lovasco

Summary of Wealth Transfer Tools

UNDERSTANDING THE TOOLS FOR BUILDING AND PROTECTING YOUR LEGACY

Tool	What It Is & What It Does	Key Considerations
WILL	A will is a legal written document that lists your wishes for the distribution of your property after death and identifies who will manage the distribution, as well as who will care for your children. The requirements for a valid will vary from state to state.	• If you die without a will, state laws will dictate how those matters are handled. The outcome may not match your intentions. • Even with a will, your estate will go through the probate process. • All wills require an executor. Often people name a family member since such a person is familiar with the family's situation and may be more sensitive to their needs. However, naming a corporate executor may have advantages as well, including knowledge and objectivity. • Many married couples write wills that leave all assets to each other and establish contingency plans if the couple dies simultaneously. If a surviving spouse inherits the entire estate, an unlimited marital deduction may apply, allowing them to avoid the estate tax liability. • With all matters of a tax or legal nature, consult with tax and/or legal counsel for advice.
LIVING WILL	A *living will* allows you to make decisions about prolonging your life through various means prior to a time when you may be incapable of making such decisions. This relieves your family of the burden of making these decisions.	• Also known as an "advanced medical directive". • A legal document expressing an individual's last wishes and establishes the medical situations and circumstances in which the individual no longer desires life-sustaining treatment. • Take care in choosing the agent as the designated individual is responsible for making the final decision. • Allows you to "die with dignity".
POWER OF ATTORNEY	Typically, part of a living will, a *durable power of attorney* authorizes another individual of your choosing to enter into and carry out nearly all legal obligations on your behalf, if and when the time comes you are unable to do so on your own. Naming a *health care power of attorney* or health care proxy places all your medical related decisions in trusted hands.	• Grants a designated agent powers (typically limited) to execute specific tasks on behalf of the principal (i.e., pay bills or handle specific transactions). • The power can be broad or narrow with the specific powers clearly defined in writing. • Unlike a living will, a health care power of attorney places medical decisions with the agent with the intent of getting better (i.e. disclosure of medical records, medical procedures, organ transplants, selection of medical personnel). • Limited to health care decisions.

continued on next page...

Tool	What It Is & What It Does	Key Considerations
GIFTING*	Gifting is a straight-forward approach to reduce the size of an estate. You can currently gift up to $17,000 annually per person tax free, with the intent they can access and use that gift immediately. ***IMPORTANT: In 2026, assuming no changes, the estate and gift tax exemption amount will decrease to approximately $6,000,000 per person.**	• In addition to the annual tax exclusion amount, each individual has a lifetime federal gift tax exclusion amount of $12.92 million (in 2023). • So long as no individual recipient receives more than $17,000 from an individual donor in a calendar year, no portion of the donor's $12.92 million gift tax exclusion is utilized. • Any exclusion amount during life reduces the applicable exclusion amount available at death. Therefore, if a person makes a lifetime gift of $1 million, that person's applicable exclusion amount at death is reduced by the same $1 million (and so, it would be reduced to $11.92 million if the death occurred in 2023).
TRUST	This flexible and powerful tool is a legal arrangement under which one party (the trustee) manages property for the benefit of others (the beneficiaries). In addition to reducing estate and income taxes, a trust can reduce potential costs and delays associated with probate. The trust provisions commonly specify: • Whether it is revocable or irrevocable. • The rules of operation of the trust. • The powers of the trustee. How the trustee is to divide the income and principal among the beneficiaries.	• An important component is naming the trustee. Based on the trust and the goals you want to accomplish, you may or may not be advised to name yourself, your spouse, or your children as trustees. In addition, professional trustees are available to lend expertise and help avoid any potential conflicts of interest. • Trustees are responsible for: Implementing the trust's terms, distributing or reinvesting any returns and providing accounting services for the trust. • **There are several types of trusts. Refer to the separate flyer, *Understanding the Role of Trusts in Estate Planning* for more information.**
LIFE INSURANCE	Your death may result in a significant reduction of your family's current income. Life insurance proceeds can help replace your lost earning power. It is a popular and effective tool to help meet estate goals due to its significant tax advantages. Under this arrangement, you use a portion of your assets to pay your life insurance premiums, purchasing death benefit coverage. When you die, the death benefit is paid to beneficiaries, generally income tax-free.	• Like all components of your estate strategy, there are special considerations for your life insurance choice. • If you are the owner of the policy, the death benefit will be included in your estate for federal estate tax purposes. As a result, life insurance purchases for estate strategies are typically made through an Irrevocable Life Insurance Trust (ILIT).

LET'S START THE CONVERSATION

To learn more or to get started, please contact the Estate Planning and Business Succession Team at **EBS@lovascogroup.com**.

This material and the opinions voiced are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. To determine what is appropriate for you, please contact your Lovasco Financial Professional. Information obtained from third-party sources are believed to be reliable but not guaranteed. The tax and legal references attached herein are designed to provide accurate and authoritative information with regard to the subject matter covered and are provided with the understanding that Lovasco Consulting Group is not engaged in rendering tax, legal, or actuarial services. If tax, legal, or actuarial advice is required, you should consult your accountant, attorney, or actuary. Lovasco Consulting Group does not replace those advisors.

File #5607298.1