No legal or specific tax advice dispensed

Individuals' tax law changes - highlights

1. In effect for 2018 through 2025 tax years
2. Standard deduction: \$12,000 single, \$24,000 joint
3. Tax brackets slightly reduced; indexed starting in 2019
4. Repeal of the personal exemption (was \$4,050)
5. Child tax credit increased to \$2,000 (under 17, and phased)
6. If you can itemize, the SALT deduction limited to \$10,000; interest deduction on new mortgages only on first \$750,000; charitable deductions are still available
7. Estate tax exemption raised to \$11.2 million single, \$22.4 for couples

What is Estate Planning?



The basics - preparing for two scenarios

1. Inability to make decisions (mental or physical incapacity)

Consequence of no action: You and your assets will end up in a court-supervised guardianship or conservatorship.

2. When you “punch out” of this life

Consequences of no action: the state in which you reside will make decisions without taking into account your wishes.

Preparing for Incapacity

- ▶ **Medical Power of Attorney** - allows you to give to the person of your choice the right to take care of your personal needs and make your medical decisions if you're temporarily or permanently unable to do so for yourself.
- ▶ **Financial Power of Attorney** - allows you to chose someone that will take care of your financial decisions. “Durable“ means said person will continue to be able to take care of your finances even if you're to be incapacitated.

Preparing for transition

Creating and maintaining a “Last Will and Testament” to:

1. Direct the disposition of your assets as you wish
2. Determine the guardians of any minor children
3. Make special provisions for the care of an elderly or disabled person
4. Select who is to administer your estate
5. Arrange your estate for maximum **tax-effectiveness**
6. Make bequests to the organizations that are significant to you.

What are the types of wills?

- ▶ “Holographic,” or self-written
- ▶ Will preparation software
- ▶ Both methods can be effective, but the laws of probate and estate taxation are complex
- ▶ Minor errors or omissions can have detrimental effects
- ▶ Wills prepared by professional advisors are preferable

Wills can be subject to Probate

- ▶ Probate is the court-supervised process of:
 1. Inventorying all of your assets after your death
 2. Paying your final bills
 3. Then distributing what's left, according to your will's provisions
- ▶ The key here is that probate is “court-supervised.” In other words, probate is dictated by the probate laws of the state where you live at the time of your death
- ▶ Process can be lengthy, cumbersome, expensive

Living trust in addition to a will

A Revocable Living Trust is a legal document created to hold Trustor's assets, which are in turn invested and spent for the benefit of the Trustor. This type of trust will allow you to:

1. Control your property while you're alive and well
2. Designate the person of your choice to manage you and your finances if you become disabled
3. Instruct your loved ones what to do with your assets after you are no longer here
4. Your family will be able to gain virtually immediate access to assets after your passing - no probate

What are bequests?

Bequests are any assets bequeathed in a will or a trust.

1. A specific amount of money or assets
2. A percentage of those assets
3. Or the residual (what is left over after heirs and other obligations are paid) from an estate
4. Recipients can be family, friends, pets, associates
5. Charitable bequests - can reduce an estate's taxes, although for most people the philanthropic reasons are more important

Leaving a Legacy

You have the opportunity to create a legacy

- For your loved ones
- To help our Academy - philanthropic support that you can designate
- A lasting legacy for the Class of '73



“Someone is enjoying shade today because someone planted a tree a long time ago.”

Warren Buffet

You can't take it with you . . .



What are other ways to help USAFA?

- ▶ Life income gifts
 - Charitable gift annuities
 - Charitable remainder trusts, both annuity and unitrust
 - Charitable lead trusts
- ▶ TOD designations (Transfer on Death)
- ▶ Tax-qualified plan distributions, e.g. IRAs
- ▶ Life estate commitments
- ▶ Other real and personal property gifts

