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Pre-Think Your Estate Plan

*Your Guide to Saving Your Family
and Beneficiaries from Unnecessary
Grief and Taxes*

Inside:

- 10 questions you should answer before seeing an estate planning attorney
- Taxpayer-friendly provisions you can use to significantly reduce your taxable estate
- Why your choice of trustee could be one of the most important decisions you make

Your Guide to Saving Your Family and Beneficiaries from Unnecessary Grief and Taxes

By David J. Scranton, CLU, ChFC, CFP®, CFA, MSFS

Putting off things we don't like to think about is common for many of us. As a financial advisor, I often find myself meeting with couples who are part of The Income Generation, born in or before 1966, for the purpose of financial planning for life's end.

This subject is understandably put off by families longer than it should be. I never enjoy bringing up the topic, but in most cases, I find that it is something both people had wanted to talk about even though it never came up in their day-to-day conversations.

At a minimum, I feel helpful having opened the door to this important conversation. In three decades of giving financial advice, I have only experienced pleasant outcomes with these conversations.

Most couples are actually relieved to begin handling this important task. For many, working together on this brings them even closer as partners in life's journey. As an advisor, I help clients think through the important financial issues before they get started. But, an attorney is required to create and execute the estate planning documents.

In order to make the most of their time with their attorney, I usually help clients with the prep work before they sit down with a trust and estate legal expert. The following are the primary questions I ask them to think through before seeing an attorney.

What Do You Own?

The recent Tax Cut and Jobs Act made a change to how much of an inheritance can be excluded from estate tax. Prior to this year, Federal Tax was excluded from inheritance under \$5.45 million. Under the Tax Cut and Jobs Act, Pub. L. No. 115-97, the basic exclusion amount for 2018 increased to \$10 million.¹

So, it's important to conduct an inventory and to list the current value of all your property. If the total value is below the \$10 million Federal Tax Exclusion figure, Federal Estate Tax will not be owed.

You may, however, be subject to State Inheritance Tax. There are states with exemptions below \$1 million after which State Inheritance Tax is collected. Check to find out what the inheritance exclusion is in your state.

If your estate is valued above the exclusion amount, your beneficiaries will only owe tax on what they individually receive beyond that amount. There are a number of strategies that allow for reducing the tax consequences, including charitable gifting and trusts.

Within the trust category, there are a number of trusts that an estate attorney can create to meet different needs, goals, and situations. Your attorney can determine the most appropriate trust to meet your objectives.

Do You Have Any Special Situations You Need to Address?

Do you own a family business? Are you planning to leave a one-of-a-kind collector's item, but you have two or more beneficiaries? Do you have children from different marriages? These are all out-of-the-ordinary issues you need to address ahead of time.

If you do have a family business, are there factors involving equalizing the inheritance between children who are actively involved in the business and those who are not? This would also deserve special attention.

If you or your spouse have children with different partners, you'll need to address inheritance issues. If you're fortunate enough to have a rare car, art masterpiece, or other item valued at a large percent of your estate and you would like to maintain an equitable distribution, make sure you bring this up for discussion.

Will Your Assets Need to Be Invested?

If your assets need to be invested, you'll need to decide whether it's more important for your assets to be invested for income, for the survivor, or for growth. Sort through these issues ahead of time so you'll be better prepared to discuss these issues with an estate planning professional.

What Assets Cannot Be Dictated by a Will?

Oftentimes, a couple will own large assets under the ownership type "joint with the right of survivorship." This typically includes items such as the family home, bank accounts, brokerage accounts, etc. Joint tenancy assets will pass directly to the surviving owner.

Similarly, life insurance policies and qualified retirement plans pass directly to the designated beneficiaries. While probate has been simplified and its costs reduced in many states, assets that pass outside probate are not subject to delay.

I also like to review beneficiaries every time I meet with my clients. After all, children get mar-

ried and divorced, and there are many other situations that suggest beneficiary designations should be reviewed and updated regularly.

How Would You Want to Manage a Disability Situation?

In the unfortunate event that you become incapacitated, how would you want your affairs managed? A living trust and/or a durable power of attorney could legally establish your wishes and make sure they are followed. You can be the trustee of a living trust with a named backup trustee to take over if and when it is necessary.

An executed, durable power of attorney (durable to remain in effect if incapacitated) can be structured to come into effect only when two or more physicians attest to incapacity. Without having either of these documents in place, the family would have to go through the often-difficult task of seeking guardianship.

Who Will Be Your Will's Executor?

The executor of your will has a number of serious responsibilities. They include identifying and valuing assets, managing those assets wisely, and managing tax filings and the disposition of the estate.

Your executor should be someone who has the necessary time to give the handling of your estate the time it deserves. They must also have solid people skills, common sense, and, of course, financial know-how.

Although accountants and other professionals are likely to be involved in carrying out the wishes of your will, the ultimate responsibility for settling all estate issues lies with the executor.

Are Any of Your Heirs Minor Children?

Who would you trust to be the guardians of your minor children? Will this guardian be financially capable and have the desire to raise your child or children in your absence? You may even consider naming two guardians so that one cares for your child or children and the other oversees the financial issues related to their upbringing.

Who Will You Name as a Trustee?

The responsibilities of a trustee can last for an extended period of time, perhaps even beyond their lifetime. This is why I tell clients, "if you select unwisely, they may choose advisors who are careless about tax issues, make poor investment decisions, or may not be responsive to the beneficiaries of the trust.

I've seen trustees create conflict among family and other beneficiaries. I've been saddened as people have come to my office after large investment losses and unnecessary tax situations.

Trustees should have no conflicts of interest and should be trusted to act in the best interest of your beneficiaries. You may also consider an institution, such as a trust company, to serve as a co-trustee.

Does Gifting Make Sense for You?

Up to \$15,000 per person per year in 2018 (\$30,000 for a married couple) may be given free of gift tax to an unlimited number of individuals.² Many well-to-do people use this taxpayer-friendly provision to make annual gifts to children and grandchildren. When the gifts consist of appreciating property, this can significantly reduce your taxable estate.

Charitable gifts, both during life and in the form of bequests, can also reduce your taxable estate. In addition to gifts of outright cash, clients may want to consider such special charitable vehicles as charitable gift annuities and charitable remainder trusts. Both combine a charitable gift with a lifetime stream of income.

When Should I Get Started?

When it comes to estate planning issues, the sooner you get started, the sooner you'll have the peace of mind from knowing that your estate plans are in order in the event that the unthinkable should occur.

Talk to a knowledgeable financial planner to get started. They're likely to know the professionals you'll need to draw up any legal documents, and, just as importantly, they can save you money by reducing the number of high-priced professionals that you may need to go through on your own.

A knowledgeable attorney is likely to be consulted to formalize all your wishes.

Preparing an estate plan will put all these issues to rest and ensure financial stability for a surviving spouse, preserve assets for children and grandchildren, minimize taxes and other expenses, and ensure that all of your wishes are carried out.

If you don't have a relationship with a financial advisor who specializes in dealing with The Income Generation, those born in 1966 or before, feel free to contact us at 888-492-0505 to get started.

The Sound Income Strategies team includes portfolio managers who hold the highly esteemed

Chartered Financial Analyst designation. They're armed with cutting-edge analytical tools, access to markets, and research capabilities.

We're staffed with fixed-income and portfolio specialists who have succeeded at top-tier firms. Our confidence comes from knowing that what we're doing is right for The Income Generation and others we serve.

About Sound Income Strategies

Our firm specializes in developing workable retirement strategies for The Income Generation, those born in 1966 or earlier. Our founder, David J. Scranton, has gained a level of notoriety during his 30 years in the industry as an advisor who is particularly protective of his clients' assets. For the past 20 years, he has specialized in the universe of income-generating savings and investment strategies.

Until the disruptive and volatile markets that accelerated in 2014, our proprietary way of trading fixed-income securities had been largely kept secret. Prior to 2014, fixed-income markets had provided ample returns for those with assets in this sector. But, as Janet Yellen started to announce the Fed's intent to raise rates, it made it clear that this period of "easy pickings" for fixed-income investors was coming to an end.

Investors without the proper background would need to look to active managers who specialize in income investments to unearth the best opportunities. It was at this time that David J. Scranton decided the time was right to share our methods with those in The Income Generation.

Sound Income Strategies is made up of experienced investment-management specialists who actively manage their clients' accounts with the goal of maximizing income and growth opportunities. Although Sound Income Strategies works with a wide range of clients nationwide, we specialize in helping those who are in or near retirement.

Sound Income Strategies maintains a core belief that clients have the right to conservative, yet innovative, financial advice along with counsel and recommendations that are appropriate for their particular income needs, tax situation, estate goals, and level of risk tolerance.

David Scranton believes education is so important that he hosts the TV show *The Income Generation* on Newsmax TV which airs every Sunday at 10:00 AM. The show is broadcast to more than 50 million households every week.

[The Income Generation](#) isn't just another show about retirement planning or the financial markets. It's *the only* show that tackles the challenges and concerns unique to hardworking Americans within 15 years of retirement who need to know how best to protect their money and generate income in today's economic climate.

With guests that include some of today's most respected economists and analysts, David J. Scranton cuts through the media hype, debunks popular myths, and exposes the financial planning secrets Wall Street doesn't want you to know.

Visit soundincomestrategies.com to find a local income specialist registered with Sound Income Strategies who can help to make sure your estate plans are in place and save you, your family, and your beneficiaries from unnecessary grief and taxes.

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Other Commissioned Reports You Might Be Interested in:

- The Income Generation Report: Income-Generating Strategies to Help You Avoid the Perils of the Stock Market
- The Case for Fixed Income: Renewable Income Streams to Keep You a Step Ahead of Inflation
- Investment Allocations for RMDs: Satisfy IRS Distribution Requirements Without Cannibalizing Your Original Principal
- Are Your Allocations Right for Social Security?

1. <https://www.congress.gov/bill/115th-congress/house-bill/1/text>
2. <https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>

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