

Provide and Protect



LIFE CYCLES

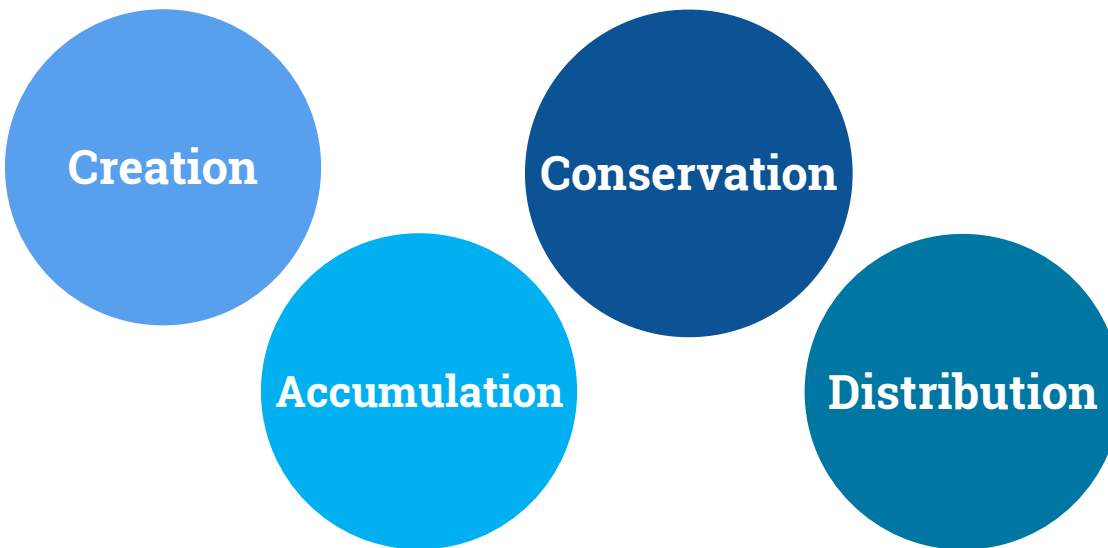
Each of us goes through 4 different cycles during our lifetime. The first is symbolized by a light bulb and that is creation of ideas and the means to acquire property. This creation period typically includes our time in formal education, during which we are acquiring skills which will serve us well during the later stages of life.

Second, there is a period of accumulation where we spend the majority of our life applying all those skills and energies building the estate. If we are fortunate and skillful in that building process, there will be a significant estate as we approach our retirement age.

Third, there is a time of conservation. During our retirement years, we are less likely to focus on the building or increasing of the estate, but perhaps have more concern with conserving the estate and preserving it for those retirement years.

Finally, the time will come for distribution. When Mr. Rockefeller's accountant was asked how much he left, the accountant replied, "Well, he left it all." At some point there must be a distribution of this property to the beneficiaries that have been carefully selected by the owner.

Life Cycles



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LIFE CYCLES

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Planning Process



- List Family
- Write Property
- How Property Owned
- Decide Estate Plan
- Sign Will and Medical Documents

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PLANNING PROCESS

The Planning Process

During our time together today we will walk through several different steps.

First we will show you how to list your family and the key information that is an important part of a good plan.

Second, you will need to write down a list of the various types of property such as your home, savings accounts, retirement funds and other assets.

Third, it's important to understand how the property is owned. There have been a number of cases of accidental disinheritance because a person didn't realize that property ownership controlled how it was passed on to family. Instead of going to the intended person, property sometimes has gone to someone that was never intended to receive it.

Fourth, you will have several specific options with your plan. We'll explain those and be pleased to answer questions.

Fifth, if you decide to go forward with a will or trust and your medical documents, you will have a chance to have those prepared and then signed. After they are prepared and signed, you will rest easier each night.

Family Information

- Legal Name
- Birth Date
- Address
- Phone
- Email Address
- Estate Documents
- Religion



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Family Information

Our first section starts with your basic family background. Please turn to page 3 of your handout. It's important that your documents show your full legal name, not your nicknames. There are too many Joe, Sporty, Pete or other nicknames that could be confusing. Your estate documents should be certain to show your correct name. Next, you will enter your birth date, address, phone, email, current estate documents and your religion. All of this goes into the family information section. If you have a spouse, children or other heirs, you will have the ability to enter similar information for each person.

Estate Goals

Gift of Peace to Family

- Income for Family
- Principal for Family
- Reduce Probate Costs
- Reduce Estate Taxes
- Healthcare if Disabled
- Charitable Legacy



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Estate Goals

There are a number of very good things that can happen with a plan.

First, a thoughtful plan can provide the gift of peace for a family. Unfortunately, too often the lack of a plan has resulted in family conflict. If you have a good plan and have provided appropriately for your family members, you can leave one of the best gifts and that's the bequest of peace.

Second, you can consider whether or not children or other heirs should receive income or principal and what the best time is for them to receive those transfers.

Third, a good plan can reduce probate costs and estate taxes, especially in the large estate. If you are disabled, your plan should provide for your healthcare. You may be perfectly healthy today, but there could be a time when you will need healthcare planning or assistance from another person. Finally, your estate is a great place to leave a charitable legacy. If you have been supporting charities during life, this gives you a very powerful and meaningful way to continue that support through your estate.

In December of 2009 a mother with a large estate was in her last weeks. She knew that the estate tax would be repealed for 2010 on January 1. Each day in December she awoke and asked, "What day is it? Is it still December?" When

she heard that it was now January 1, she passed away later that day. The mind can certainly affect the body. This was her last gift to her family. Currently, the estate tax is effective on estates over \$11.4 million. The best gift you can give to your family now is that of a carefully planned estate. This will alleviate family tension and create harmony after the parents have passed away.

Executor



- Some States – Personal Representative
- List and Protect Assets
- Open Probate Process
- Manage Estate
- Pay Debts and Taxes
- File Estate Tax Return (706)
- Distribute Estate

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Executor

The next section is your contacts and healthcare. It starts on page 6 of your handout. Let's start with the executor.

Have you served as an executor? Was it an easy or a hard job? Most executors consider this a fairly difficult task.

Your executor is in charge of managing your estate – an important role. Your executor may be called a personal representative in some states, but the responsibilities are the same.

Your executor will gather all of your assets, determine the type of asset and approximate value. An executor may be required to obtain appraisals of some assets as part of the estate process. In some cases an executor may need to sell real estate and other assets to provide estate liquidity.

He or she will file your will with the probate court and pay debts and taxes. For a larger estate, it will be necessary to file an IRS Form 706 Estate Tax Return.

After all the debts and taxes have been paid, with probate court approval your executor will distribute all the assets and close the estate.

Guardian for **Minors**



- Physical Custody
- Usually Spouse
- Share Your Values
- Choose Schools
- Manage Healthcare
- May Select Different Trustee
for Property

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Guardian for Minors

If you have minor children, the selection of a guardian is very important. One individual at a similar seminar said, “I don’t know who will take our children.” There was a very good reason why she said that. She continued, “You see, there are 11 of them.”

This is one of the most important decisions that you would make. If you or perhaps you and your spouse were to pass away in an accident, someone that you trust would need to raise your children.

That person should share your values and understand your preferences in terms of schools and education and will manage the healthcare of your child.

Because you may also be setting up a trust, you can have the same person as guardian or trustee. But if the trust has significant property, you may want to choose a different person for guardian and for trustee.

Healthcare Power of Attorney

- Trusted Person
- If You are Incapacitated
- Major Medical Decisions
- Medication
- Operations



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Healthcare Power of Attorney

At some point in the future, you may be sick and will need someone to tell the doctors what appropriate care and medical steps should be taken. If you're incapacitated, your "healthcare proxy" will have the ability to make major medical decisions. These could include the type of medication that you receive and operations for specific medical conditions. You will want a very trusted person to serve in that role.

Let's consider an actual story. A mother was in her final weeks and living in a care facility. She was on various types of medication. Does a care facility tend to medicate toward the higher side or the lower side? Yes, as you might know, many care facilities do not want a person to suffer and medicate toward the higher side. This also makes patients more compliant.

But many family members were visiting and she told her daughter, "We want to share family events and experiences, but I just cannot think to remember." The daughter went to the doctors and administration and they agreed that a lower level of medication would be fine. During her last weeks, this mother was able to visit and speak with family about the important events of her lifetime. Having a chosen advocate can dramatically impact your quality of life in that situation. This trusted person holds your healthcare power of attorney.

Healthcare Living Will

- Your Last Weeks/Days
- Nutrition/Hydration
- Medication
- Resuscitation
- Heroic Measures
- Some States – Advance Directive



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Healthcare Living Will

If you are in your last weeks or even last days, you may no longer be able to advise your doctor on the appropriate level of care. With all of the advances and modern medicine, it's possible to keep people alive with heroic methods for extended periods of time before they pass away.

Your doctor will be making decisions on nutrition and hydration, on your level of medication and whether or not you should be resuscitated if you should go into a coma or seizure. Should the medical staff undertake “heroic” measures to prolong your life? A living will gives specific directions to medical staff if you are in this situation. In some states the living will is combined with a durable power of attorney for healthcare and is called an advance directive.

Your Finances

- Real Estate
- Checking Accounts
- Savings Accounts
- Investment Accounts
- Personal Property
- Life Insurance
- Retirement Accounts
- Debts and Liabilities



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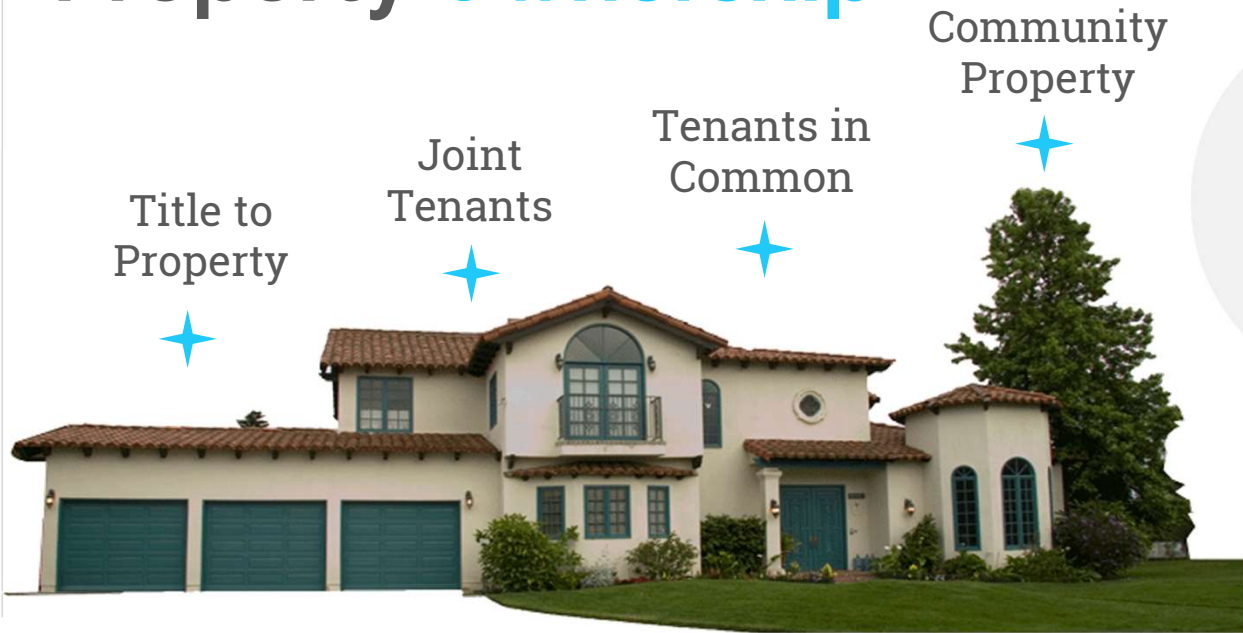
Your Finances

After entering in your family information and selecting your healthcare advisors, the next section is your finances. You may note that in the finances section you have opportunity to enter in your various properties. You can either enter in a summary of each category, or you can include a fairly detailed listing.

Finances typically include your home, other real estate, saving and checking accounts, investment accounts, personal property, and life insurance and retirement accounts.

While we hope that everyone eventually is debt-free, some of you still may have some debts or liabilities. All of these are entered into the finance section.

Property Ownership



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Property Ownership

Property ownership is very important. When you are entering in the financial information, you will need to understand how the property is owned. If you are a single person or a married person with separate property, then you enter the value under that category. But if you are married, or have property held with a brother, sister or other relative, you need to understand the different types of joint ownership.

There are three general types of joint ownership. Joint tenancy with right of survivorship means that the property passes to the surviving person. If there are two joint tenants and one passes away, the property passes to the survivor. This is true even though the person who passed away may have tried to give the property to someone else in his or her will. There have been a number of will contests that occurred for precisely for that reason. The person who was accidentally disinherited is frequently very upset and brings a lawsuit to try to make the other person share the property.

There is particularly higher ownership risk with a blended family. A father and mother who were both in second marriages owned a large ranch. When father

passed away, mother thought that she had inherited the ranch. Before probate of his estate was completed, mother signed a new will giving the ranch to her daughters of her first marriage and then passed away. The sons from father's first marriage claimed the ranch under his will and the daughters from mother's first marriage claimed the ranch under her will. They all spent the next decade in a bitter court fight over the ranch. It is not likely that these sons and daughters will ever join together for a holiday family dinner.

Another type of ownership is called tenancy in common. If two people own property as tenants in common, then the first person who passes away may transfer his or her half of the property by will.

Finally, in a few states, there is community property. Half of all property acquired during the marriage belongs to husband and half to wife.

Transfers of Property

Testate (With a Will)

Things Owned in
Your Name



Appoints Guardian for
Minor Children



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TRANSFERS OF PROPERTY - TESTATE (WITH A WILL)

All of the property that is in your name and has not already been transferred by trust, contract, insurance, pension beneficiary designation or joint tenancy is then subject to probate through the will. It must be emphasized that virtually all of the above property is in the federal estate for tax purposes, even though only a small portion may go through the will. Your taxable estate includes nearly all assets, while your probate estate includes the property that passes through your will.

A will typically directs that all of your just debts be paid, that any applicable taxes be paid and that your property then be distributed. There are two types of distributions. First there are often transfers of a certain properties or assets to heirs. The remainder is called your residuary and may be given in percentage shares to your loved ones.

If you decide to leave a bequest to charity, most people give a percentage of the residuary. If your estate increases or decreases in value, all beneficiaries share equally in that increase or decrease.

If you are a parent with minor children, a very important provision in the will is the appointment of a guardian for those children. Another option for these parents is the ability to establish a trust for the minor children. Usually, this trust lasts until the youngest child reaches a certain age. All of the trust is available in the discretion of the trustee for any child that has a need up until that time.

Estate Distribution

Only Three
Places

Loved Ones

Charity

Government

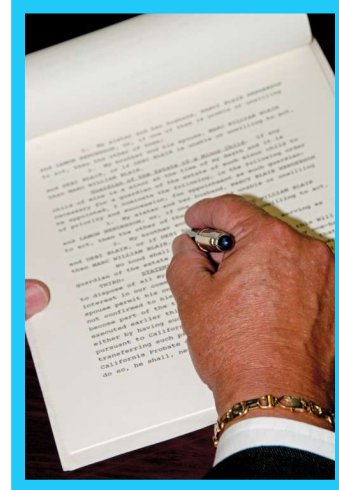
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ESTATE DISTRIBUTION

In considering where you want your estate to be distributed, please remember that the estate can be distributed outright to family, to charity or to the government. Of course, it is always permissible to make voluntary contributions to the government during life or at death, and these do qualify for the charitable deduction. However, for many people with larger estates, in future years the government may turn out to be their favorite charity. If they do not plan properly, the government may take as much as half of their entire estate, and the balance may then be distributed to the people that they select. However, with good planning, one can frequently maximize the distributions to family and to charity and minimize the amount taken by the government.

Valid Will Requirements

- Legal Age or Status Requirement
- Capacity – “Lucid Interval”
- Intent – Transfer Property
- Freedom from Fraud, Undue Influence, Duress, Coercion
- Proper Execution – Signatures, Witnesses



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VALID WILL

When you sign a will it is most important that you follow a few basic requirements to make sure it is a valid will. Every year there are many wills that are submitted to probate courts across the land and are discarded as invalid because of some technical problem with the document or the manner in which the document was signed.

While there may be some differences in the various states, there are basic requirements for a will. First of all, the person needs to be of legal age, usually age 18, to have a will. Second, they must have full capacity to make a will. This means that they must understand that this document is a will and understand the general nature of the property and the provisions in the will that will distribute the property. You certainly don't have to be a tax attorney or a lawyer, but you need to at least have "a lucid interval" that shows that you had the capacity to understand the basics of the document.

Third, you must have the required intent. The will is intended to take effect at death and will transfer your property. You must know that it is a will that you are signing and not a baseball card autograph or some other document.

Fourth, there must be freedom from fraud, undue influence, mistake, duress or coercion. These characteristics are designed to protect the person signing the will and emphasize that the will must be his or her personal intent, not the intent of any other party, especially a beneficiary of the will.

Finally, there must be a proper signing ceremony. In most states, the proper method is for the testator to sign the will in the presence of the witnesses and then for the required witnesses to sign in the presence of the testator. Usually, only one copy of the will is actually signed and this copy is then retained in a safe place. However, unsigned copies of the will are typically retained by the attorney and, sometimes, other advisors to the testator.

Estate Options

Married or Single

- Simple Will
- Will With Trust for Minors
- Give it Twice Plan



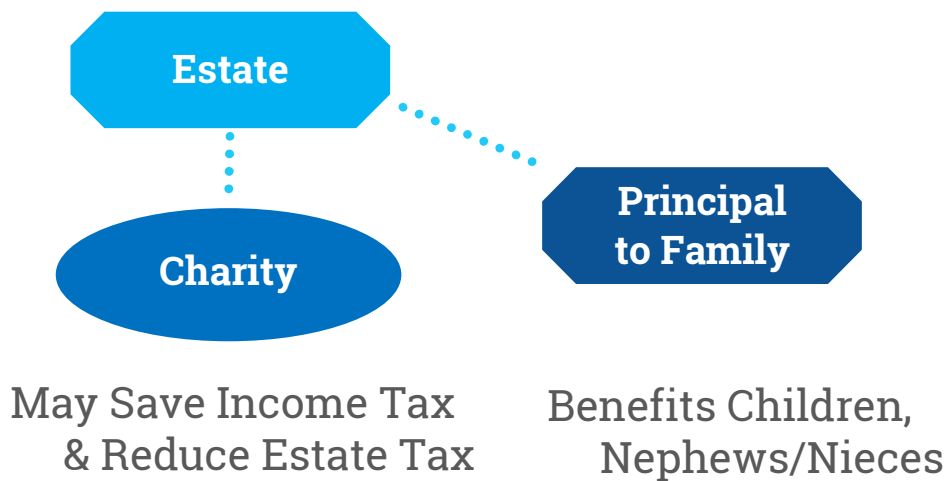
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Estate Options

For a married person, the usual plan is to transfer assets to the surviving spouse, with the exception of very large estates. For those people, there may be a trust created when the first person passes away.

However, for most families the general plan is to transfer property to your surviving spouse. A surviving spouse or a single person then has a number of options. Three of the fairly popular options are a simple will, a will with trust for minor children or a “give it twice” plan.

Simple Will



Simple Will

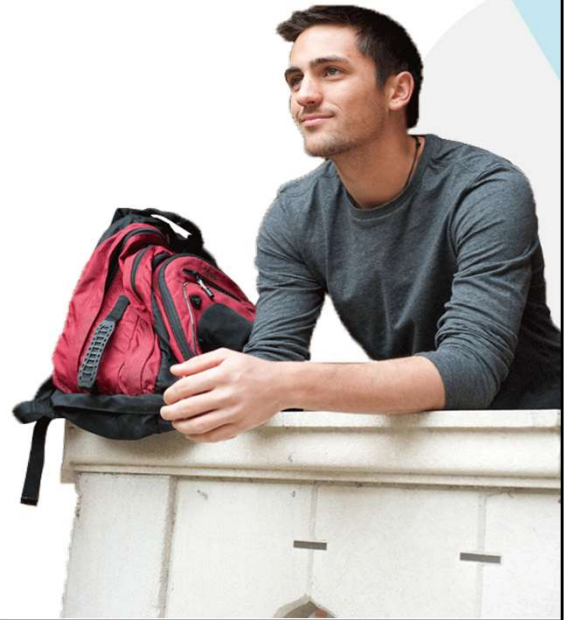
In this flow chart of a simple will, a person has a moderate estate. He or she left a bequest to charity with the remainder to family.

The bequest to charity bypasses both income and estate tax. An IRA, 401k or other qualified plan is a great asset for transfer to charity is because it bypasses income taxes and estate tax. If you give a traditional IRA or other retirement plan to children, distributions will be taxable income to them. For moderate size estates that will not pay federal estate tax, the children prefer to receive the home, stocks, bonds and cash because there is no income tax.

Right Inheritance

To Help a Child or Relative to be a Better Person

- Stretch Over Time
- Principal
- Income for Team of Years
- Deferred Principal
- Target Number for Inheritance



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Right Inheritance

A basic goal of inheritance is to help a child or other relative to become a “better person.” There are three principles that seem to help in this process.

First, stretch out the inheritance over time. Particularly if it is a large inheritance, distributing slowly over a longer time generally produces a better result. Most parents acquired property over 20 to 40 years. The lessons learned in the early years were essential for successful management of assets as they grew. Children also benefit from a longer time to learn to manage property. They will always make some mistakes in the early years, but may then be much better managers with larger amounts in later years.

Second, you may wish to combine some principal, income for a period of years and then deferred principal. Once again, by diversifying the inheritance and spreading it out over several years, you can usually achieve a better result. Your heirs have a longer time to learn to manage the property.

Third, you may wish to select a target number for the inheritance. You could

select a certain amount of inheritance or a level of income. Many parents hope to provide children with the financial benefit of an additional income stream.

For example, some parents with larger estates may give an inheritance of \$500,000 in a 5% trust. This trust will pay \$25,000 to a child or other relative each year. If the trust grows, the income can increase. A larger trust will produce a higher income stream. As parent, you can decide the level of added income that increases the economic security of your child, grandchild or other relative. Most parents want children to have some employment, acquire some savings or retirement plan and rely on the inheritance for “added economic security.” A 5% trust may pay the amount to your child that you believe is the right number for added income to provide extra financial security.

Bequest

Fixed Amount

Specific Property

Percent of Residuary

Contingent Bequest

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BEQUEST

How can you leave an inheritance to family or charity? Well, bequests to family members and to charities can be made in several different ways. You should give some careful thought to these different methods because a good plan will frequently involve a combination of bequests.

First, you can bequeath a fixed amount. For example, you could give a fixed dollar amount to an individual. Second, you can bequeath specific property. There may be some assets that have importance to you or sentimental value and you want to select personally the individual to receive that property. A bequest of specific property entitles that person to receive that exact asset.

After the fixed amounts or specific bequests, the balance of the estate is returned to the residuary. Ordinarily, the residuary is divided on a percentage basis and you will then make distribution to the persons or organizations according to that percentage. One bit of advice - there have been a few attorneys who gave away more or less than 100%. Understandably, this caused quite a commotion. I suggest in your document that you give away exactly 100% of the residuary, no more and no less.

Finally, you might consider a contingent bequest. If some family members or perhaps all family members pass away, then it may be appropriate to remember a charity with a contingent bequest. This takes effect only if the other people are not living when you pass away.

Will With Trust for Minors

- Careful Selection of Trustee
- Income Until Youngest is Age __
- Principal if Needed
- Divide Trust After Youngest Child is Age __
- Possible Share for Charity



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Will with Trust for Minors

If you have minor children and were to pass away, a common plan is to create a trust that lasts until your youngest child reaches your selected age. The trustee is frequently given the ability to select the child to receive the income, and to invade the principal if needed. When your youngest child reaches the selected age, then the trust is divided among your then-living children. You might also consider a potential share for a charity at that time.

Parents sometimes ask me, “What is the right age for dividing up the trust for the children?” I respond, “Plan to give them their inheritance as soon as they reach the age of financial responsibility. What is that age? I will leave that question for you to decide.”

Bequest to Charity



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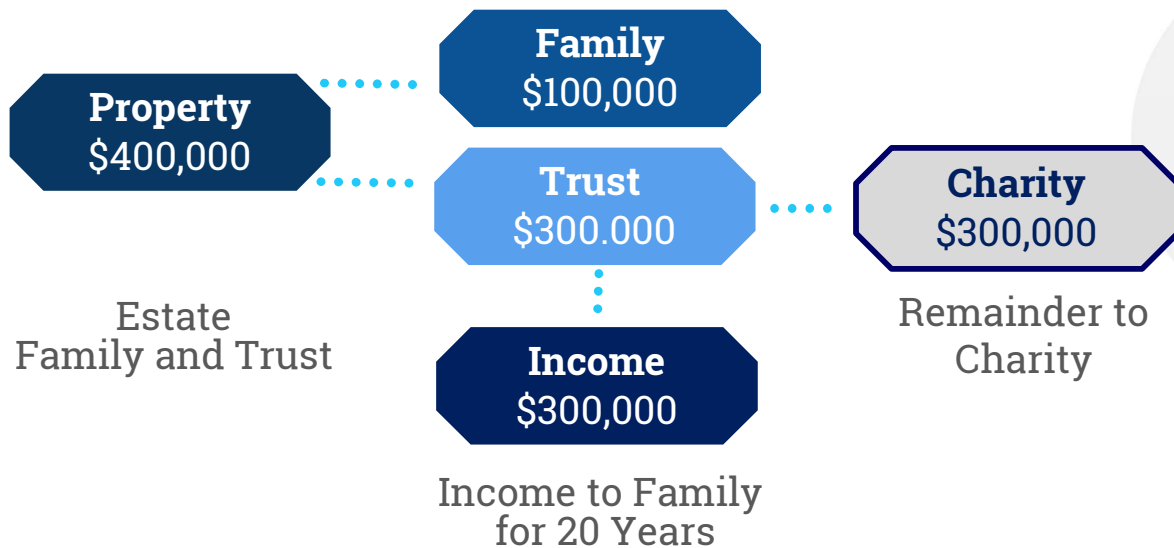
BEQUEST TO CHARITY

Why make a bequest to charity? There are several excellent benefits. First, you can preserve lifetime flexibility. A will may be changed at any time. You could decrease or increase bequests or change to other charities or other family members with that particular property. A donor can change his or her mind at any time.

Many donors want to preserve assets and liquidity during life. If you do not need all of your property for your care in senior years, your estate may be able to transfer a good bequest to charity. You benefit from protection during life and then can help your favorite charity through your estate.

When the bequest is transferred to charity, your estate receives a charitable estate tax deduction. In addition to saving significant taxes, this bequest is then able to achieve your charitable legacy.

“Give-it-Twice” Trust



Give it Twice Trust

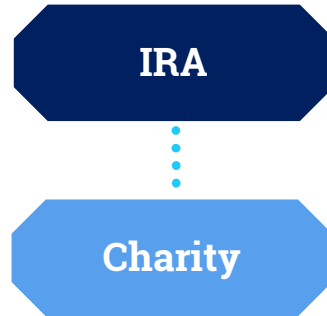
A give it twice trust is quite popular for a person who wants to benefit both children and charity. Betty Lee is a surviving spouse and is age 70. She has three children. When Betty passed away with an estate of \$400,000, she transferred \$100,000 to her children. This was divided in three parts for her three children.

The other \$300,000 was transferred to the trust. It pays income to the children until \$300,000 has been paid out to them. If the trust were to pay approximately 5% each year, this trust would last for 20 years. By the end of that period of time, children would have received their inheritance. The trust then is given to charity. This is the basis for the name, the “Give it Twice” trust.

Betty was pleased with this plan. One of her children was not a very good financial manager, so Betty did not want to leave him the full amount outright. With this plan she was able to treat everyone equally. Her three children divided the first \$100,000 and then received income from the trust for 20 years. The plan protected her son, gave principal and income to all three and remembered her favorite charity after the 20 years.

Bequest of IRA

- Bypass Income Tax
- Bypass Estate Tax
- Part or all of IRA
- Beneficiary Designation



BEQUEST OF IRA

Many of you may have a traditional IRA or individual retirement account. Some of you started an IRA yourself and have made contributions over the years - others perhaps retired from a company and rolled over your pension plan into an IRA.

A traditional IRA has excellent benefits. You can accumulate property and it grows tax-free in the IRA, at least until age 59½ when the first withdrawals are permitted. If you desire, you can continue to accumulate until age 70½ before you must take the mandatory minimum distribution. After age 70½, you can take the distributions over your lifetime or, for husband and wife, your two lifetimes. Because many people do not take the full distributions of their IRA during their life time, there may be a substantial balance in the IRA when you pass away.

One thing to remember about this traditional IRA is that you may end up leaving it to family members and they could pay both an income tax and an estate tax on that IRA. Since the IRA has value, if your estate is over the exemption equivalent, there will be an estate tax on the IRA. In addition, since this represents untaxed ordinary income, the family when they receive it could also be required to pay income taxes with a small partial offset for the previous estate taxes already paid. The net result of this combined taxation, which also may include extra state taxes, could be over 60% tax.

Given this massive potential taxation of your traditional IRA, many persons have decided to leave other assets to family members that have much more favorable tax treatment and to leave a bequest of the IRA to charity. Whatever is not needed during your life could then go to charity. The major advantage of this is that it bypasses the income tax and the estate tax. Charities are not subject to either income or estate tax.

You can choose to do this with part or all of your IRA. You simply use the beneficiary designation form created by your custodian of the IRA and designate part or all of this to a qualified charity.

Personal Property List

- Jewelry, Silver, China
- Collections
- Family Items
- Item, Description, Recipient City, State



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Personal Property List

In many states, it is possible to have a signed and dated list that will control distribution of your personal property. This list might include your jewelry, silver, china, furniture, collections or other items that have special meaning to your family.

Your list should specify each item, a brief description and the name, city and state of the person to receive that item. The advantage of the personal property list is that you can change it as your personal property changes. As you purchase or sell items of jewelry, silver, china, furniture or collections, you may update your list.

In one family a daughter regularly visited her mother and they had tea together. When mother passed away, she used her list to give the teacup set to her daughter. It did not have great monetary value, but was very important to her daughter because it reminded her of the warm and friendly times they shared together.

Summary

- Title to Property is Important
- Will or Living Trust?
- Estate Planning Reduces Taxes
- Charitable Gifts Leave a Legacy
- Your **Best** Chance to Provide and Protect



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SUMMARY

In looking at your planning process, there are several basic items to make sure that you have thought through. First, your property must be titled correctly. The way that it is transferred to other people depends on how the title is recorded.

Second, many younger families find that a will is satisfactory. However, more mature individuals with more substantial estates will usually find that the cost of a revocable trust is justified.

Estate planning can reduce taxes, sometimes by hundreds of thousands of dollars. You will want to be sure that you have taken advantage of all of the potential benefits created by our government under the tax laws.

Many of our friends find that they are able to reduce taxes and conserve assets and sometimes save tens of thousands of dollars through charitable trusts. These are an excellent way of producing benefit for you now and significantly reducing your estate taxes.

Why do people pass away without good planning? Why do they pay tens of thousands of dollars to attorneys, CPAs, executors and other parties? Why do they lose unnecessarily hundreds of thousands of dollars in estate taxes everyday? Procrastination. They did not plan to die today and so have not yet decided to put their affairs in order. Please don't delay. Your family is too important for you to defer on these decisions. You will feel much better and more secure when you put your house in order.

Thanks for your interest in how to Provide For and Protect your family!