

Estate Report

June 2023

Alina Berman &
Daniel Berman

wealth.com

Joint Revocable Trust and Pour- Over Wills

Berman Living Trust

Decision-Makers

The Role of the Trustee

You and your spouse are the initial trustees of the trust while both of you have capacity to manage your affairs. If you chose to name additional co-trustees, those individuals will act alongside you both. The trustee holds legal title to the Trust's assets for the benefit of all Trust beneficiaries. If it is just you and your spouse, then while both of you are alive, you are both beneficiaries along with anyone to whom you want to gift your assets.

Practically, the role begins to matter most once the trustees are no longer managing their own affairs.

The Role of the Successor Trustee

The successor trustee steps into the trustee's shoes once all initial co-trustees are either incapacitated or have passed away. The successor trustee must follow the instructions in the Trust and will coordinate with the executors to manage the estate, pay expenses (e.g., funeral expenses) and debts, and distribute assets to beneficiaries.

The successor trustee should have a strong sense of responsibility, be a good communicator and responsive, and be good at managing financial affairs. People often choose the same set of people to act as successor trustee, executor, and agent in a power of attorney over financial matters.

The Role of the Backup Successor

The role of trustee can be a demanding role, so it is important to pick at least one person to serve as a backup.

Trustees



Initial Co-Trustees
Daniel Berman
Alina Berman



Successor Trustee
Joy Chang



Backup Successor Trustee
Angele Shah



Backup Successor Trustee
Jeffrey Berman

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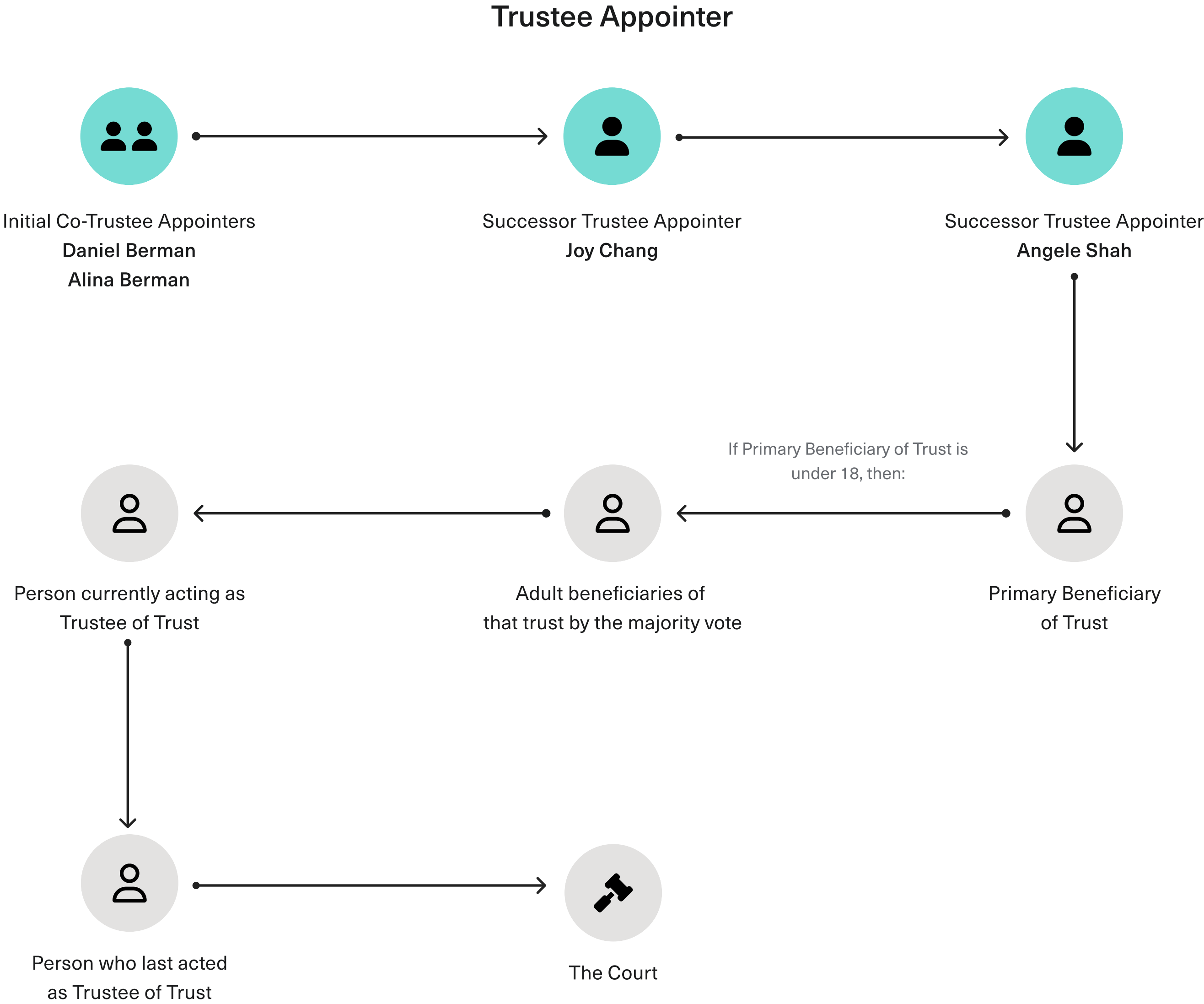
Trustee Appointer

The Role of the Trustee Appointer

The trustee appointer controls who serves as trustee. At any given time, this person can remove and replace any trustee who is currently serving (or a successor trustee who has not yet started serving). The trustee appointer can name new trustees (or name a co-trustee) and can change the order of succession for the trustees.

This is a fiduciary role (like a trustee or executor). This means that the trustee appointer must act in the best interest of all the beneficiaries of the trust (and not just in his, her or their own best interests).

In addition to those you specifically named as trustee appointer, your Trust includes some default trustee appointers. This is to avoid an appointment by the court, which can be expensive and time-consuming, during which time, your trust may not have a trustee at all.



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The Role of the Special Trustee

This person will have broad powers to decide what to do with your genetic material, except using it to create offspring. Ideally, the Special Trustee is familiar with your child-bearing and child-rearing decisions.

Did You Know?

There are currently over 1 million frozen embryos sitting in storage in the U.S. and the number of healthy women freezing eggs rose to 12,438 in 2020 from 7,193 in 2016 [Society for Assisted Reproductive Technology]

Special Trustee for Frozen Genetic Material

For Daniel Berman

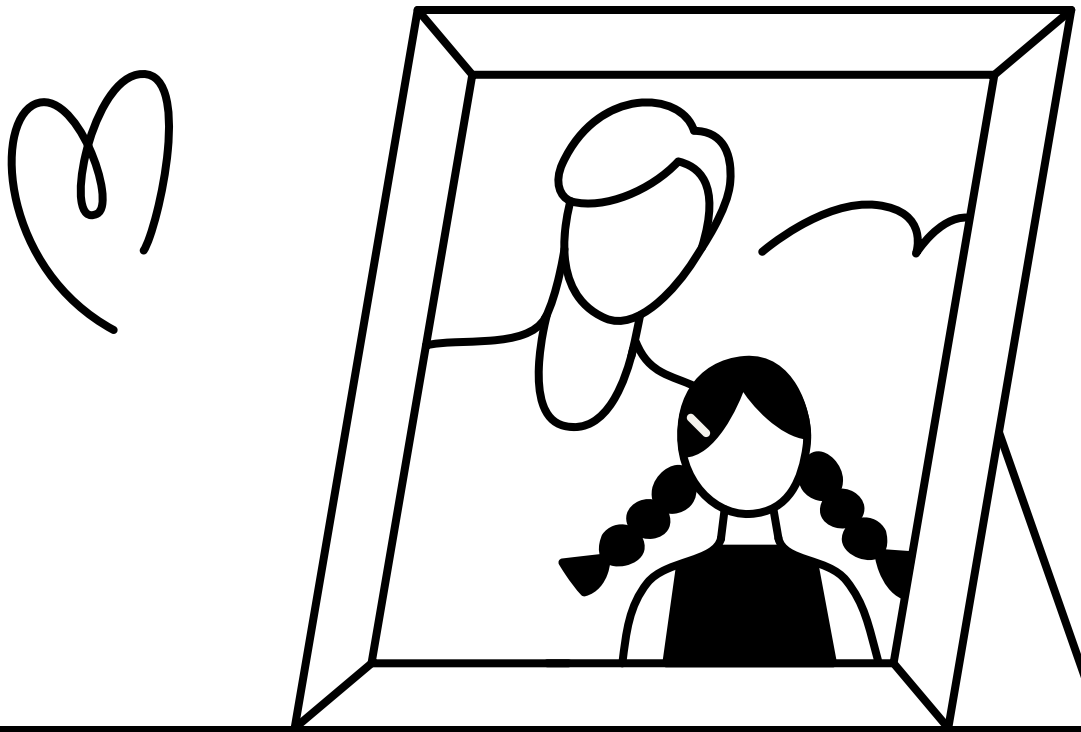


Special Trustee
Angele Shah

For Alina Berman



Special Trustee
Angele Shah



Pour-Over Will

Decision-Makers

The Role of the Executor

With a Trust-based estate plan, the role of executor becomes more limited. Because the main terms of your estate plan are in the Trust, which is administered by your trustee, the executor must coordinate with your trustee to manage your affairs. The executor has a legal duty to follow the instructions left in your will, to find and gather all your assets, including those you left in your own name at death, and to coordinate with the trustee to pay your expenses (e.g., funeral expenses) and debts and file your last tax returns.

Aligning the Trust and Pour-Over Will

Even with a Trust-based estate plan, you will need to have a Last Will & Testament and name at least one executor. This is because you may have assets in your own name at your death (as opposed to in the name of the trust), and those assets will need to be “poured” from your estate over to your Trust. For most situations, it is most common to simply name the same people to serve as both successor trustees and executors.

Executors

For Daniel Berman



Primary Executor
Alina Berman

For Alina Berman



Primary Executor
Daniel Berman



Backup Executor
Joy Chang



Backup Executor
Joy Chang



Backup Executor
Angele Shah

Pour-Over Will

Decision-Makers

The Role of the Guardian

A guardian takes custody of a child if neither parent is capable of taking care of the child. The guardian is responsible for the wellbeing of the child and has authority over any funds used to take care of the child. The guardian will receive those funds from the person who is managing your assets (for example, the trustee).

Temporary Guardians

A temporary guardian is the person who takes custody of your child(ren) until the permanent guardian is appointed by the court. This is only relevant if none of the guardians you have chosen reside within the U.S. If all the potential guardians live abroad while the child lives in the U.S., the guardianship proceeding in the U.S. may take longer, so consider naming at least one temporary guardian to care for your child(ren) during this time.

Guardians

Alina Berman and Daniel Berman



Primary Guardian
Angele Shah



Backup Guardian
Jeffrey Berman



Temporary Guardian
Jennica Zhou

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Did you Know?

Because pets are usually considered “property” themselves under the law, the pets themselves cannot receive assets. To set aside assets for your pets’ wellbeing, best practice is to make a one-time specific gift to the individual who will care for your pets.

Gift to the Caretaker

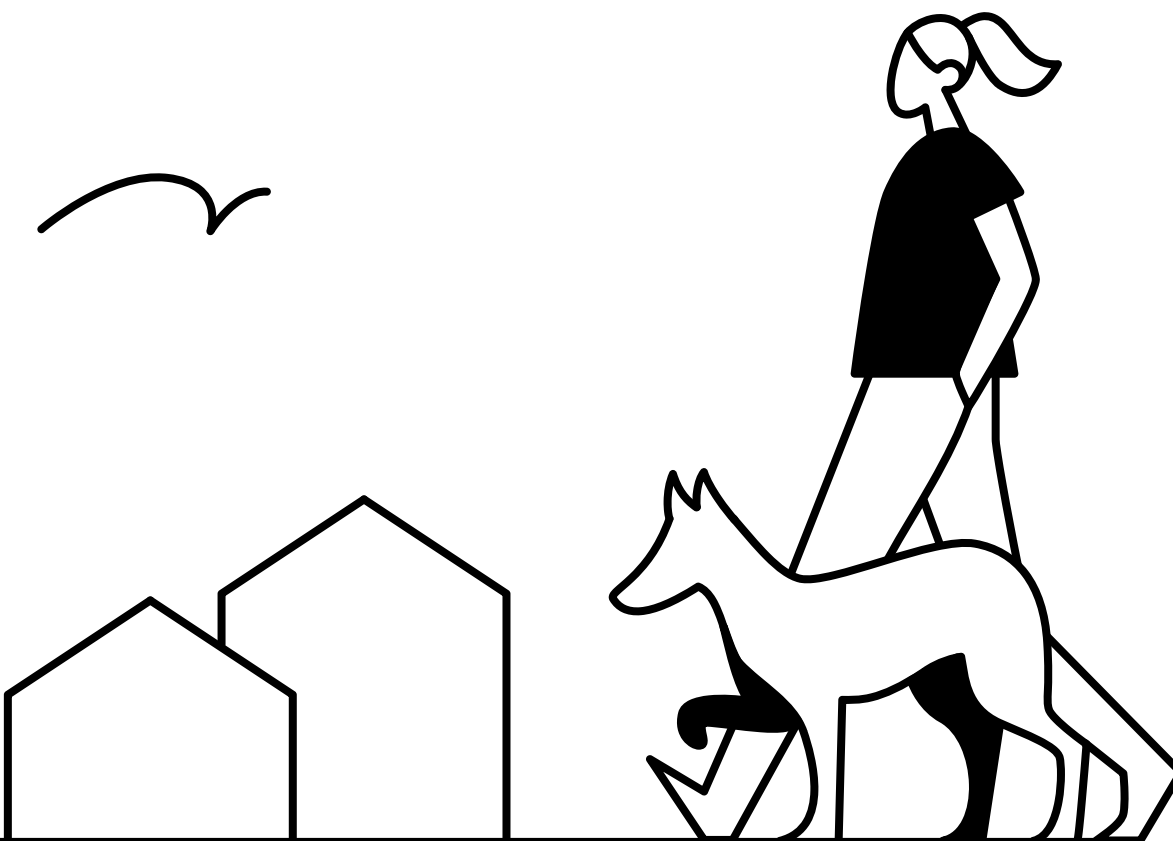
You have elected to gift \$9,000 to the caretaker for taking on the economic burden of providing care for your pets.

On average, Americans spend nearly \$1,500 per year on their pets between visits to the vet, pet food, and other expenses.

Pet Caretakers



Primary Caretaker
Jeffrey Berman



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Order Of Operations

During Your Life

Because you have a joint Trust and while you’re alive, all of your assets should have been funded into the Trust whether they were separate or marital property (e.g. community property).

Defining Your Assets

At the first death (if you are the first person to pass away), your assets held in a joint Trust must be divided between what belongs to you and your spouse.

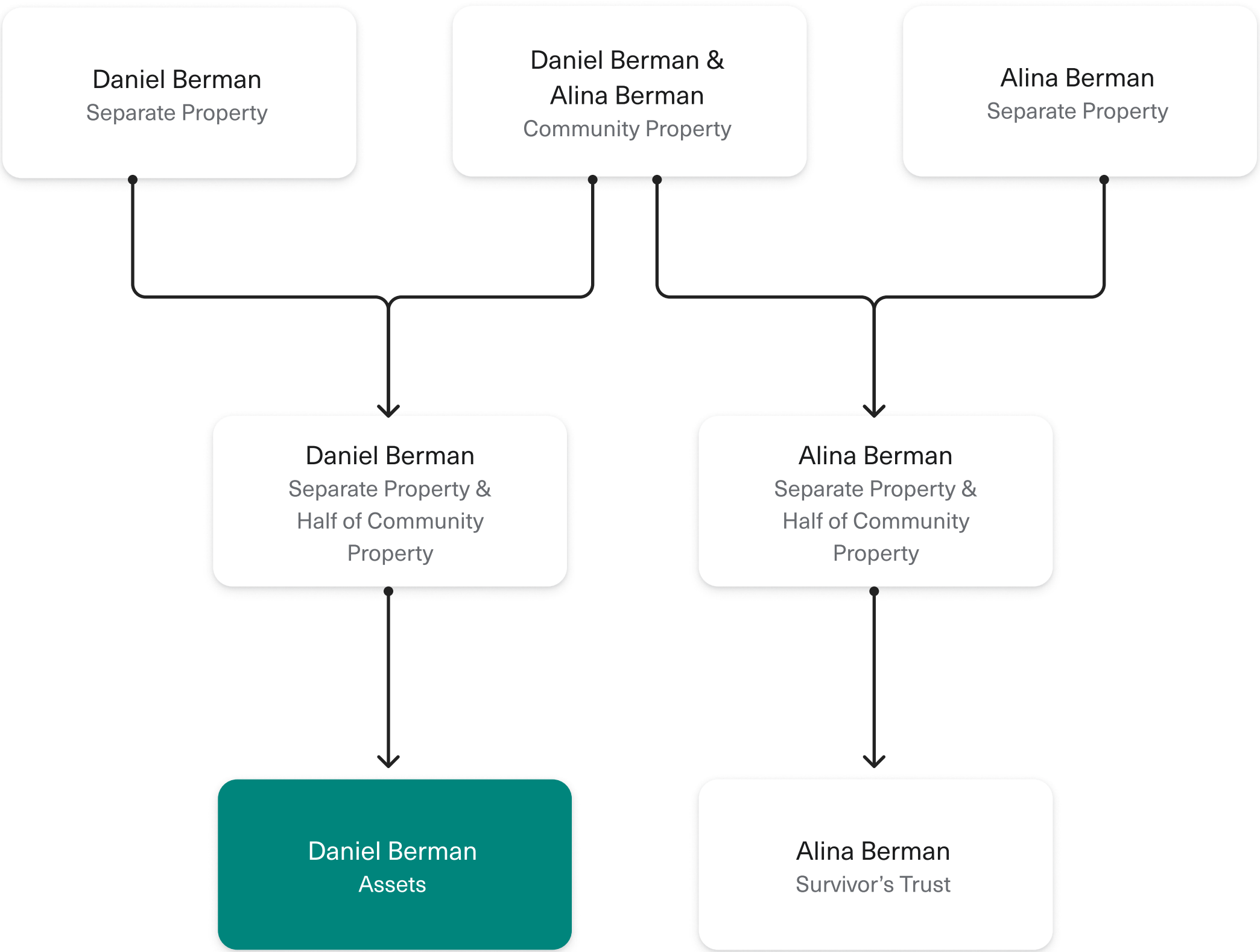
The Survivor’s Trust

What belongs to the survivor ends up in a Survivor’s Trust, which is a continuation of this estate plan. So, the survivor doesn't need to make any further updates at that time.

The rest of the report describes what happens to the decedent’s assets.

Defining Your Assets

Scenario: Daniel is the first to pass away



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Order Of Operations

Non-Probate vs. Probate Assets

At your death, your assets may either be distributed automatically to your beneficiaries (“non-probate assets”) or be distributed through your Trust to your Trust beneficiaries (“probate assets” or “estate”). A cohesive estate plan takes into account both types of assets to ensure that the right beneficiaries receive the right amounts, and that there is sufficient cash to pay your final debts, expenses and taxes. The three main ways for an asset to avoid probate are explained in greater detail below.

Titling with Rights Upon Death

Your assets can be titled in different ways that have implications for distribution upon your death. Certain ownership types, like joint tenancy or “with right of survivorship” (WROS), have automatic transfer on death processes. Those designations decide who will receive the asset.

Beneficiary Designation

Some assets allow for a formal "beneficiary designation," “pay on death” (POD) or “transfer on death” (TOD). You likely completed a form associated with that asset in order to direct where your asset will go upon your death. Those designations decide who will receive the asset.

Contractual Rights

You may own certain assets through a Trust (i.e., funded into this Trust) or other entity, like an LLC. The Trust or entity’s governing documents may have terms about where its assets will be distributed upon your death, in which case the assets are “non-probate assets.” Without these specific terms, the assets will be “probate assets,” which will pass through your pour-over Will into your Trust.

Distributing Non-Probate Assets

Daniel Berman
Assets

Probate Skipping Assets

These non-probate assets will transfer automatically to your designated beneficiaries upon your death outside of your estate plan documents.

Rights of Survivorship

e.g. bank account, real estate



Beneficiary Designation

e.g. retirement account, insurance policy, vehicle



Contractual Rights

e.g. trust, partnerships



Probate Assets

These assets will transfer according to your Trust (after your Pour-Over Will transfers them to your Trust).

Daniel Berman
Estate (Probate Assets)

Berman Living Trust

Order Of Operations

The Order of Operations is Important

Once your non-probate assets have been distributed automatically by law, what remains of your assets (your “estate”) will be distributed through your pour-over Will and ultimately your Trust.

Think of your estate as a corporation that has a mixture of equity and debt. If that company was to liquidate, there would be a hierarchy for who gets their money back first, second, third, and so on. For example, lenders that have loaned the company money will receive their money back sooner than investors who have invested dollars in the company in return for shares of stock.

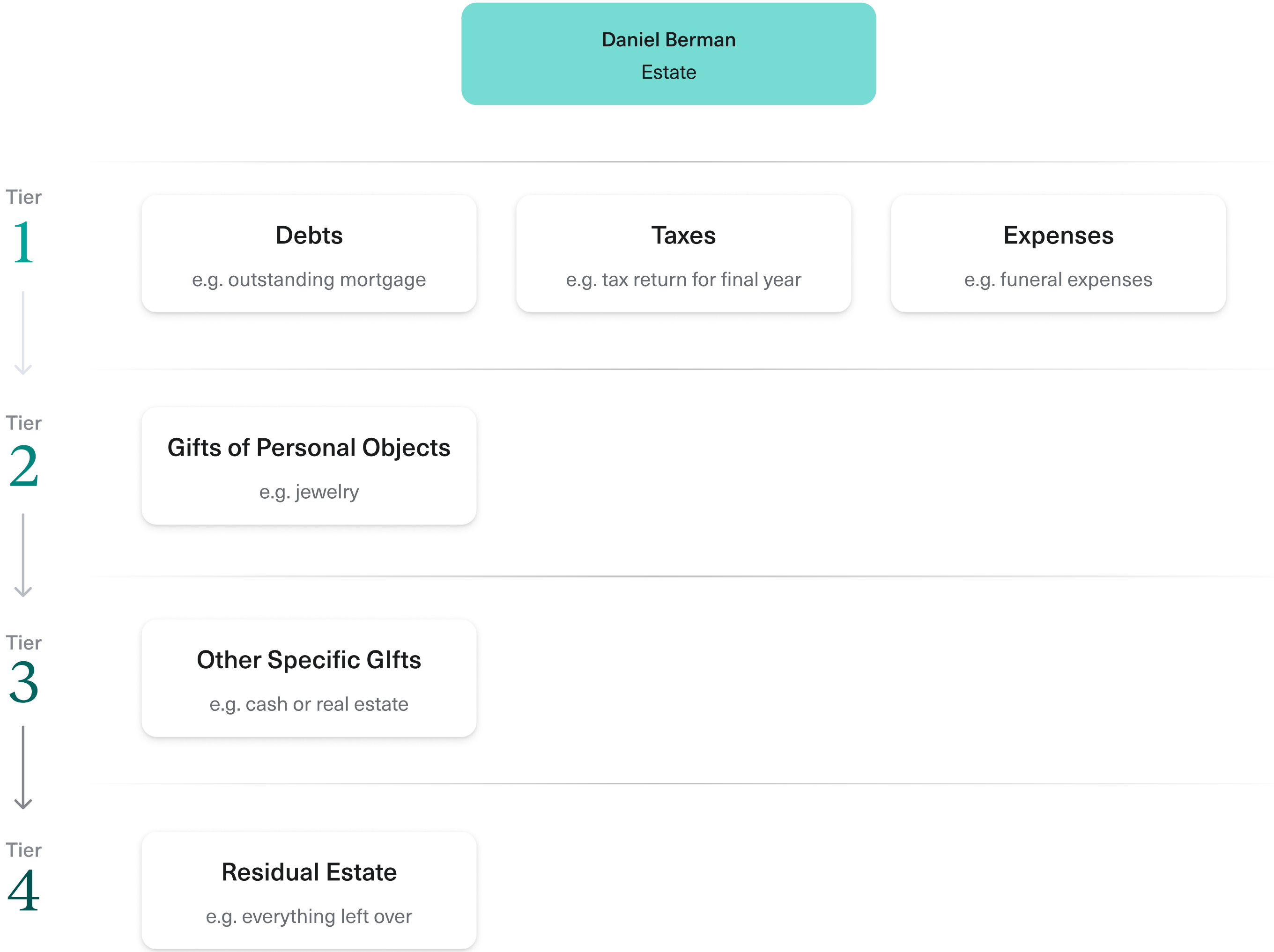
Your estate is similar in that debts, expenses and taxes will be paid before your beneficiaries receive any gifts from your estate.

Specific Gifts vs. Residual Gifts

Among your chosen beneficiaries, the first to receive their inheritance are those to whom you made a specific gift of an asset. Gifts of personal objects (e.g., a ring or family heirloom) take precedence over gifts of cash amounts or real estate.

Once those specific gifts are made, the beneficiaries of your residual estate will receive their share of any assets that are left. It is possible to deplete your residual estate completely by making specific gifts of everything left in your estate after debts, expenses and taxes are paid.

Payments & Distributions Based On Your Trust



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Distribution Of Specific Gifts

What is a Specific Gift?

Specific gifts consist of fixed sums of discrete personal objects, cash or real estate that you would like to leave to individuals or charities (and donor-advised funds).

How Are Gifts of Personal Objects Made?

Your trustee will find, collect and secure the objects.

First, your trustee will distribute the personal objects that you have specifically gifted through your Trust. You must still own that specific personal object in order for the beneficiary to receive it. For example, if you listed the gift of a ring, but sell the ring during your life, your beneficiary will not receive a substitute gift.

These gifts will be made after you pass away, regardless of whether your spouse survives.

Second, those personal objects that you have not specifically gifted away will be distributed to the beneficiaries of your residual estate. If you have multiple beneficiaries, they will decide among themselves who gets what objects.

Lastly, if objects remain unclaimed, your trustee will sell or donate them, and any sale proceeds will become part of the residual estate.

Gifts of Personal Objects

From Daniel Berman



Grandpa's Watch
\$8,500



Lucy Berman
Child



Wine Collection
\$50,000



Jeffrey Berman
Child



Grandma Mary's Ring
\$20,000



Camilla Carney
Grandchild

Total Estimated Value of Gifts of Personal Objects
\$78,500

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Gifts of Personal Objects

From Alina Berman



Nantucket Painting
\$13,500



Stella Berman
Child



Engagement Ring
\$45,000



Stella Berman
Child



Family Crest China Set
\$18,500



Jeffrey Berman
Child

Total Estimated Value of Gifts of Personal Objects
\$77,000

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Distribution Of Specific Gifts

What is a Specific Gift?

Specific gifts consist of fixed sums of discrete personal objects, cash or real estate that you would like to leave to individuals or charities (and donor-advised funds).

How Are Gifts of Cash and Real Estate Made?

Your trustee will have to fulfill these gifts with the assets available in the estate once both of you have passed away. For cash gifts, your trustee is directed to fulfill those gifts using available cash (e.g., in your bank account) or assets sold for cash. For real estate gifts, you must still own that specific real estate in order for the beneficiary to receive it.

These cash and real estate gifts will only be effective once you have both passed away. This means that if only one of you has passed away, cash and real estate gifts will not be made, whereas gifts of personal objects will be made after the first death.

If at your death, your trustee does not have enough assets on hand to satisfy all cash and real estate specific gifts, your trustee will reduce these specific gifts pro rata by value. In that case, your residuary beneficiaries will not receive any assets.

Other Specific Gifts

From Alina Berman and Daniel Berman



Cash to Pet Caretaker

\$9,000





Jeffrey Berman

Child



Cash

\$25,000





SF Girls and Boys Club

Charity

Total Estimated Value of Other Specific Gifts
\$34,000

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Distribution Of The Residual Estate

After You Pass Away (Your Spouse Survives)

Your residual estate was separated from your spouse’s assets at your death. It consists of any remaining assets after your debts, expenses, and taxes are paid, and after any specific gifts of personal objects are made. If you pass away before your spouse, the entirety of the residual estate will pass to your spouse through the Survivor’s Trust.

Survivor’s Trust and Family Trust

The Survivor’s Trust is a continuation of your revocable trust except that now that surviving spouse is the only trustee and the only primary beneficiary. The surviving spouse can fully amend and revoke that trust through their estate plan.

For tax reasons, your spouse may create and divert some (or all) of your residual estate to a tax-advantaged Family Trust. At your death, your spouse will decide whether to “disclaim” your assets to the Family Trust, which benefits your spouse (and any of your descendants).

After Your Spouse Passes Away

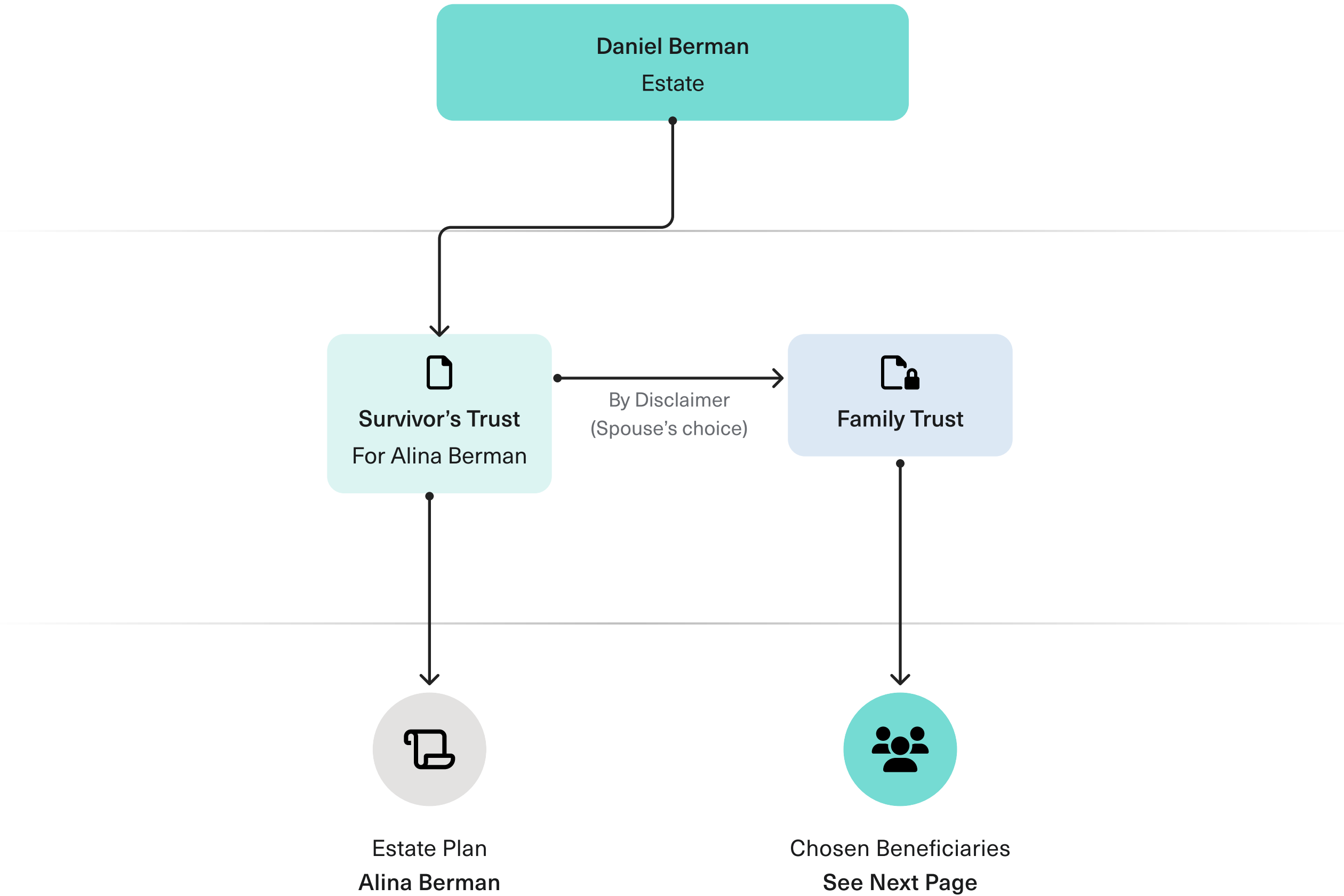
Your Trust does not guarantee that at your spouse’s death, any remaining assets that were received from your estate will pass to your other chosen beneficiaries. Your spouse is able to change the survivor’s trust through their own estate plan.

If your spouse created a Family Trust, that Trust will terminate at your spouse’s death and any remaining assets must pass to your other chosen beneficiaries.

Scenario One

One Spouse Passes Away First

Assuming Daniel Berman is the first to pass away



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Distribution Of The Residual Estate

After Your Spouse Has Passed Away (or You Have Both Passed Away)

The Survivor's Trust, if unchanged by your spouse through their estate plan, holds your spouse's estate. This includes any of your assets inherited from you.

Your spouse's residual estate consists of any remaining assets after your spouse's debts, expenses, and taxes are paid, and after any specific gifts are made. You have chosen together to distribute the residual estate to a custom set of beneficiaries.

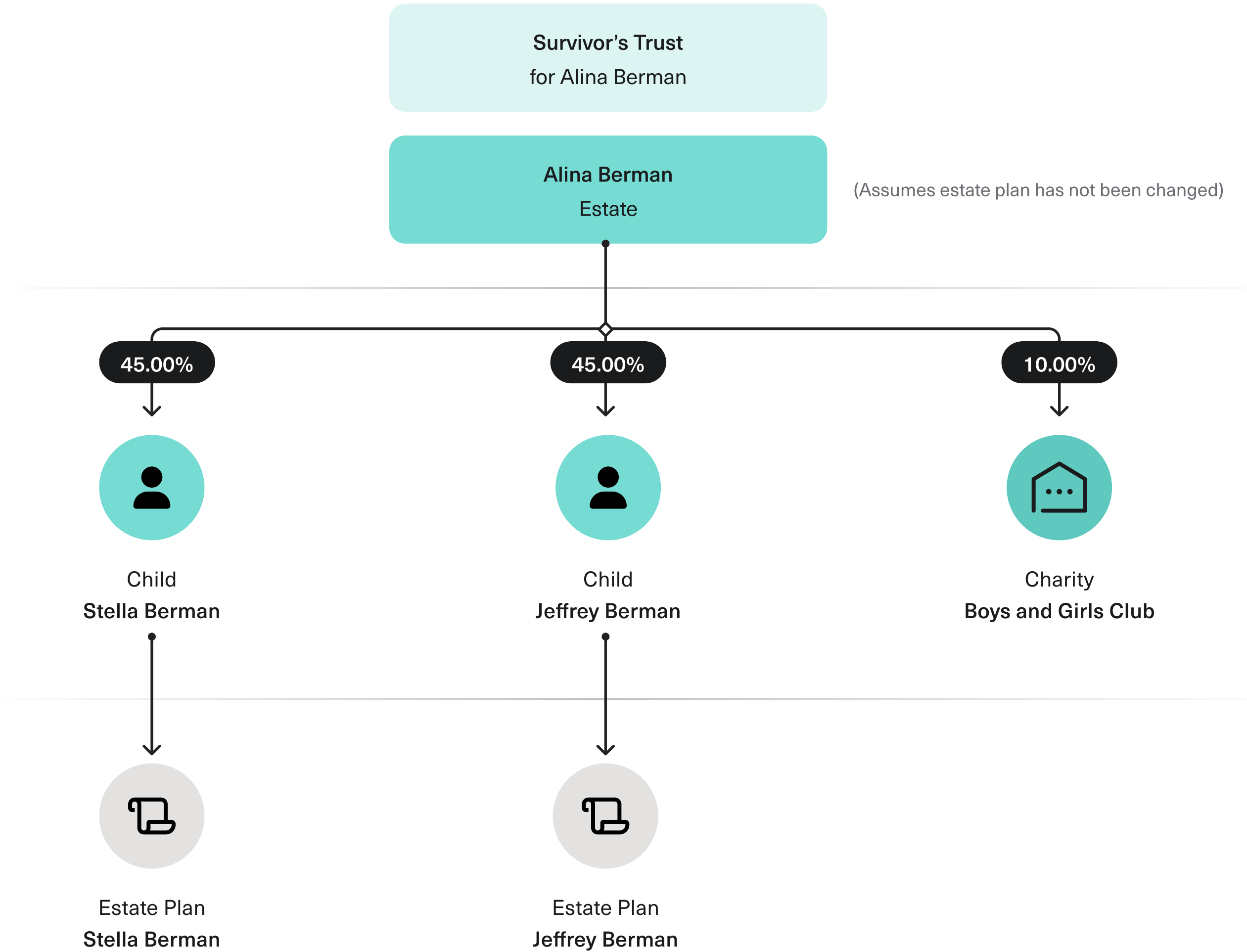
If Your Chosen Beneficiary Survives You

In order to own assets from your estate in their own name, your chosen beneficiary must be alive or maintained its tax exempt status when you pass away.

Once your chosen beneficiary passes away, what happens to your assets will depend on a few things. If any beneficiary receives your assets in their own name, that beneficiary is able to dispose of these assets as your beneficiary wishes; your estate plan does not guarantee that at this beneficiary's death, any remaining assets that were received from your estate will pass to your other chosen beneficiaries.

Scenario Two

Both Spouses Have Passed Away



If this person predeceases you, this share is redistributed to other chosen beneficiaries

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