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Welcome. Thank you all for joining us today for CAPTRUST quarterly wealth webinar. My name is Jenny Hood and I will be your moderator for today. I am a certified financial planner professional with over 17 years of experience in helping families and individuals with all things financial planning.

Currently, I'm a wealth planning specialist that supports CAPTRUST advisors across the entire firm. I'm delighted today to be joined by three of my esteemed colleagues. We all are certified financial planners, which means that we are fiduciaries and are required to put our client's interests first and above our own.

So first off, we do have Tiffany Walker in addition to her CFP. She is a chartered financial consultant and she is a financial advisor out of our Minnesota office. Next, we have Shannon McDonald, also CFP, and she has her Master's in Financial Planning and her Master's in Education. A little quick fun fact, Shannon used to be a teacher, and now she is a Vice President and Financial Advisor out of our Tennessee office.

And last but not least, we do have Mr. John Lockwood, who in addition to his CFP, is a Chartered Life Underwriter and is a Principal and Financial advisor out of our Sacramento, California office. John, uh, is right down the hall for me. I have the privilege of working with John directly, uh, over the last couple of years.

So, um, as you heard, today is all about estate and legacy planning, and this is a very needy subject. So our, our goal for today is to keep our discussion at a very high level. We're going to introduce you to some basic estate planning concepts and strategies, and therefore would really encourage you to reach out to your own CAPTRUST advisor to discuss.

Discuss the details of your specific situation. So, our agenda today includes identifying who you want to impact with the state you have built. Some basic estate planning documents that everyone needs. Determining what is in your estate and what is not in your estate. And finally, probate. What is it? Why is it such a bad word?

And why would I want to avoid it? So before we jump into our discussion today, we are going to engage you all with a little poll question. So if we could have that poll, um, the question pop up there. Okay, so if you all can Start choosing. So the question is, what is the status of your estate planning documents?

Are you all good? They're all current and accessible. You have them in place, but haven't reviewed them recently. You've started the process, but do not have all those documents yet. You're dragging your feet. I've never even thought about it. I can guarantee you, whatever your answer is, you are not alone, and this is why we are here today.

Okay, so, oh, there we go. So, Tiffany. Wonderful. Thank you, Jenny. This is not a surprise. Uh, as Jenny mentioned, Uh, we put this polling question up here to start off because we really wanted to level set. Where is everybody at? Why did you join today? Why is estate planning important? And it all begins with starting where you're at.

So what we can see here is the majority of us attending today have documents, which is great, but maybe they haven't been reviewed, uh, recently. Uh, the next, uh, largest response looks like, and thankfully, is I'm good. All my documents are current and accessible and I hope that's a reflection of the work that we're all doing, uh, together with our CAPTRUST advisors, making sure this is front of mind and, and taking care of.

It is so very important. A few dragging their feet and that's understandable. Again, uh, part of the information we'll share today is really to help you take that first next step. And there are those of us who have never even thought about it, which is not surprising. So, on this next slide, we'll walk through some statistics that back up all of the results that we just saw from you.

Um, there's a lot of information here, but at a high level, the story that it tells is at a national level, on average, uh, The majority of us do not have basic estate planning documents in place, the most basic being a will, a last will and testament. As you see here, 27 percent of folks in that 25 54 year old age range have a will, which is great, but that means the majority of us do not.

Um, and not surprisingly, actually, almost half of us over 55 don't have a will either. So while younger folks may assume that they don't need these documents, there's a large portion of the population that is over age 55 that also has not done this planning or maybe hasn't taken action. And here we can see as well some statistics regarding the amount of wealth that we expect to transfer over the coming decades.

from this current generation to their families, uh, and their friends, charities. And, um, not surprisingly here, only slightly less than half of executors didn't even know there was a will in place, uh, when they are named as an executor in somebody's documents. And if they had to figure out where those documents were stored, only 35%, really one in three of U.

S. adults say they, they know where those documents are and could easily find them. So again, hopefully that poll just pulled out that. Wherever you're at, you're not alone. And the important thing is that we start where we're at and start today. So, um, Shannon, I know you had some interesting research you did preparing for this webinar regarding just that very, uh, fact that we are not alone in, in some of these statistics.

No, absolutely. Thank you so much, Tiffany. You're spot on. So it's not just everyone kind of your neighbors that you know that isn't quite up to date and quite up to speed with their estate plan and what it should be. And if you looked at the top response for everyone on this webinar is you have documents, but you don't quite know if they're 100 percent up to date.

Well, everyone is probably aware of Heath Ledger, right? He's a pretty big celebrity. Uh, back in the day, he passed away in 2008. A bit of a pitfall with Heath Ledger is He was young and he said, okay, I have my estate documents. I haven't updated them or whatnot. However, he had a daughter two years before he passed away and Heath Ledger never updated his estate documents after the birth of his child.

So sadly, when he ended up passing away at the age of 28, thinking, okay, I've got everything ready. He ended up not making his daughter his priority because it wasn't coming through in the documents and as much as we know and assume that he loved his daughter and wanted to take care of her and her needs and her future, it wasn't in the documents and he didn't have that will there.

Now his family eventually made it right but it would have definitely been far more efficient and helpful to both the mother of his child and his child if he had updated his documents once she was born. It's not just us, uh, that fails to know about priorities. Um, and, and with that, kind of priorities are really important, and I'll throw it back to Jenny here to talk about why we think priorities are important.

Yes, so unfortunately, in all of our work, we see this all too often where people have the best of intentions and then they just end up falling flat because they weren't properly put in place. And again, all being financial planners, we really like to start any conversation that we have with our clients around what are their priorities and their goals, because that's really going to start the conversation of what's important to you.

And so what do we need to put into place? Um, To have this work for you. So how do John, how do you work with your clients and start this discussion with them? Yeah, Jenny. Thanks for asking. This is uh, probably the one of my most favorite things to uh to discuss as a financial advisor is Uh, just really understanding what people's goals and priorities are And when it comes to estate planning You know, many folks struggle with this because they think about their demise.

And sometimes that's a real mental hurdle to overcome is that, you know, every day we're getting older and, uh, we are getting closer to that day. We don't know when it's going to come. Uh, but if we can really have a meaningful conversation around what the vision is for our future, for. Our family, our community, the people that we're impacting, it really can become a very fruitful conversation.

And this is one that I just really enjoy engaging in because if we think about it, you know, our long term vision is going to be impacted based upon our values. And the better we understand what our values are, the easier it becomes to actually create goals and action plans. And it really gives you some accountability around reaching those goals.

And so, uh, this is a process of beginning with the end in mind. And so when you start looking at You know, some of these bullet points on the screen here, you start to understand what really are my objectives, right? And what it is that I want to accomplish. And oftentimes all of these come into play. And so this is just such a fun process for us to engage our clients and to think about what do they want to accomplish and for us to help them put that action plan.

Yeah, and I'll add on here too, John, you're spot on. What you'll see is there's so many different priorities that people take, that every estate plan is going to have different priorities. Every client is going to have different things that really pop to the top of their mind. Some people are really going to want to protect their family and say, okay, I want my children to inherit this, but I want to make sure it's safe and guarded for them to be able to use it wisely as they grow.

Some individuals really have charitable, that's a really big piece of their life and they want to continue that. So finding out what your priorities is pretty much step number one before you go forward and even develop the estate plan.

Because if you don't know what you're trying to accomplish after you're gone, you can't really get it accomplished successfully.

Um, so that's always where we start with our clients and I, I agree wholeheartedly with that. Um, mhm. Uh, thank you both John and Shannon. So yeah, so we're starting off with like, everyone knows that this is really important and one of the best places to start are with these priorities and goals. Um, but there are some documents that everyone needs to have in place for their estate plan.

So we can, there we go. Um, and so Tiffany, if you kind of want to start talking about what are the essential estate planning documents that everyone does need? Yeah, thanks Jenny. They're, they're right here. And, and as we're talking about what can be a complex topic today, I think the message that we really want everyone to walk away from is it doesn't have to be complicated.

It may be complex, but it doesn't have to be complicated. And what you're seeing that here, there are, in essence, five basic, what we call essential documents. For any estate plan that no matter what your age, stage in life, these are just building blocks that each of us should have in place. You can see here the five being that last will and testament, a durable power of attorney, also known as a legal financial power of attorney or short form power of attorney, health care power of attorney and directive, right?

Living will. Sometimes, in some states, I live in Minnesota, both the health care power of attorney and the living will are combined into one document. And then HIPAA authorization. As we were preparing today, Shannon, I know it really touched a nerve with you as far as how often some of these documents are overlooked, specifically the HIPAA authorization and why that's so important.

Yeah. And, uh, one of the things here that, uh, you don't see.

These really are the foundational documents for estate planning and one of the myths that we often encounter or even, you know, more appropriately a question from our clients is, you know, Hey, John, uh, I need to update my trust, right? Or, Hey, John, do I need a trust? And the answer is not always yes, but the answer is always yes to these documents, right?

Because if you think about it, you know, these documents are identifying the who's, and that is who is going to carry out, right, your wishes. And the what's and that's what are they going to actually do With the assets and so it's it's really important to make sure you review these documents often Uh, and an example is you know, i'm guilty of this myself.

I have an eight month old baby boy at home And, uh, as I'm preparing for this webinar, it struck me. I went, wait, Noah's not included in any of my documents. And so I, you know, emailed my estate planner and attorney ahead of this call saying, Hey, we need to get, we got to get on the calendar here in the next couple of weeks, um, cause it's important to make sure that, you know, I don't put my family through that position to where then they have to divide up assets to account for Noah, uh, because he wasn't included in the documents there, there's also situations to where, you know, your, your, your, Executors may be stale, meaning that, you know, relationships change over time and, uh, you know, people, you know, pass away, they get sick.

And so it's really important to understand, you know, who are these designees and is it up to date? And, you know, are your children now adults? And, uh, one of the things that Tiffany actually mentioned, um, in a, a call that we had earlier was, you know, the folks who you don't think of as, you know, maybe a, a medical designee, and one of the examples that I give to my clients is.

You know, think about it when you sign up for an event and they ask for an emergency contact, right? Who are you putting on that contact? They may even ask for a secondary contact. So, for example, you know, my wife might be my primary contact, but my sister is the backup. Well, in reviewing my documents, my sister, doesn't have HIPAA authorization.

So if my wife and I are injured, uh together, and they go to call my sister, is she really going to be able to help? Because I haven't yet given my provider's authorization to share my information. So it's just, it's, it's very important to continue to review the documents, have these meaningful conversations and make sure they're up to date.

If I can add on there too, it's really one of the wonderful things with CAPTRUST is we have advisors all over the US. Uh, I'm in Tennessee, Tiffany's in Minnesota, and John's in California. The state requirements are. different for a lot of these documents. Tiffany mentioned that, um, the healthcare power of attorney and the durable power of attorney are free in Minnesota.

I know here in Tennessee, the healthcare power of attorney is also free on the state website. So there are some places with different states that this isn't really kind of prohibitively expensive and it's not something that you can't access. So all of these documents, while they're very, very important, aren't terribly expensive to get, uh, and they're all very important.

Again, moving from state to state. So, for example, I had a client who moved from California to Tennessee. I highly recommended updating all of their documents just because of the way things flow in the state of California versus Tennessee. As John can tell you, and we'll talk about later, California is a little bit more complicated than Tennessee for estate planning, so.

Yes, I really do like this slide because I think a lot of times when we think about estate planning, the first thing we think of are will and trust, right? I need a will, I need a trust. And we kind of forget about needing, you know, durable power of attorneys for people to be able to make decisions for you financially if you become incapacitated, or those healthcare decisions for you should you also not be able to, to make those decisions for you.

Tiffany, did you have any other thoughts on this slide? No, I don't think so. No, I think we did a great job of covering this. Thank you, John, for calling out those great examples of, and Shannon, again, the barrier to entry on these five essential documents is low. So the message is start today, identify your priorities, and then move forward.

But, but really, as we're thinking about, Okay, so we know we need these five documents. The next step then really becomes Jenny, you know, what is, what is an estate? What's in our estates? So, so maybe we can, we can transition to that subject. Yeah, to the next slide, please. So, yeah, so we were, we, Reached out, we thought about what's, what's important to us.

Like, who is it that we want to impact? Is it charities, our family, all of the above? You know, we're starting with our, uh, the basics there. We're going to get all those, uh, HIPAA authorizations and durable power of attorneys. And then it does come down to understanding, like, what is in your estate and what is not, um, inside of your estate.

And so, Tiffany, you have a really Good way of helping your clients determine that. Exactly. It all starts, Jenny, with a balance sheet, and this is something that every time we meet with our clients, we're, we're pulling up that balance sheet and making sure that it's up to date. Uh, and really what we're looking for is what do you own and what do you owe?

It's as simple as that. So what we're seeing here, there's a lot of different types of accounts and, and asset titling that are possible. You see some examples here of what's inside your state. And essentially, if you. Own it or control it. It's inside your estate. And if you do not own or control it, it's outside.

So that's a simplistic way of thinking about this, Shannon. I know you also had some thoughts on the slide as well. No, absolutely. I love exactly what you're saying. If you own it and control it, control. So a lot of people hear trusts and they're like, Oh, what is it? You know, control really has a lot of meaning versus in my estate.

If you can control it, most of the time it's in your estate and looking at this, you know, if you look at all the different assets in there, you know, partnerships and corporations, and if, if. If the attendees on the webinar are looking at this and say, Oh, I have a, you know, I have a revocable trust. Oh, I have a joint account.

I have a retirement plan. I have a partnership. I have insurance. You probably have a bit of a more complex estate. And sometimes, Those different complexity of states mean some, some priorities for you would be avoiding things like probate. Now, probate sometimes here is like, Oh my God, that's a bad word.

We're all terrified of probate. And we're going to talk about that here next of exactly what is probate? Is it something that you want to avoid? Uh, is it something you have to avoid? But probate, All of it comes down to how your assets are, whether they go into probate or not, which we'll kind of go to next.

Next slide, please. Okay. So, Tiffany, you really like to help create your, help your clients create that balance sheet. Um, it's really helpful for them, again, to see, uh, what is it they own and what is it they owe. And it's also very helpful when they begin to work with an estate attorney, right? They can just Bring this balance sheet along and the state attorney can help guide the discussion about how they want each asset, kind of where, where do they want it to go and how do they want it to go, which does lead then into probate.

So, uh, what exactly is probate? Do we have a succinct definition of what probate is? Yes, absolutely. Probate is the legal process of distributing a person's assets through their will or state law. That's the definition of probate, right? So what does that mean? Probate is where your assets go through the court system.

So it is a public proceeding where all of your assets are laid out and They are fault flowing through the will, or if you don't have a will, then it goes through this intestate, which means it's going to follow state law. Again, state law in

Tennessee is very different than state law in California, or Minnesota, or Florida, or New York.

So every state might flow slightly differently. But probate is definitely a public event. Yes, and Shannon, maybe I'll just chime in here. Um, the state of California, uh, is a very public, uh, state. And in fact, uh, when you enter a probate or open probate here in California, uh, these are all public records. In fact, you know, the administrator has to, as part of the probate process, actually file an advertisement in a local newspaper announcing this probate with the Uh, names and information about the decedent, um, and inside of the probate, uh, all of the documents are, well, I should say most all the documents are available, uh, for the public.

And that includes things like the balance sheet, uh, various financial statements, the last will, uh, so anyone in California, uh, with a valid driver's license can essentially go down to the courthouse and make copies of those documents. And so it's very important that, you know, circling back to priorities, if your priority is to avoid that process and to You know, avoid putting, you know, your family, you know, out there in public that you do take action and make sure that your documentation is up to date.

Uh, and one last, you know, thing is, uh, it's a long process. Uh, typically, uh, in California, uh, the average probate process is 18 months. And what's really interesting about that timeframe is that most of the assets are locked during that period of time. And so it can be very challenging to get access to assets and properly administer accounts while they're in probate.

So we just need to be very mindful of what are the goals and priorities and making sure that we do our best to get our documentation in order. And John too, you know, one thing regarding probate we also discussed is, so there's privacy and time involved, but also cost. As, as a state attorney once shared with me, pay me now or pay me later.

Meaning, Pay on the front end a nominal amount to put a plan in place and have your documents ready to give those instructions, potentially avoid probate if that's your priority and goal. Or you, you go through the probate process and you engage an attorney at that time and, and again, there's an expense related to that as well.

John, I think you had an interesting statistic. In California, what, what typical probate costs can be? Um, it's, it's really all over the place. In fact, I wasn't able to define a specific number. Um, but just think about, uh, the average cost, uh, per hour for a qualified attorney, uh, here in Sacramento is about 400 per hour.

And if you're paying that individual on an average of over 18 months, it adds up, right? So going back to pay me now or pay me later, uh, it's typically much less painful to pay them now. Exactly. for your time. Sorry, go ahead. Uh, and I was just going to say, and, and when we talk about expense, what we're seeing here is that through beneficiary designation, Shannon, I'm sure this is what you were about to share, that it's a very low cost and in many cases free way to avoid probate, if that's a priority, Shannon.

Yeah, no, I'm going to point out a little bit about the probate assets that are on the screen so we can just point out the beneficiary designation. So, as, as Tiffany was just saying, um, some assets are automatically going to go not through probate. So some assets that we own, uh, think about qualified, uh, retirement plans, that's your IRAs and your 401ks.

Those have beneficiary designations and those beneficiary designations say that does not go through probate. It just automatically goes to the beneficiary. So there are things that Tiffany was mentioning, um, like If you look on the right side of the screen, you see payable on death or transfer on death.

Those are two designations that you can add to taxable accounts or bank accounts that will avoid probate. A very low cost way to get assets to who you want without going through the probate process. Um, obviously there are other more expensive ways to avoid probate and a lot of more complex tools. Um, I also wanted to mention quickly, um, a little bit of a comparison.

So I know I keep comparing Tennessee and California. That's obviously, I'm in Tennessee. So the Tennessee probate, um, isn't nearly as extensive or expensive. Uh, just due to the time, right? Exactly like John was saying. The average Tennessee probate process is between four and twelve months. So, where you go and where you are in the U.

S. and how complicated your estate may be, you don't have to avoid probate entirely. Again, completely up to your priorities. If being private is important to you, then I would probably say that's more of a priority. But if it's not, and you don't feel so complicated, there are easy, Simple ways, um, that you can kind of avoid probate.

So I just kind of want to come back and kind of put a bow on all this. So what I'm hearing you guys say is, let's say I have my retirement accounts, my 401k and IRA, right? If I don't put a beneficiary on there, right? It's pretty easy to forget to do that, right? Um, then what's going to happen is when I pass away, Since there's no beneficiary designation, the court is going to have to go through state law to decide who gets that asset.

Whereas if I would have directly named a beneficiary, the court doesn't need to get involved because they're like, okay, I'm Jenny directed where she wants this asset to go. So we have no question where this asset needs to go and therefore it is not going to need to go through the probate process. So that's the importance of naming these beneficiaries on these accounts and as we've also discussed also when major life events happen, right, making sure those beneficiary designations are up to date.

Date. If we get a divorce and forget to change our old spouse, guess who's going to get that asset? Um, and same with life insurance. And so, um, I'm not sure if we're going to talk about this later on, but this is like, um, so those are accounts that do have, um, beneficiary designations, but there are some accounts, um, that don't have them.

And so, uh, how would someone go about directing where those assets should go to if there is no way to add a beneficiary? Like on my house, like, can I put a beneficiary in my house? So how would I avoid probate with assets like my house? Yeah, so Jenny, I see on the non probate assets, and this actually came through as a question from the audience, that oftentimes, so trusts, right, John called it out at the start of the webinar, there's often a mistaken understanding that Trusts mean estate, that they're the same thing, and they are not.

They're, they're different. A trust can be part of an estate, as we've, as we've discussed. Hopefully that's clear at this point. And you see there, a revocable trust is a way to put a wrapper around your assets, right, to, to get some privacy, avoid probate, and also ensure that those assets are distributed to your heirs, your beneficiaries, according to your wishes.

So, um, Shannon, I know The next slide we have here, you, you're very passionate about. It's, it's pretty fun. So I'll let you maybe, uh, walk through what we're looking at here. No, absolutely. So, um, the slide that you see is, is just a bunch of tools. So as, as planners and advisors, we have a whole lot of tools to help make recommendations for our clients to get their priorities met.

And you'll see that starts with less complex at the top. And as it goes down, it gets more complex. Now, if you Count up the amount of times you see trust on the screen. You'll see it six total times. What that means is trusts are incredibly versatile. Entities. Um, they are their own thing that can be dressed up different ways, depending on your needs.

Right? So I'm going to make a bit of an analogy to clothing here. So a trust, right? You're going outside. It's cold. You want to protect yourself. Same thing. Beneficiaries. You want to protect your beneficiaries. Well, you add a hat onto the trust. You can add different things. So when I say a hat onto the trust, well, maybe we want to make it irrevocable.

Or we want to put a spin thrift provision on it to say, I don't want anyone to spend more than they need to with this trust. When they inherit it, they really are incredibly versatile that allow you to make them fit your needs and priorities. So looking at the slide in front of us, if you're worried about.

Insurance proceeds going into your estate. Well, then an eyelet is what it's called. That's an irrevocable life insurance trust. There's other trusts to get assets out of your estate and maybe into your spouse's name. That's a definitely much more complex estate planning that has some, some implications for taxes and whatnot.

That's called a SLAT or a Spousal Lifetime Access Trust. Again, all of these are just different clothes that you put on trusts to hit different needs and priorities. Um, So trusts, you hear the word trust and it's so confusing, well it's so confusing because there's so many options with trusts and what you can do and they all are really geared towards your needs and your priorities.

Okay, so if I, if the account doesn't have a beneficiary designation on it, I can use a trust or I can use a trust. So trust is really there. It's a document that's going to list out instructions for how I want this asset to, um, be distributed, um, we're going to go in a sort of different direction. So I see irrevocable, There, I think it is important to point out what is the difference between like an irrevocable trust versus a revocable one.

John, I don't, do you want to take that one? Yeah, sure. So a revocable trust essentially means you can revoke what you're attempting to do with that trust, right? You can make changes to it while you are alive. Okay, so you can revoke designations, you can revoke, uh, beneficiaries, you can revoke trustees, right?

You have the ability to change that. And it goes back to, uh, control, which I think you mentioned earlier. If you have the ability or power to make those changes or control that trust, then that trust will be includable, right, in your gross estate. On the other hand An irrevocable trust means that you technically can't make many changes to that trust, right?

Your, your power is essentially revoked after you, you know, fund that trust. It's no longer your asset or assets. And in that case, you no longer have the power and you no longer have the control and the ownership. And that means that trust and those assets that are inside of that trust. May not be includable inside of your gross estate, right?

And it's very important to understand that that word irrevocable doesn't mean it's locked and stoned. There are ways In which, as Janet mentioned earlier, there's so many ways to dress these things up. Uh, and there is flexibility that can be built in these trusts, and it's critically important that you talk to your estate planning attorneys, because we are not the experts when it comes to drafting the trusts.

Um, and so, I think that the key point there is that if you don't have the control or the power, then the assets Are not includable in your gross estate, which really can be helpful, right? If your objective is tax management, right? And so you'll see more complexity, as Chana mentioned earlier, as you kind of move down this slide.

So, John, you did touch on a very good point, and I just want to check in and see if you wanted to add anything else. So, uh, you know, because we hear estate and we also think of taxes, which you just brought up. And so that irrevocable and that revocable does play into that, the taxability of our estate.

Was there anything else that you wanted to add on about the, the tax planning, um, from the slide? You know, maybe, uh, an example of that, uh, there is an, uh, many people own, uh, life insurance policies. Okay. And, and predominantly those policies are owned. Uh, earlier on in life when you're building your balance sheet, right, and you want to have some security if something happens to you, your income can be replaced or your family has another asset to be able to continue on with, you know, your goals and objectives.

And, uh, if that asset is owned individually, right, let's say for example, by me, I have a life insurance policy. I'm the owner of it. Now, my wife or my children may be the beneficiary, so they technically receive the death benefit, right? They're getting the proceeds, right? Because I have ownership of that contract, those assets are technically includable in my estate.

So, from a tax perspective, life insurance that's owned by an individual increases the value of their gross estate, which can lead to potentially estate tax based on the size of the estate. On the other hand, if the life insurance policy is owned by an irrevocable trust, such as an ILIT or Irrevocable Life Insurance Trust.

And technically, I no longer own that policy. The death proceeds can still be paid out to that trust, which my children can be the beneficiary of that islet. So the, the function of passing the wealth is meeting that objective, but it then removes that asset out of my gross estate, which then helps from a tax planning perspective.

Um, so, you know, the tax planning environment is ever changing and Jenny, maybe that's kind of where we're, we're leading to next is, um, you know, today, uh, we plan the best we can, but legislation changes, things change. They do. And yeah, you're gonna, you're giving us a little hint of what's coming up next, but before we do move on, because I think that is really important to understand that difference, you know, irrevocable and revocable and the taxes.

Um, and again, just. Keep tying it back to, like, we get our priorities, we meet with our financial advisor, we're getting these trusts set up, but Shannon, do you have, you know, some pitfalls or some stories to share? Like, yeah, I mean, is it possible to do all this work and still have it kind of fall flat or not do what it's supposed to?

So talking about trusts in general and revocable trusts versus irrevocable trusts. So a revocable trust is, as was wonderfully described, so I'm not going to describe it again. They're open and they can be funded or they can be unfunded. I'm going to mention a name that everyone is going to know, Michael Jackson.

Michael Jackson in his estate planning had a revocable living trust. However, he never funded it. So that is a huge pitfall is you can get all, all of these documents ready and prepared and done and say, okay, I've got everything buttoned up and ready. However, Michael Jackson never funded his trust.

Therefore, all of his assets didn't go And avoid probate, they went into probate and not into the trust. So there's a lot of pitfalls along the way for not fully funding the trust. So you set the trust up, well, make sure you put your assets in it, or, you know, there's little things, if you don't fund the trust, like a revocable trust, you can have it in your will.

I want to fund the trust in my will. So there's lots of little things that you can do to just ensure all those missing things are tied, tied up nicely. Right there. So that's, that's one of the pitfalls. And there's so many pitfalls. I have read so many stories of people not updating documents, of people not funding a trust.

Another one I think is Philip Seymour Hoffman, who had a very large estate and he had a trust and he, he didn't end up funding it at all. And then he ended up passing away and 35 million went to his girlfriend. And that was definitely taxable. So if he had funded trusts, he could have saved a ton of money for his heirs and his girlfriend along the way.

So there's so many, so many pitfalls along the way of, it's not only important to get them done, but finish them and take them to completion and let your advisor review it to make sure, did I do everything? Yeah, I think people might be surprised how often we actually see that happen and kind of going back Tiffany to maybe the first slide to all those people who say that they do have them done.

Well, we didn't stay on there, but did you go and what's called funding. So funding means that you go and you have to retitle those assets into the name of the grant. The trust. So those assets that don't have beneficiaries, that's what funding your trust means. But it would be, um, I think we're very surprised on how often that happens.

Like Shannon was saying, talk to clients. You're like, yeah, I did it. Look, I did it. And then it's like, well, did you use the trust as a beneficiary or anything? Did you re register on your, any of your accounts? And the client sort of looks like, what? There's another step. Um, Tiffany, did you have any other thoughts on this?

Slide before, um, we move on. Okay, so we will move on. Okay. So as we keep kind of saying throughout this presentation, so important. This is not a set it and forget it process review it as life changes. Um, and then there's also things that are out of our control. Um, maybe part of the. Tax Cuts and Jobs Act and it is set to sunset, um, at the end of 2025.

So Tiffany, if you kind of want to give us an overview of what that might mean and why it's important to review our estate planning documents at this time? Yeah, so this is is a great example and it's a big example that is you. Coming, whether we want to plan for it or not, it's legislative change, right?

Um, a big part of our jobs as financial advisors working with our clients is to make sure they're aware of any changes at the tax and policy level that may impact their estate plans and require a review or an update. John, I know this is something you've been discussing a lot with your clients ahead of the potential sunset.

Um, are you able to walk us through some key considerations here? Yeah, uh, thank you, Tiffany. I think the major thing to understand is that, you know, if Congress does nothing, um, which, Try not to be political here, but oftentimes, okay, I will a little bit. Um, they do nothing. And if they do nothing in this case, then the estate tax exemptions are going to drop considerably.

Okay. And so when you look at the screen here and you see that second bullet point, it says in 2026, the tax exemption will drop to 7 million per individual from the current state of 14 million. I'm sorry. That that's the couple. The 7, 000, 000 exemption means that, uh, if you are, uh, if your balance sheet, if your, if your gross estate is valued more than 7, 000, 000, then an assets on top of that, uh, Are going to be subject to estate tax.

And if the next bullet point down below there, you look at what the tax rates are. That's a 40 percent tax rate increasing to 45 percent of the assets that are above the exemption amount. And what's interesting is the brackets for trusts are highly compressed. I mean, it's as little as, you know, 35, 000 to 40, 000 are subject to a 45 percent tax rate.

And so it's just very important to understand that currently the exemption rates are about double of what they were prior to the Tax Cuts and Jobs Act. And that's getting ready to sunset. And so if folks have balance sheets above. The 7 million or 14 million if you're married, right? State planning considerations from a tax perspective Really should be a priority and we have to think about you know when you pass away because if you're married and it's upon the second surviving spouse's death and that could be You know 20 30 years or longer And if you just take a look at what the value of the balance sheet is today You And based upon the fact that typically investment assets grow at a rate greater than inflation, you may have a tax, a state tax issue that you're not really aware of.

And so the recommendation here is just You know, contact your estate planning attorney. Call your advisor to have the discussion around what does this mean for you? And is it appropriate to start having these discussions around planning for an estate tax issue? And John, you know, you, this is, this is all covering the national tax scheme, right, that we have.

We've been discussing how Estate planning is a very state specific topic, and that's not only, you know, at the document level. We mentioned the legal financial power of attorney, the health care directive and power of attorney. Those are state specific documents. Trusts also can be state specific and often are state specific documents.

When we're talking about the amount you can pass to your heirs at death, free of estate tax, John just did a fantastic job of covering the national exemption amounts. So you can pass, as he said, up to 7 million per individual currently. Uh, excuse me, almost 14 million per couple. Um, and at the state level, for example, I live in Minnesota, we have 3 million per person at the state level.

That you're able to pass to your heirs. So, we not only have to plan for the potential sunset and the ramifications of a national estate tax policy, but we also need to keep an even closer eye, frankly, to the state level considerations and that state level estate tax. Uh, there was a wonderful piece that was put out recently that just shows, Depending on the state you're in, you could have an estate tax, an inheritance tax, meaning your heirs are the ones who eventually pay the tax on those assets that they receive, or, or you could conform with the national tax policy.

So, so incredibly important to, again, Based on where you live and if that changes over time, right? A lot of our clients, uh, may choose to change residency when they retire or move to be closer to family and, and those they care about, grandkids. So important to keep the state specific considerations in mind, specifically when we're talking about the amount you can pass to heirs free of a state tax.

See, I just want to echo a little bit that John brought up. Fantastic point. If you know, if you create your balance sheet, right, you're working with Tiffany and she has you create a balance sheet and you see that maybe you're at 10 million with a couple, right? And you're like, Oh, I'm going to be fine.

Well, as John pointed out, those assets are going to grow. And so there's ways while you're still living to be able to help keep yourself under that limit without causing additional estate tax. There's annual gifting limits and they can actually end up being very generous. Uh, Shannon, I don't know, do you, off the top of your head, do you know what that individual gifting limit is?

I don't know. I think it's 17, 000 or 18, 000 this year. Yeah. Um, if I don't, the, the fun point about that, so Ginny, you're spot on. So gifting isn't just once. You can't gift once in the year. You as an individual can gift to one individual. Is it

17 or 18 this year? 18. 18, ha, okay good. 18, 000 to, so I could gift to my son 18, 000.

I could gift to my daughter in law 18, 000. So you can get 36, 000 to a couple and you can do that every year and that limit goes up, which is why I can't remember if it's 17 or 18 because last year it was 17, 000 and it goes up every year. That's a really great way to see um, your beneficiaries getting money now, enjoying it now.

And reducing your estate at the same time. It's something, um, that I've recommended to many, many clients along the way. So I'm really glad you brought that up, Jenny, because it's just something so easy that people can do to start reducing their estate and then see the joy of people again, if that fits their priorities and needs along the way.

Um, so were there any kind of last minute thoughts that you got? This is such a rich discussion. I mean, as I just think throughout the whole webinar, we've, we've pointed out, right? Priorities are important, uh, getting those documents, um, in place. And again, just continually to this is not, this is not a set it.

And forget a process, just like all of financial planning. Life changes, legislation is going to change, so it's always a great idea, um, to continue to check in with your advisor and estate attorneys to make sure that all of this, all of these documents, um, are still up to date. So we will go ahead, um, and go to our last slide.

It looks like we are going to be able to take, uh, have some time for some questions, but we just do want to quickly leave you with, um, some key takeaways. So again, Everything in financial planning, start with those priorities. What is important to you? What is the legacy that you want to leave? That is number one.

Number two, uh, create that balance sheet. Again, very easy step. Like, it helps you just kind of consolidate. You can see everything that you have in one place. And again, we'll Can't say it enough. Review those documents, updating them as life changes, because a lot of the pitfalls that Shannon mentioned today could have been avoided if they would have just checked in with an advisor.

Okay, so Here's a good question. I'm just going to jump this out because I think this does come up a lot. So what are your thoughts on online wills? Who wants, anyone can raise their hand and kind of take that question. If anyone has some, uh, quick thoughts or feelings about, um, getting your will done online and maybe not reviewed by a professional.

I'll take that first, I guess. Um, that's something I, I don't have a. Bad feeling about online wills for base estate planning needs early in life. I think as complexity increases, the need for an individual to review them absolutely becomes more vital. Um, I think again, with less complex estates, having those base documents is so much better than having no documents at all.

So if your choice is to pay an attorney for expensive documents or not get documents, then please, by all means, go online and get. Those five base documents. Um, for more complex estates, you need a little bit more. So it could maybe, oh, sorry, go ahead, Tiffany. Yeah, so again, most of us, hopefully, our lives are fairly simple.

Once we look at that balance sheet, we see we can add beneficiary designations and accomplish some of these things really fairly simply and at a low cost. That said, as with anything, it comes down to you get what you pay for. And so, Many of the low cost options, thankfully, do have attorney review built in.

So again, I think the main and the main important point is if you do go what we call the do it yourself route or that that lower cost route to make sure you do have a legal professional reviewing those documents because we are not legal professionals. We should have probably mentioned that at the front end if it wasn't clear.

We do not draft documents. We review and read a lot of documents as as Jenny rightfully called out a key part of our our role with the within clients lives is making sure that all of the assets flow through those documents correctly, are titled correctly, have beneficiaries. So important, uh, it, say it again, to review beneficiaries annually.

That was one thing Shannon, you and I discussed. How frequently should be, we be reviewing and updating these documents? John, you called out the birth of a child, a life event is a great chance, a great opportunity and, and frankly a necessary moment to, to look at that. But Shannon, how often should we be thinking about looking at these documents?

No, I, I, that's a great question. And in my practice, um, I've, I've gone back and forth with it. I, I typically review beneficiaries every year, um, just by looking at accounts when I'm looking at my client's documents, but I don't reread the documents thoroughly and go over them with my clients every year, but every other year, every three years, definitely anytime something's changed again, everything you've mentioned moving is absolutely an event.

You know, um, there's a lot of reasons to re review the documents, but if there's nothing that's changed. At least reread them and make sure that the people in the positions that are there are, are still good because a lot of people, younger individuals, will put their parents as executors. Well. Your parents age.

Do you still want your parent to be the executor of your estate? Or is your parent becoming a little more concerning? Are they having dementia issues or something? You definitely want to remove that. So I found so many little things, um, that kind of creep under the radar that you don't always think about.

And so I do I would recommend reviewing them at least every two to three years. And, and to that point, Shannon, one of the statistics we started out with, uh, to tie it all in is so important to review these frequently, but also to communicate and to when we name people in our documents in those key fiduciary roles, to actually let them know they are named in those roles.

And to. Inform them of your priorities and goals and wishes so that they can carry those instructions out effectively for you. And also really I think it's it's only fair to make sure that the folks who you name in the documents Have the time and the expertise and the desire to to fulfill those roles.

John I know you called out and in your own case life happened and and Some folks that you named, uh, you know, maybe those weren't the ideal folks going forward for those roles. Do you have any thoughts here being a young parent yourself and having to make some of those tough decisions? I know guardians can be especially challenging for folks.

Absolutely. Yeah, Tiffany, it's a great question and, you know, I think it's It's important to think through, you know, who are the people you're asking to, you know, carry this legacy forward. But it's also critical to think about a contingency plan to those individuals, right? Because they could be, have their best, your best interest in mind, you believe they have your best interest in mind, but what happens if they get sick?

What happens if they are at a stage of their life when their responsibility is now on their shoulders and they say, no, thank you, right? And they could easily make that decision to say, you know, I'm not going to do that. I'm not prepared to do that. I can't do that. So who is the contingent? Or successor trustee, right?

Who are the additional folks? What's the backup plan, right? If your designees aren't able to do the job. And I, that's one of the things that I see oftentimes is there's one designee, but there's not a backup. And I think that's an important thing to think through. And the same thing comes to, you know, your IRA accounts.

Is there a contingent beneficiary, right? If you do have that trust, is that the catch all after you've listed these contingent beneficiaries? So a couple questions are kind of falling in the theme. So we've used lots of words today that I think are so easy for people to sort of interchange, you know, beneficiaries, trust, probate, estate.

And I think this is why we started off like this is such a meaty subject. And so one of the questions and I think this is a good question because maybe it'll help kind of keep. Differentiating these terms, right? Because IRAs have a beneficiary. So are they really in the estate when you pass? So I think this is sort of highlighting an estate, a beneficiary, and probate.

And along those same lines, again, why is a retirement account with a beneficiary different from a brokerage taxable account with a beneficiary? I think that's important too, because that's a different, um, Um, and again, I thought, you know, if you had a taxable account with a beneficiary, um, would go through probate still.

So I think I want to highlight, you know, beneficiaries, estate, and probate. And it all comes down to, again, as simple as. What you own and what you owe. If you own it and control it, as, as John did a great job of highlighting, it's in your estate, your gross estate. And so that is always the starting point.

And then from there, based on what's inside that gross estate, what we own and control, how do we, um, those clothes in place, the trusts, how do we put beneficiaries in place? How do we title things to make sure that they either, you know, Avoid probate, minimize taxes. Again, all those priorities we talked about.

So at its highest level, we're talking about a lot of different types of accounts and terms, what you own and what you owe is your estate, right? What you can control. And so it all starts there again, with those key takeaways, we talked about really understanding your priorities, putting it all onto paper, right?

Getting a balance sheet together, a spreadsheet, working with your CAPTRUST advisor to pull it all together in our WealthView software. But starting today, and Jenny, I think that's maybe a great place for us to leave folks. Thank you all so very much for taking time today out of your schedule to share your wealth of knowledge.

And again, I think we would just encourage people to continue to reach out with questions to their CAPTRUST advisor. As Tiffany pointed out, we have lots of, uh, really amazing tools to be able to help, uh, walk clients through, CAPTRUST They're estate and legacy planning. So thank you all for attending. And there's our disclosure.

Does that say that we're not attorneys and cannot provide estate advice? So have a great rest of your day. Thank you. Thank you.