

ESTATE PLANNING GUIDEBOOK

An Introduction to Ensuring Your Intentions



WHAT IS AN ESTATE PLAN?

Simply defined, estate planning is the process of thoughtfully providing for the efficient transfer of your assets to your heirs and charitable interests in accordance with your wishes. It is a testament that affirms not only how your estate will be distributed, but also what kind of a legacy you will leave behind.

Estate planning isn't just for wealthy people or older people. Everyone should do it. It can begin with the simplicity of writing a will, but it can also involve trusts, changing beneficiaries of life insurance policies and retirement accounts, selecting guardians for minor children, providing lifetime income for yourself and others, minimizing taxes and other estate settlement costs, or passing on business interests and providing for your charitable interests.

Estate planning ensures your intentions are met and this guide can show you how to get started.

WHAT THIS GUIDE WILL DO FOR YOU:

- ✔ Introduce the basic components of an estate plan.
- ✔ Prepare you to have intelligent conversations with your attorneys and financial planners and make informed decisions about what you've worked hard to earn.
- ✔ Help you consider your priorities, identify your goals, organize your thoughts — and get started!
- ✔ Introduce you to charitable planned giving strategies that can benefit you, your heirs, and the charities you care about.

WHAT THIS GUIDE WILL NOT DO:

Replace the need for professional advice.

This guide is intended to give you the basics and help you get started. Decisions about your estate and your legacy are important and long lasting. Get advice and guidance from competent professionals.

Try to convince you to “disinherit” your heirs.

This guide includes information about how to make charitable giving part of your estate plan. The purpose is to introduce you to some of the creative, strategic planned giving tools that allow you to support the causes you care about and gain tax benefits for yourself and your family. The intention is not to make charitable gifts at the expense of your loved ones.



ALL ABOUT BENEFICIARIES

3 Things to Keep in Mind

Your beneficiary designations (not your will) control how certain assets, such as life insurance and retirement accounts, are distributed.

Name them.

Read the instructions carefully, be specific in your instructions, and name primary and back-up beneficiaries.

Update them.

As life goes on, your goals and priorities shift, certain accounts may grow more quickly than others, and family circumstances change. Do a review every 3–5 years and update beneficiaries as needed.

Coordinate them with your will and trust.

Consult with professional planners to be sure your beneficiary designations work well together with the rest of your estate plan and take full advantage of tax benefits and planning opportunities.

WHAT IS A GOOD ESTATE PLAN?

A good estate plan is one that guarantees all your final wishes will be faithfully executed. It will provide you with peace of mind while providing your beneficiaries with the inheritance you wanted them to have.

While all plans are unique, a good estate plan will typically accomplish the following:

- Secure the future financial welfare of your surviving spouse.
- Provide for children, grandchildren or loved ones.
- Clarify your intentions for any cherished possessions or treasured family keepsakes.
- Provide or continue support to non-profit organizations that are meaningful to you.
- Minimize the legal wrangling that occurs when settling the assets of an estate.
- Avoid the need to sell off assets by providing in advance for necessary expenses that will occur in the process of settling your estate.
- Coordinate all your legal documents into one cohesive package, which includes the people and organizations you wish to receive your insurance and retirement benefits.
- Prepare flexible documents to allow adjustments down the road when tax laws or life circumstances change.
- Avoid lawsuits, personal resentment, and confusion by making your intentions clear.
- Preserve your privacy. Once the estate is opened, the will becomes public. A good estate plan can help keep your family's business private.

- Provides for the survival and perpetuation of your business.
- Reflect your values, interests, and wishes. Do you want your grandchildren to have the chance to study abroad? Do you wish to make a significant impact on an institution that's important to you and your family? A good estate plan is a reflection of who you are and what's most important to you.

An estate plan typically begins with writing a will, but it can also involve:

- Establishing trusts.
- Identifying or changing beneficiaries of life insurance policies and retirement accounts.
- Selecting guardians for minor children.
- Setting up “pay-on-death” (POD) and “transfer-on-death” (TOD) accounts so your bank and investment accounts can pass directly to the beneficiaries you've chosen without the courts getting involved.
- Creating a durable power of attorney for your finances.
- Creating a living will or health care power of attorney to ensure your health care wishes.
- Minimizing taxes and other estate settlement costs.
- Passing on business interests.
- Providing for charitable organizations that are important to you.

GETTING STARTED

Five steps to begin planning your estate

Inventory your assets.

Compile a list of all of your assets and their value. Once you've got it all organized you can start thinking about what to do with it. Assign realistic values to your assets. You might be surprised to learn the current value of an asset you've been planning to give to a family member.

Think about your priorities.

Estate planning extends your influence to your loved ones, your community, and the causes you care about even after you're gone. Before you get down to the specifics of planning, consider your priorities and goals. Ask yourself questions like these:

- ✔ Do I want my children to receive exactly an equal share of my estate?
- ✔ If I could give my kids and grandkids a substantial amount of money, would I? Is this what's best for them?
- ✔ What charities or causes do I want to support far into the future?
- ✔ What accomplishments am I most proud of in my life? How can I use my estate plan to extend these accomplishments into the future?
- ✔ What values do I want to pass on to the next generation?

Identify your beneficiaries.

Make a list of the individuals and organizations that you want to provide for in your estate plan. Note any conditions that might determine the method and circumstances by which you assign them certain assets. For example, you may wish to leave your grandchildren money, but perhaps only for college or a little at a time.

Call a family meeting.

At the very minimum, keep your spouse in the loop from the get-go. It's not only a matter of respect, but coordinating plans between spouses often leads to additional savings for your estate. You may want to have a family meeting to discuss your plans with as many family members as possible.

Write your will.

On average more than 60% of Americans pass away without a valid will in place. A will is most often the first step in ensuring that your intentions are properly met.



MAKE A DIFFERENCE

Estate planning is about so much more than just your possessions and financial assets. It's a way to extend your influence and values beyond your lifetime.

One way to make your estate plan a meaningful reflection of who you are is by incorporating charitable giving into your plans. As a bonus, many charitable giving tools also return benefits to you and your loved ones. Talk with your financial planner and the planned giving officers at the institutions you want to support. They can work together to make sure your goals are accomplished.

There are many charitable giving opportunities related to an estate plan but below are the most common:

A gift through your will or trust.

This is the easiest and most popular of all planned gifts. It costs you nothing during your lifetime and leaves a powerful impact. A gift through your will or trust is known as a bequest.

- ✔ **It is flexible.** You can give a specific dollar amount or a share of what remains after your heirs are cared for.
- ✔ **It is revocable.** You can easily revise your plans if your life circumstances change.
- ✔ **It is simple.** A simple paragraph or a one-page amendment to your existing documents is all it takes.

A gift of retirement assets.

When you designate retirement plan assets to your heirs, taxes can slice away as much as 70 percent of the value before reaching your loved ones. Using a retirement account to make a charitable gift can be a savvy way to protect your assets, provide significant support to a cause you care about, and preserve your estate for your heirs.

Gifts that pay you back.

Charitable Gift Annuity

A charitable gift annuity is a simple and popular gift planning strategy that provides tax-favored income for you and support for a charity you care about. Here's how a CGA works: You give cash or other assets to the charity to invest.

The charity contracts to pay you and/or a loved one a fixed amount annually for life. You'll receive a charitable deduction and only a portion of each annuity payment will be taxed as ordinary income. When the contract ends, the principal passes to the charity.

Charitable Remainder Trust

A charitable remainder unitrust is a separately invested and managed charitable trust that pays a percentage of its principal to you and/or other income beneficiaries you name for life or a term of years. You receive a charitable income tax deduction for a portion of the value of the assets you place in the trust. After the unitrust terminates, the balance or "remainder interest" goes to your chosen charity.

Gifts of other assets

Charities can be named as a beneficiary of a life insurance policy or bank accounts. Most charities also welcome gifts of tangible assets such as real estate, artwork or special collections.



WHAT'S NEXT?

Even if you only need a simple will, it is advisable to seek the help of a qualified attorney. Writing a will is one of the least expensive legal tasks that you can request and it is well worth the investment to have it done by an expert.

It is also advisable to consult with a tax advisor or other financial professional(s) who can help develop a plan that meets your specific estate planning goals.

Lastly, should your plan have charitable intentions, work with a representative from the charity to ensure that your generosity will be used as intended. Clarifying your intentions will allow for the greatest impact.

HAVE QUESTIONS?

Email: giftplan@rwjbh.org

Call: 888-322-PLAN

Visit: sbmcgiving.org

GLOSSARY

Here are a few terms you should be familiar with so you can have an informed conversation with your attorney. You don't have to remember them forever, and there will not be a test. You can even take this cheat sheet with you to meet with your financial advisor or to your attorney's office.

More terms are defined at plannedgiving.com/resources-glossary

Annuity

An agreement that pays a fixed amount of benefits every year for the life of the person who is entitled to those benefits.

Appreciated Property

Securities, real estate, or any other property that has risen in value since the benefactor acquired it. Generally, appreciated property held by the donor for more than a year may be donated at full fair market value with no capital gains cost.

Beneficiary

The recipient of a bequest from a will or a distribution from a trust, retirement plan, or life insurance policy.

Bequest

A transfer of property or cash to an individual or organization under a will.

Codicil

A document that amends, rather than replaces, a will. Amendments made by a codicil may add or revoke a few small provisions or may completely change the majority or all of the gifts under the will. Each codicil must conform to the same legal requirements as the original will.

Durable Power of Attorney

A power of attorney that remains in effect if the person who made the document becomes incapacitated. Otherwise, if not specifically made durable, the power of attorney automatically expires if the person who made the document becomes incapacitated.

Grantor

The individual transferring property into a trust.

Living Will

Also called a health care directive, this is a legal document that states a person's wishes about medical care in the event that person is unable to speak for him or herself.

Planned Gift

A major gift that uses current tax laws to maximize the gift's impact on the organization and return financial benefits to the donor.

Probate

The review or testing of a will before a court to ensure that the will is authentic and the estate is distributed properly. A good estate plan minimizes the cost and time needed for probate.

Revocable Living Trust

A trust you create during your life, titling all or selected assets to the trust, which will be managed by a trustee. It is called "revocable" because you can terminate the trust at any time during your life. You can serve as the trustee during your life if you wish. When you pass away, the trust will distribute or continue to manage the assets in accordance with your wishes.

Testamentary Trust

A trust created by a will that takes effect upon the death of the person who made the will.

Trust

A legal entity created by a written agreement by a grantor to hold and invest property for the benefit of the grantor and/or other beneficiaries.

Trustee

An individual or organization carrying out the wishes of the person who established the trust (the grantor), paying income to the beneficiaries, and preserving the principal for ultimate distribution.

Development Department
95 Old Short Hills Road
West Orange, NJ 07052
973-322-4330

Saint Barnabas | **RWJBarnabas**
Medical Center | **HEALTH**

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