


CLIENT UPDATE PROGRAM(2022)
PLEASE WATCH YOUR STEP!

Presented by
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WELCOME & ADMINISTRATION

- Introductions
- Large Print Handouts are available
- Washrooms located by elevators
- Thank you for wearing your name tags



WELCOME

- We appreciate your patience with the signing process!
- Lots of signatures this year
- Focus traditionally is on the trust
- Expanding focus this year to include ancillary documents



WELCOME

- Team is working on updating red and blue books while we are teaching
- Pick up your books as you leave
- Alphabetical order by last name on counter outside the room
- Team is guarding the books



HOUSEKEEPING

- Understanding the slides
- Article in the title indicates where in the document the change was made
- Married/Single Client Article numbers
- Year the change was made



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- “Standard” Trust Protections:
 - Divorce
 - Creditor
 - Nursing Home
 - Remarriage
 - Bloodline
 - **NEW: Estate Tax Protection**



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- The Problem
- Current “Coupon Amount” = \$12.06M
- Legislation that set the Coupon Amount expires on 12/31/2025
- Revert back to prior “Coupon Amount” = \$5M adjusted for inflation
- (Stay tuned – we are monitoring it)



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- Will the inheritance you leave a loved one put them **over** their coupon on their death?
- Some “Basics”
- What is the federal estate tax rate?
- Are assets a person inherits included in their taxable estate?



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- As a general rule - Yes
- Assets are counted in a persons estate if:
 - They own the asset (OR)
 - They control the asset



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

If a loved one retains their inheritance
in an Inherited Trust, do they own it?



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- Retaining the inheritance in an Inherited Trust enables us to “Pass” the first part of the two part test
- But do they control it?



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- The tax code defines control as
- The power to name anyone as the beneficiary of the inherited asset on death including your probate estate or your creditors
- Few people would likely want to name their creditors or their probate estate as their heir!



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- Having the power does not mean the power has to be exercised – only available
- Should we give our loved ones “The Power of Control”?



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- Advantages of Control = Step-up in basis on death
- Avoids 20% capital gains tax on the growth since the date of inheritance
- Disadvantages of Control = Asset is included in their estate
- May cause assets to be subject to 40% estate tax
- Not an issue if their estate is under whatever the coupon amount is at the time of their death



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- How do we know when your loved one dies:
 - What the size of their estate will be?
 - What the estate tax coupon will be?



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- If we knew the answers to these questions we would know whether we should give the beneficiary “The power” to name their creditors as their beneficiaries!
- We want the best of both worlds
- Therefore created a computational provision



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- If the beneficiary’s estate is over the coupon amount on their death = No Power (i.e. no estate tax!)
- If the beneficiary’s estate is under the coupon on their death – Ask how much? (Amount Available)
- Give Power over only the “Amount Available”
- AND Limit the Power to highest appreciated assets first until the “Amount Available” is used up



ARTICLE 12/09 (2022) – TRUST PROTECTIONS

- Result: Achieve a step-up on what we can without causing assets to be subject to estate tax!



MISCELLANEOUS POWER OF ATTORNEY

- Addresses legal issues and accounts not able to be owned in the name of your trust
- IRAs and qualified retirement plans cannot be owned in the name of your trust
- On Disability – helper needs to manage IRAs



MISCELLANEOUS POWER OF ATTORNEY

- Authorizing changes in the underlying investment
- Authorizing withdrawal of Required Minimum Distributions (RMDs)
- Applies to both regular IRAs and Inherited IRAs
- SECURE Act changes impact distributions from Inherited IRAs



MISCELLANEOUS POWER OF ATTORNEY

- Language added to give helper expanded power to make distributions from inherited IRAs
- Includes both RMDs and discretionary distributions



MISCELLANEOUS POWER OF ATTORNEY

- Legal Issues expanded:
 - Contacting and responding to the IRS
 - Contacting health insurance companies
 - Securing confidential records on your behalf
 - Applying for governmental benefits you may be entitled to



MISCELLANEOUS POWER OF ATTORNEY

- Legal Issues on disability:
 - Accessing electronic accounts
 - Applying for long term care benefits – from either a long term care insurance policy, life insurance policy or annuity
 - Modifying property and casualty insurance policies
 - Accessing safe deposit boxes



MISCELLANEOUS POWER OF ATTORNEY

- Legal Issues on disability:
 - Real estate powers for property not in trust or owned with another person
 - Care of pets
 - Naming a financial guardian



CERTIFICATE OF TRUST

- Added provisions:
 - Trust date is the date of the original trust signing – NOT date subsequent restatements are signed
 - Either trustee can act for and conduct business on behalf of the trust
 - Social Security number is the tax identification number



BILL OF SALE

- Funds “Stuff”
- Assets that do not have a written title document
- Applies to all stuff you currently own
- Includes provisions for stuff you later acquire



BILL OF SALE

- Not certain legally if you can change ownership on something you do not yet own
- Sweeps into the trust any new stuff you acquired since the last time you signed a Bill of Sale
- Establishes a pattern of intent to fund



HEALTH CARE DOCUMENTS

- Health Care Power of Attorney, Living Will, HIPAA
- ONLY updated if:
 - More than 7 years since the last time you signed (OR)
 - You requested changes



THANK YOU FOR COMING!

- What to Do Workshop is on November 23rd
- Holiday Party is on December 7th
- Don't forget to pick up your Red and Blue Books
- **Please watch your step!**



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