



# Estate Planning Basics

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## What is Estate Planning?

- **Accumulation**
- **Wealth Preservation**
- **Distribution of Assets in a way that is**
  - Tax Efficient
  - Cost Effective
  - In line with your goals
- **Planning for Incapacity**

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## Everyone has an estate plan

- Wills
- Trusts
- The law of the state of residency
- Asset Titling

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## What is Probate?

- Court process to clear title to assets
  - Is it the end of the world? It depends...
- How do I avoid probate?

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## Other Keys to Core Estate Plan

- Do I distribute assets outright, or in trust?
  - Protecting beneficiaries from others
  - Protecting beneficiaries from themselves
- Who should I name to make distributive decisions?
- Is my plan minimizing taxes?

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## The Problem: Estate and Gift Taxes

- The federal government taxes transfers of property during life (gift taxes) and upon death (estate taxes). The state of Minnesota taxes transfers of property upon death. The tax rates are as follows:

For 2021	US	MN
Gift Tax Rate	40%	N/A
Estate Tax Rate	40% (over \$11,700,000)	9-16% (over \$3,000,000)

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## Federal Exemptions

- The federal government allows each person to transfer some property without paying gift or estate taxes:

2021 Exemptions Per Person:	Amount:
Transfers to Spouses (Marital Deduction):	Unlimited
Annual Gifts of ≤ \$15,000 Per Recipient	Unlimited
Annual Gifts > \$15,000	\$11,700,000 (infl. adjusted)
Transfers Upon Death	\$11,700,000 (infl. adjusted) (minus lifetime taxable gifts)

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## Minnesota Exemptions


- Minnesota allows each person to transfer some property without paying gift or estate taxes:

2021 Exemptions Per Person:	Amount:
Transfers to Spouses (Marital Deduction):	Unlimited
Gifts	Unlimited (3yr lookback)
Transfers Upon Death	\$3,000,000 (increasing)

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## Do I pay tax on everything?

- What Asset Transfers Are Taxable?
- Assets held in your name when transferred by gift or as part of your estate are taxed, including, among other items:
  - Homes
  - Businesses
  - Retirement Accounts
  - Investment Accounts
  - Property Held in Joint Tenancy
  - Insurance Proceeds Paid
  - Cars, Boats and Other Vehicles
  - Personal Property Including Jewelry, Antiques, and Art
  - Assets Inherited or Received by Gift Outside of a Trust

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## Other Key Documents

- Health Care Directive
  - It is *your* wishes, not someone else's
- Power of Attorney
  - Careful who you name...
- Personal Property Memorandum
  - Avoiding (or causing) “the fight”
- Beneficiary Designations
  - The “matching game”

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## Action Items

- Complete or Update Your Will
- Complete Your Health Care Directive
- Name of Power of Attorney
- Coordinate With Your Financial Advisor

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