

Wealth
Enhancement
Group®

FROM TRUSTS TO TAXES

Cost Efficient Solutions for
Transferring Your Wealth

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Presenter



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- Accredited Estate Planner[®]
- CERTIFIED FINANCIAL PLANNER[™] Professional
- Five Star Wealth Manager (2017-2018)¹



¹ Award criteria based on 10 objective criteria associated with providing quality services to clients such as credentials experience and assets under management among other factors. Wealth managers do not pay a fee to be considered or placed on the final list of 2017 or 2018 FIVE STAR Wealth Managers.

1 Estate Plan vs. Estate Planning

2 Overview of Estate Taxes and Settlement Costs

3 How to Efficiently Transfer Your Wealth to Loved Ones

4 Actionable Next Steps

1

Estate Plan vs. Estate Planning

Who Needs an Estate Plan?



Cash &
Investments



Real
Property



Personal
Property



Business

Estate Plan vs. Estate Planning

The components of an estate plan are only effective when paired with proper planning.

Legal Documents

- Will
- Durable Power of Attorney
- Health Care Directive
- Trust(s)

Asset Titling & Beneficiaries

- Community Property
- JTWROS & JTIC
- Separate Property Accounts
- Trust(s), Beneficiary, TOD
- Per Stirpes or Per Capita

A Comprehensive Estate Plan



Limits unnecessary
taxes



Simplifies the transition
process for family members



Ensures your values &
goals are met

2

Overview of Estate Taxes and Settlement Costs

What is a Taxable Estate?



Gross Estate – Deductions = Net Estate

Net Estate – Exemptions = Taxable Estate

GOOD TO KNOW

- ✓ Estate tax is applied to the net value of an estate before distribution to heirs
- ✓ Federal & state laws differ on the size of estates that get taxed and by how much

Federal Estate Tax

- If your taxable estates exceeds the federal exclusion amount then the Federal Estate Tax will apply
- Payments are due within 9 months
 - Interest on late payments

Federal Estate Tax	2019
Individual exemption*	\$11,400,000
Married couple exemption	\$22,800,000
Tax Rate for amount exceeding exclusion	40%

Source: Internal Revenue Service

*Adjusts for inflation

Tax Cuts & Jobs Act 2017 & American Taxpayer Relief Act 2012

- Legislation, includes annual increasing credit for inflation
- Created Deceased Spouse Unused Exclusion (DSUE) to allow the carryover of the unused exemption from the deceased spouse to the surviving spouse
- Tax Cut and Jobs Act reunified the gift and estate tax rates

Tax Cuts & Jobs Act 2017 & American Taxpayer Relief Act 2012

Year	Unified Credit "Equivalent"	Top Federal Rate	Election Year
2003	\$ 1.00 million	49%	
2004	\$ 1.50 million	48%	
2005	\$ 1.50 million	47%	
2006	\$ 2.00 million	46%	
2007	\$ 2.00 million	45%	
2008	\$ 2.00 million	45%	✓
2009	\$ 3.50 million	45%	
2010	Repeal	0%	✓
2011	\$ 5.00 million	35%	
2012	\$ 5.00 million	35%	✓
2013	\$ 5.25 million	40%	
2014	\$ 5.34 million	40%	✓
2015	\$ 5.43 million	40%	
2016	\$ 5.45 million	40%	✓
2017	\$ 5.49 million	40%	
2018	\$11.18 million	40%	
2019 to 2025	\$11.40 million	40%	
2026	\$ 5.60 million	40%	

Estate Tax Settlement

- 1) Medical, funeral and/or burial expenses
- 2) Attorneys, executors, appraisers and court costs
 - Estate settlement costs reduce total amount of taxable estate
- 3) Uncle Sam gets paid
 - Before distribution to heirs
 - Interest charged after 9 mos.
 - Late fees charged after 18 mos.
- 4) State estate taxes paid, if applicable

Source: Internal Revenue Service



Sources to Cover Estate Settlement Costs



Cash from
Estate



Borrow



IRS Installment
Payments



Prepay with
Life Insurance

3 How to Efficiently Transfer Your Wealth to Loved Ones

Gift Cash or Stocks



- Reduce your taxable estate by moving assets outside of the estate during lifetime
- Can gift to as many individuals as desired, up to annual exclusion amount of \$15,000 in 2019
- Any gifts over the annual gift tax exclusion amount may be subject to tax if your total lifetime gifts exceed the estate tax exclusion of \$11.4M in 2019 (up to 40%)

Source: Internal Revenue Service

Cash vs. Stock Gifts



Gifting Cash

- Simpler transaction
- Could eliminate recipient's future capital gains tax

VS.



Gifting Stocks

- For gift giver: No capital gains tax (max of 23.8% versus Estate Tax at 40%)
- For recipient: Cost basis is original purchase price (may be subject to gains tax at future sale date)

Other Tax-Efficient Gifting Strategies

Using an LLC

- Allows you to reduce estate taxes, distribute assets during lifetime with potentially reduced gift tax consequences
- Maintain control of assets during lifetime
- Assets protected from creditors, lawsuits, etc.

Using an FLP

- Works similarly to LLC by reducing estate, protecting assets
- Allows you to control distribution and asset management
- Heirs or trusts can be granted larger portions without liability
- Discounts reduce cost of transfers

Establish a Trust

TRUST

Legal entity that can own property and assets

- Can act like a human; buy, sell, negotiate, manage, disperse
- Distribution after death
- **Not** a replacement for a will

Revocable Trust

- Control assets during lifetime
- Assets titled in trust avoid probate process

VS.

Irrevocable Trust

- No control over assets in trust
- Reduce taxable estate

Advanced Estate Planning Strategies

Vehicle	Advantages
Irrevocable Life Insurance Trust (ILIT)	<ul style="list-style-type: none"> • Reduces taxable estate by removing policy proceeds from estate • Provides liquidity for estate settlement costs
Grantor Retained Annuity Trust (GRAT)	<ul style="list-style-type: none"> • Ability to transfer wealth tax-free or nearly tax-free • Best for trust assets that are likely to appreciate significantly
Charitable Remainder Unitrust (CRUT)	<ul style="list-style-type: none"> • Creates income stream for trustees • Ability to give to charities and leave a legacy of giving • Possibility for substantial income, gift and estate tax savings
Generation-Skipping Transfer Trust (GST)	<ul style="list-style-type: none"> • Options to give to both children and grandchildren • Hefty tax savings when gifting directly to grandchildren • Creates the ability to take care of loved ones for lifetime
Intentionally Defective Grantor Trusts (IDGIT)	<ul style="list-style-type: none"> • Used in conjunction with other entity strategies • Converts growth assets to diminishing assets • Increases annual exclusion through tax-free income payments

Source: Internal Revenue Service



Let Your Goals Guide Your Estate Planning Strategy

- Want to provide for loved ones?

Consider:

- Gifting
- ILIT
- GRAT
- GST
- IDGIT

- Want a legacy of charitable giving?

Consider:

- CRUT or Testamentary Charitable Lead Trust
- Private Foundation

- Business Planning?

Consider:

- GRAT
- IDGIT

EXAMPLE
of Comprehensive
Estate Planning



John & Judy

FACTS

- Own a ranch, cost basis of \$400/acre
- Once had gas production on property
- Ranch has been transferred to an FLP, gifted to an Irrevocable Trust to provide income & assets to children tax-free

ISSUES

- Property no longer providing income

STRATEGIES

- Used “replacement of assets” provision & dissolved FLP to receive step-up in basis
- Fair market value now \$5,000/acre

4 Next Steps

Enhanced Estate Planning



Distribution Planning

- Technical review, summary, and recommendations
- Visualization & projections of estate flow



Creditor Protection

- Utilization of qualified accounts (401k, IRA, etc.)
- Evaluation of insurance coverage, efficiency, and protections
- Entity analysis (FLP, LLC, etc.)



Estate Tax Minimization

- Estate freeze & reduction strategies (gifting, trusts, charitable, etc.)
- Federal exemption optimization (12/31/2025 sunset planning)

The size and success of multi-generational wealth is rooted in a holistic, intelligent, and practical estate plan

Actionable Steps

Review:

- Current estate documents (including your Will)
- Current ownership of assets
- Real estate inventory
- Existing beneficiary designations
- Employer-provided benefits & insurance

Develop & Implement a Plan:

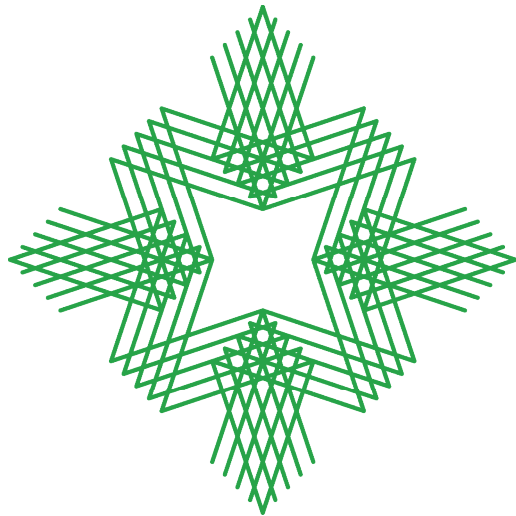
- Create Trusts
- Restructure ownership of assets
- Change beneficiary designations
- Consider purchasing life insurance
- Consider advanced planning strategy/strategies to transfer wealth

**Creating an estate plan
that's right for you.**



Consult with
your attorney
and financial
advisor to create
your estate plan.

Q&A



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