



THE SOCIETY FOR FINANCIAL AWARENESS
DC Metropolitan Chapter www.dcsdfa.org

ESTATE PLANNING

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ESTATE PLANNING

METHODS OF PLANNING YOUR ESTATE

- HAVING A WILL
- DOING NOTHING
- JOINT OWNERSHIP
- GIFTING
- BENEFICIARY DESIGNATIONS
- REVOCABLE LIVING TRUST

Wills & Trusts

What to Do?



ESTATE PLANNING DOCUMENTS

- **LAST WILL**
- **HEALTH CARE PROXY**
- **LIVING WILL**
- **ADVANCE DIRECTIVE**
- **DURABLE POWER OF ATTORNEY**

How Do You Feel about PROBATE

LEGAL PROCESS

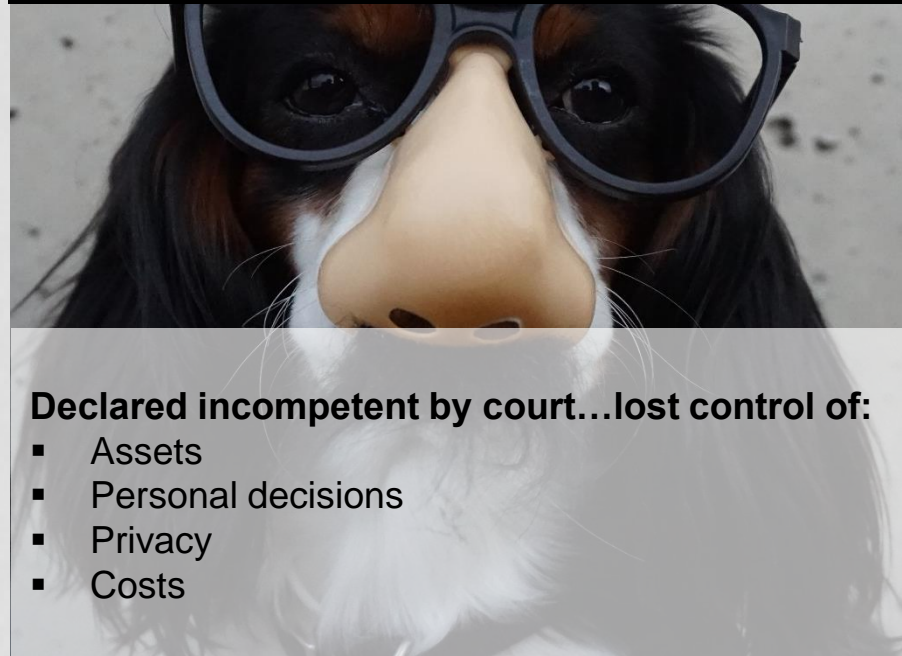
- Will validated
- Debts Paid
- Assets distributed according to will

Only Legal Way to Change Title

WILLS & MINOR CHILDREN

- Court
 - Appoints guardian
 - Controls finances
- Child inherits all at legal age

Case study: Groucho Marx...



Declared incompetent by court...lost control of:

- Assets
- Personal decisions
- Privacy
- Costs

WHAT IS PROBATE AND HOW TO AVOID IT

LOTS OF LITTLE WILLS

- **Property Passing Outside a Will**
- **Community Property**
- **T.O.D.**
- **P.O.D.**
- **Beneficiary**
- **Life Insurance**
- **Joint Ownership**

STEP UP IN BASIS



TYPES OF TRUSTS

Marital

Spendthrift

Totten

Special Needs

Life Insurance

Testamentary vs Living

Grantor

Charitable Remainder

Pet

QPRT

QTIP

Revocable vs Irrevocable

LIVING TRUST SUMMARY

- AVOID PROBATE AT DEATH
- PREVENT COURT CONTROL OF ASSETS AT INCAPACITY
- PROVIDE MAXIMUM PRIVACY
- ALLOW QUICK DISTRIBUTION OF ASSETS TO BENEFICIARIES
- KEEP ASSETS IN TRUST
- PREVENT UNINTENTIONAL DISINHERITING
- REDUCE OR ELIMINATE ESTATE TAXES IF MARRIED



DIVORCE PROTECTION FOR YOUR CHILDREN

AFTER DEATH

Control who receives assets

Minimize legal fees and taxes

AT INCAPACITY

Control assets

Medical decisions

Case Study: MARILYN MONROE

Marilyn Monroe left the bulk of her estate to her acting coach, Lee Strasberg.

He and his wife, Paula, also one of her acting coaches, were like surrogate parents to Monroe.

When Strasberg died in 1982, his second wife, Anna, inherited the Monroe estate

TWO DOCUMENTS EVERY 18 YEAR OLD SHOULD SIGN

1. Health Care Agent or Health Care Power of Attorney

- Authorizes someone to make medical decisions on your behalf
- Automatically gives that agent legal access to your medical records. (Some states have surrogate decision-making laws that give specific family members the right to make certain medical decisions for others.)
- In the same document, or a separate one called the living will, you can express your preferences about end-of-life care
- Up-to-date versions of these forms for each state can be downloaded for free from caringinfo.org.

2. Power of Attorney

- May be effective from the moment your child signs it or you can specify that it be activated by a specific event—for instance, if he or she becomes incompetent
- The problem with this approach, known as a springing power, is that someone must decide when an individual has reached that state. Traditionally, this has required a medical opinion

TRUSTED CONTACT AUTHORIZATION

Trusted Contact Authorization

Effective as of the date below in Section 5,

_____ (the “Client”)

authorizes (FIRM NAME) to disclose information about the Client and their Account[s] to the individual named herein (the “Authorized Individual”).

1. Authorization Level

Client grants Advisor authority to contact the Authorized Individual via, phone, email, fax or in person to address the following:

- concerns that the Client may be victim of financial exploitation
- a temporary hold on a disbursement of Client funds or securities
- current contact information
- whereabouts and/or physical and mental health status
- identity of legal guardians, beneficiaries, trustees, executor, power or attorney or other person who may be acting on your behalf
- circumstances regarding potential financial harm
- other limited circumstances when permitted by law

The Advisor may be required to share, personal, financial, account and other related information, including, but not limited to account positions, transaction history, and other personal Client information. The Client may set limitations, if any, as described below.

GIFTING MADE SIMPLE

SPREADING GIFTS THROUGHOUT YOUR LIFETIME IS A GREAT STRATEGY TO HELP REDUCE ESTATE TAXES. JUST BE SURE TO LEAVE YOURSELF ENOUGH TO LIVE ON.

Gifts up to \$18,000* per recipient per year and making direct payments to medical and educational providers on behalf of loved ones are good options for minimizing taxes.

The general rule is that any gift is a taxable gift. However, there are many exceptions to this rule. Generally, the following gifts are not taxable gifts.

How the gift tax works:

- Make a \$18,000*/year gifts per person per donor.
- Make unlimited medical cost gifts
- Make unlimited education gifts
- Gifts to your spouse.
- Gifts to a political organization for its use.

**the annual gift tax exclusion is increasing in 2024 due to inflation – it was \$17,000 in 2023*

Source: [Gift Tax FAQ's from to the IRS](#)

THREE “BUCKETS” OF MONEY



TAXABLE

Cash, Savings, CD's, Stock,
Bonds,
Investment Real Estate, etc.



TAX-DEFERRED

TSP, 401(k)s, IRAs,
403(b)s,
Qualified Money, etc.



TAX-FREE

Roth IRA,
Municipal Bonds,
Life Insurance *

PROS AND CONS BENEFITS OF ROTH CONVERSION

1. Tax-free distributions (assuming you follow the 5-year rules).
2. If you are over 59 ½, immediate access to funds tax-free with no penalties (Principal only, earnings must wait 5 years)
3. No required minimum distributions — freedom of choice
4. Tax-free inheritance to beneficiaries (spouse can do a rollover)
5. Immunized against future tax law changes

Target Retirement Income

Show/Hide Target Retirement

Gross Income - Sue	\$107,000
Gross Income - Bill	\$0
	\$0
Total Gross Income	\$107,000
Less	
TSP/401(k)	\$24,500
IRA	\$6,500
Social Security	\$6,634
IRA	\$6,500
Mortgage	\$0
College	\$0
Credit Cards	\$0
Debts	\$0
Tax Equivalent	\$0
Non/Qualified IRA	\$0
Roth	\$0
Total Payments	\$44,134
Target Retirement Income	<u>\$62,866</u>

PRESENT

Total Income		\$107,000	
Additional Information			
Sue 61-62;			
Bill 61-62			
Retirement Income Projections			
Sue	COLA 0%	Pension	\$0
	WD 0%	Social Security	\$0
	0%	Tax Deferred	\$0
	0%	Roth	\$0
	0%	401k & IRA	\$0
		TOTAL	\$0
Bill	COLA 0%	Pension	\$0
	WD 0%	Social Security	\$0
	0%	Tax Deferred	\$0
	0%	Roth	\$0
	0%	IRA	\$0
		TOTAL	\$0
W/D Rate from Cash Assets			\$0
			\$0
Total Income at year # 1 =			\$0
0.0%	Target Retirement Income		\$62,866

Employee	Match	Add.	Regular Savings	CD's	College Savings	Rate	Future Value
			Savings 100,000			1%	101,000
						1%	0
						1%	0
			Tax Deferred	Roth	401k & IRA		
		6,500			IRA 550,000	4%	0
						4%	68,640
				roth 66,000	TSP 310,000	4%	926,640
		24,500					
			Tax Deferred	Roth	IRA		
		6,500			IRA 300,000	4%	0
						4%	22,880
				roth 22,000		4%	318,760
		0					
		0					
		37,500					1,437,920
						25,000	0
						5%	26.250

SUE RETIRE

Total Income		\$107,000			0	0	0	0				
Additional Information				Employee	Match	Add.	Regular Savings	CD's	College Savings	Rate	Future Value	
Sue 62-70							Savings 101,000			1%	109,369	
Bill 62-70										1%	0	
Retirement Income Projections										1%	0	
Sue	COLA	0%	Pension	\$18,836	Sue	Tax Deferred	Roth	401k & IRA				
	WD	0%	Social Security	\$0					IRA	578,760	4%	0
		0%	Tax Deferred	\$0							4%	93,939
		0%	Roth	\$0			roth	68,640			4%	966,258
		3%	401k & IRA	\$31,506					TSP	347,880		
			TOTAL	\$50,342								
Bill	COLA	0%	Pension	\$0	Bill	Tax Deferred	Roth	IRA				
	WD	0%	Social Security	\$0							4%	0
		0%	Tax Deferred	\$0							4%	31,313
		0%	Roth	\$0			roth	22,880			4%	314,061
		4%	IRA	\$12,750					IRA	318,760		
			TOTAL	\$12,750								
0% W/D Rate from Cash Assets				\$0								
				\$0								
Total Income at year # 8 =				\$63,092								
0.0% Target Retirement Income				\$62,866						26,250	5%	0
											5%	39,703
										Savings Type Assets Total		1,514,938

Last Step: Projected Retirement Income \$160,000. What tax bracket does it fall into?

Tax brackets 2023

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,000.	\$0 to \$22,000.	\$0 to \$11,000.	\$0 to \$15,700.
12%	\$11,001 to \$44,725.	\$22,001 to \$89,450.	\$11,001 to \$44,725.	\$15,701 to \$59,850.
22%	\$44,726 to \$95,375.	\$89,451 to \$190,750.	\$44,726 to \$95,375.	\$59,851 to \$95,350.
24%	\$95,376 to \$182,100.	\$190,751 to \$364,200.	\$95,376 to \$182,100.	\$95,351 to \$182,100.
32%	\$182,101 to \$231,250.	\$364,201 to \$462,500.	\$182,101 to \$231,250.	\$182,101 to \$231,250.
35%	\$231,251 to \$578,125.	\$462,501 to \$693,750.	\$231,251 to \$346,875.	\$231,251 to \$578,100.
37%	\$578,126 or more.	\$693,751 or more.	\$346,876 or more.	\$578,101 or more.

Last Step: Projected Retirement Income \$160,000. What tax bracket does it fall into?

Tax brackets 2023

Tax Rate	Single	Married filing jointly	Married filing separately	Head of household
10%	\$0 to \$11,000.	\$0 to \$22,000.	\$0 to \$11,000.	\$0 to \$15,700.
12%	\$11,001 to \$44,725.	\$22,001 to \$89,450.	\$11,001 to \$44,725.	\$15,701 to \$59,850.
22%	\$44,726 to \$95,375.	\$89,451 to \$190,750.	\$44,726 to \$95,375.	\$59,851 to \$95,350.
24%	\$95,376 to \$182,100.	\$190,751 to \$364,200.	\$95,376 to \$182,100.	\$95,351 to \$182,100.
32%	\$182,101 to \$231,250.	\$364,201 to \$462,500.	\$182,101 to \$231,250.	\$182,101 to \$231,250.
35%	\$231,251 to \$578,125.	\$462,501 to \$693,750.	\$231,251 to \$346,875.	\$231,251 to \$578,100.
37%	\$578,126 or more.	\$693,751 or more.	\$346,876 or more.	\$578,101 or more.

SUE RETIRE

Total Income		\$107,000	0	0	0	0
Additional Information			Employee	Match	Add.	
Sue 62-70			Regular Savings	CD's	College Savings	Rate Future Value
Bill 62-70			Savings 101,000			1% 109,369
Retirement Income Projections						1% 0
Sue	COLA 0%	Pension	\$18,836			1% 0
	WD 0%	Social Security	\$0	Tax Deferred	Roth	401k & IRA
	0% 0%	Tax Deferred	\$0			IRA 578,760
	0% 0%	Roth	\$0			4% 0
	3% 0%	401k & IRA	\$31,506	roth 68,640		4% 93,939
		TOTAL	\$50,342			4% 966,258
Bill	COLA 0%	Pension	\$0	Tax Deferred	Roth	IRA
	WD 0%	Social Security	\$0			
	0% 0%	Tax Deferred	\$0			4% 0
	0% 0%	Roth	\$0	roth 22,880		4% 31,313
	4% 0%	IRA	\$12,750			4% 314,061
		TOTAL	\$12,750			
0% W/D Rate from Cash Assets		\$0	0	0	0	Savings Type Assets Total 1,514,938
		\$0				
Total Income at year # 8 =		\$63,092				26,250 5% 0
0.0% Target Retirement Income		\$62,866				5% 39,702


WEALTH TRANSFER: PRE-TAX RETIREMENT ACCOUNTS

Ret. Age	To Age	Pre-Tax Accounts	Level B.o.Y.	Rate of Return	Total of	Federal+State
		Initial Balance	Withdrawals	(Avg. Annual)	All Fees	Income Tax %
72	100	\$1,000,000	\$0	5.00%	0.00%	24%
Age	Year	Balance	Gross Withdrawal	Balance Net of Fees	All-Inclusive Tax Liability	Net of Fed+State Income Taxes
		B.o.Y.	B.o.Y. <input checked="" type="checkbox"/> RMD	E.o.Y.	E.o.Y.	
72	1	\$1,000,000	\$39,063	\$1,008,984	\$0	\$766,828
73	2	1,008,984	40,850	1,016,542	243,970	772,572
74	3	1,016,542	42,712	1,022,521	245,405	777,116
75	4	1,022,521	44,652	1,026,763	246,423	780,340
76	5	1,026,763	46,671	1,029,097	246,983	782,113
77	6	1,029,097	48,542	1,029,582	247,100	782,482
78	7	1,029,582	50,718	1,027,807	246,674	781,133
79	8	1,027,807	52,708	1,023,854	245,725	778,129
80	9	1,023,854	54,752	1,017,557	244,214	773,344
81	10	1,017,557	56,847	1,008,746	242,099	766,647
82	11	1,008,746	58,991	997,243	239,338	757,905
83	12	997,243	61,181	982,865	235,888	746,978
84	13	982,865	63,411	965,428	231,703	733,725
85	14	965,428	65,232	945,206	226,849	718,356
86	15	945,206	67,036	922,078	221,299	700,780
87	16	922,078	68,812	895,930	215,023	680,907
88	17	895,930	70,546	866,653	207,997	658,657
89	18	866,653	72,221	834,154	200,197	633,957
90	19	834,154	73,171	799,032	191,768	607,264
91	20	799,032	73,984	761,300	182,712	578,588
92	21	761,300	74,637	720,996	173,039	547,957
93	22	720,996	75,104	678,186	162,765	515,422
94	23	678,186	74,526	633,843	152,122	481,721
95	24	633,843	73,703	588,148	141,155	446,992
96	25	588,148	72,611	541,314	129,915	411,398
97	26	541,314	71,225	493,593	118,462	375,130
98	27	493,593	69,520	445,276	106,866	338,410
99	28	445,276	66,459	397,758	95,462	302,296

TAX SHELTER

- ✓ **Surplus or Gap**
- ✓ **Lower/Highs Brackets**
- ✓ **RMD's Social Security = Reinvestment?**
 - Roth IRA/Shadow Provision
- ✓ **Where can you Re-Invest Money in Retirement with Tax Free Growth?**

INHERITING RETIREMENT ACCOUNTS

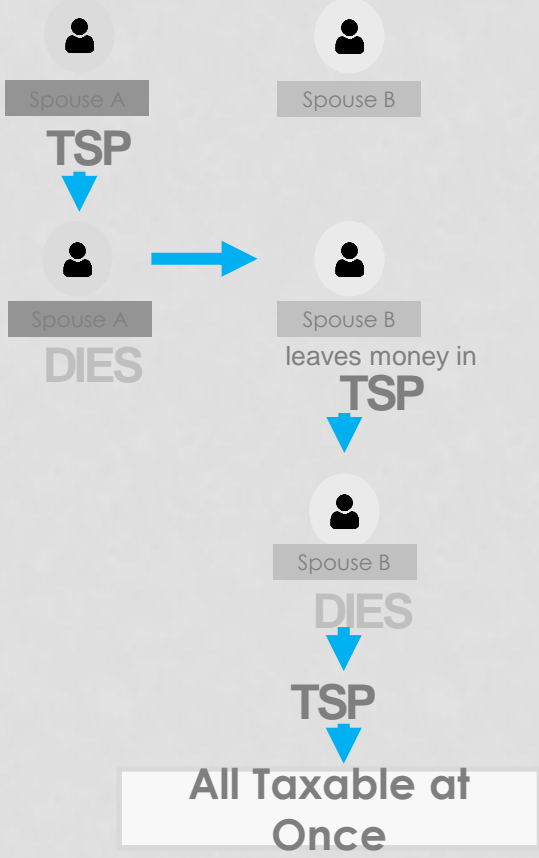
- 
- WILL MY BENEFICIARIES OWE TAXES
 - ARE ALL RETIREMENT ACCOUNTS TREATED THE SAME
 - WHO SHOULD I DESIGNATE AS BENEFICIARY
 - SHOULD I USE A TRUST?

STRETCH IRA IS BACK

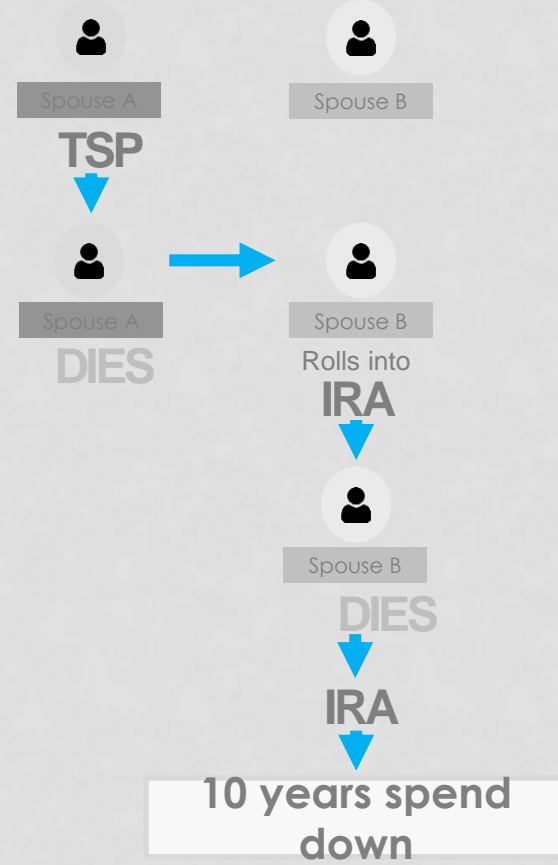


SECURE ACT 2.0

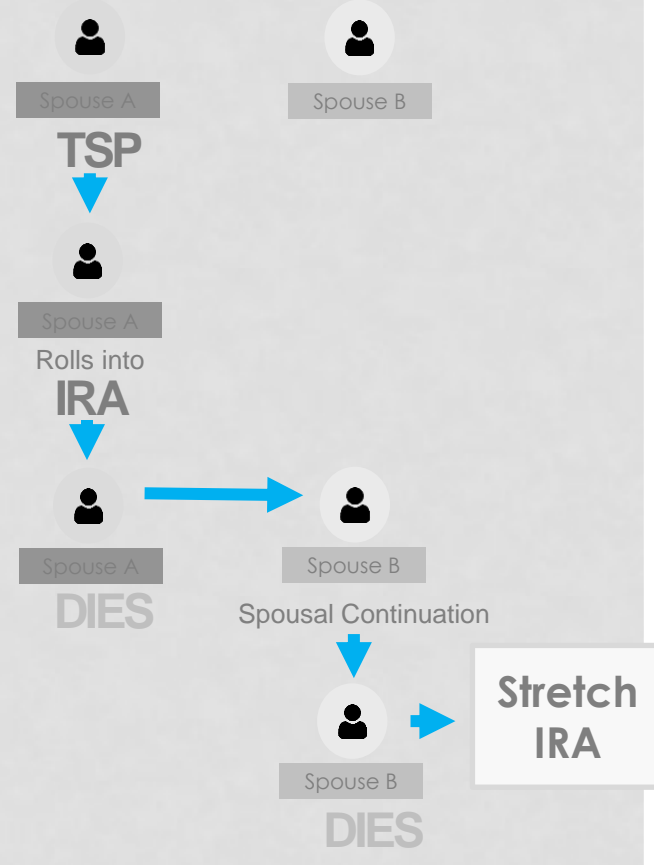
Scenario 1



Scenario 2



Scenario 3



VERSATILE CALCULATOR

Beginning Balance \$945,000		Gross Level ROR 5.00		Fee % of AUM 0.00		High Random Gross ROR 50.00		Low Random Gross ROR (40.00)		Inflation % 0.00		Lock Random RORs
Annual Additions or Withdrawals (\$116,554)		# of Years 10		Avg. Inv. Tax Rate % 26.00		Level RORs		Manually- Typed or Pasted RORs		LOC Rate of Return: Not Included		Recalculate Random Var. RORs (or use F9)
		Ord. Inc. Tax Rate% 0.00 <small>Federal + State</small>		Taxable % of Gain 100.00 <small>Basis & Turnover</small>		Random Fixed RORs		RandomVar. RORs				Reset
Year	Beginning Balance	Gross ROR	Gain or Loss	0.00% Fees	0.00% Taxes	Total Tax & Fees + LOC	Net Gain or Loss	Gross Addition or Withdrawal	Ending Balance Before Deferred Tax	Effective ROR Before Deferred Tax	Deferred Tax	
1	828,446	5.00	41,422	0	0	0	41,422	116,554	869,868	5.00	0	
2	753,314	5.00	37,666	0	0	0	37,666	116,554	790,980	5.00	0	
3	674,426	5.00	33,721	0	0	0	33,721	116,554	708,147	5.00	0	
4	591,593	5.00	29,580	0	0	0	29,580	116,554	621,173	5.00	0	
5	504,619	5.00	25,231	0	0	0	25,231	116,554	529,850	5.00	0	
6	413,296	5.00	20,665	0	0	0	20,665	116,554	433,961	5.00	0	
7	317,407	5.00	15,870	0	0	0	15,870	116,554	333,277	5.00	0	
8	216,723	5.00	10,836	0	0	0	10,836	116,554	227,559	5.00	0	
9	111,005	5.00	5,550	0	0	0	5,550	116,554	116,555	5.00	0	
10	1	5.00	0	0	0	0	0	116,554	2	5.00	0	
Totals	1	5.00	220,542	0	0	0	220,542	1,165,540	2	5.00	0	

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73	2	1,008,984	40,850	1,016,542	243,970	772,572
74	3	1,016,542	42,712	1,022,521	245,405	777,116
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76	5	1,026,763	46,671	1,029,097	246,983	782,113
77	6	1,029,097	48,542	1,029,582	247,100	782,482
78	7	1,029,582	50,718	1,027,807	246,674	781,133
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83	12	997,243	61,181	982,865	235,888	746,978
84	13	982,865	63,411	965,428	231,703	733,725
85	14	965,428	65,232	945,206	226,849	718,356
86	15	945,206	67,036	922,078	221,299	700,780
87	16	922,078	68,812	895,930	215,023	680,907
88	17	895,930	70,546	866,653	207,997	658,657
89	18	866,653	72,221	834,154	200,197	633,957
90	19	834,154	73,171	799,032	191,768	607,264
91	20	799,032	73,984	761,300	182,712	578,588
92	21	761,300	74,637	720,996	173,039	547,957
93	22	720,996	75,104	678,186	162,765	515,422
94	23	678,186	74,526	633,843	152,122	481,721
95	24	633,843	73,703	588,148	141,155	446,992
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98	27	493,593	69,520	445,276	106,866	338,410
99	28	445,276	66,459	397,758	95,462	302,296

TAX AND ESTATE STRATEGIES


- ✓ STEP-UP IN BASIS
- ✓ Check Your Beneficiaries
- ✓ Set up a Trust
- ✓ Convert Traditional Retirement Accounts to Roth Accounts
- ✓ Gift Your Money While You're Alive
- ✓ Maximize spousal exemption
- ✓ Insurance Trusts/Gift of Life Insurance
- ✓ Benefits of living gifts and Life Insurance
- ✓ Gifts to charities—CRT (Charitable Remainder Trust)
- ✓ Gifts to spouses
- ✓ Gifts for education



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Thank you for your time today. Kindly fill out our feedback survey:

<https://www.surveymonkey.com/r/DCSOFASURVEY>

A wide-angle photograph of the U.S. Capitol building in Washington, D.C., taken at dusk. The building's iconic dome is illuminated from within, glowing with a warm yellow light. The sky above is a mix of soft pinks, oranges, and blues. In the foreground, the paved plaza is visible, with two ornate, glowing street lamps on either side of the central path leading towards the building.

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