



*The harder you work,
the harder it is to surrender.*
Vince Lombardi

FUNDAMENTALS AND STRATEGIES FOR RETIREMENT

Part Two: Planning Your Estate - Your Greatest Responsibility

In Part One of our installment on **retirement**, we offered strategies for all ages of one's work- life from your 20s to your 60s to plan for an earlier retirement if so desired. Of course for many Americans, retiring early is either not an option or simply not attractive. George Burns famously said that, "retirement at sixty-five is ridiculous. When I was sixty-five I still had pimples." Work is part of the American culture and is not uncommon for millions of Americans to work well into their senior years. In a recent Wall Street Journal article, "...about half of American workers aged 60 to 64 work - in Germany, only a third do, and in France, only a sixth. A glance at 60 to 64 year olds scores on memory tests reveals a starkly similar pattern: They do best in the U.S., worse in Germany, worse still in France." So, do we ever retire? Perhaps we eventually slow down the daily grind, wean away from the responsibilities of the office, and ultimately stop working. However, no matter how early or late in life we stay employed; the bounty of decades of work must eventually enable a retirement that minimizes financial uncertainty while maximizing health and financial well-being.

Planning Your Estate - 18 Essentials to Protect Your Wealth

1. Create a Will

This document will control the flow of your personal property such as jewelry, family heirlooms and assets held in your name only. It does not control what passes by beneficiary designation such as life insurance, IRAs, retirement plans or 'transfer on death agreements'), by contract or by trust.

2. Create a Trust

This is a separate entity that holds property for the benefit of either the grantor (creator) of the trust or his or her heirs. A trustee manages the assets that are placed in the trust and makes sure that the terms of the trust are followed.

3. Executor

This person administrates your final estate. He or she should be sensitive to the needs of your beneficiaries, competent to handle financial and legal matters, and available and willing to take on responsibilities.

4. Guardian

This person(s) will take care of your dependents. They should know your children already (if possible), have similar philosophical views to your own, and be financially able to take on the responsibility of caring for your children.

5. Health Care Power of Attorney

This is a document that clearly states what your wishes are if you find yourself on life support. You appoint an 'agent' that will act on your health to make sure your wishes are followed.

6. Living Trust

This is a trust that is established while you are alive. You can declare yourself the trustee of the trust until you are no longer able to act on your own behalf. You can set standards for determining capacity - for example, your doctor and your spouse must agree that you are unable to make significant decisions on your own. Assets must be retitled in the name of your living trust. At your death, any assets in the living trust do not have to go through probate.

7. Probate

This is a court process that makes sure that all your final debts are paid and that your will is executed. Probate can be a lengthy and costly process, but not always. If you want to bypass probate, set up a living trust.

8. Taxable Estate

This is the total assets that will be taxed at your death. To determine whether your estate will be subject to estate tax, add up all of your assets plus your home (50% if owned as joint tenants) and life insurance and subtract any of the following: unified credit, unlimited marital deduction, and unlimited charitable deduction. Whatever is left is your taxable estate.

9. Unlimited Marital Deduction

This allows one spouse to pass an unlimited amount of assets tax-free to the other spouse in life or at death.

10. Marital Trust

This is also known as an "A" trust, and is the marital trust that provides management for assets passed to your spouse. If no restrictions are placed on what happens to the assets when the second spouse dies, it's called a "general power of appointment".

11. QTIP

This is often used in second marriages in which children are involved. A QTIP trust allows the creator of the trust to direct where his or her assets will ultimately go after the spouse dies.

12. Family Trust

This is also known as a "B" trust or a credit equivalent trust whereby the family trust is funded with up to the maximum assets that can pass with no tax due. These assets are taxed at death, but because each person has a unified credit, no tax is actually due. Once these assets have been taxed (with no tax due), they are free to grow to any amount and will never be taxed again for estate purpose.

13. Trustee

This is a person who holds title to assets that will be used for the benefit of someone else. When choosing a trustee for your trust, look for someone who is financially capable, responsible, and sensitive to your family's needs.

14. Children Trust

This is a document that controls when your children will be able to access the money you've left them. Frequently the trust provides for equitable payment of college costs for each child. Then assets are distributed as you direct. Many times parents will choose to stagger when the money is paid out—instance, one third at age 25, one third at 30, and the final third at 40.

15. Irrevocable Life Insurance Trust

This is a document that removes the value of your life insurance from your taxable estate. You irrevocably assign your policies to the trust. This means you can't change your beneficiaries at a later date. You choose a trustee to make sure the policy premiums are paid. If you transfer life insurance policies to an irrevocable trust, you must live three years past the date of transfer or the value of the policies will be pulled back into your taxable estate.

16. Transfer on Death (TOD) or Payable on Death (POD)

This is a type of non-retirement account that allows you to name a beneficiary just like you would on an IRA or other type of retirement account. At death, your assets flow directly to your beneficiaries without going through probate.

17. Special Needs Trust

This is a type of trust that can be set up for a disabled person. By specifying that assets are only to be used for "luxuries" and not basic care, the trust allows the disabled person to continue being eligible for government financial aid.

18. Charitable Remainder Trust

This is a trust that is established to ultimately benefit a qualified charity. These types of trusts can be set up so that the grantor (creator) of the trust receives a stream of income during his or her lifetime. Then at death, the balance of the trust passes to the charity tax-free. When you set up a charitable remainder trust, you get the benefit of a current tax deduction.

Take the Banta Retirement Quiz: Don't Have all 18? Your Wealth May Be at Risk

For over forty years, Banta Asset Management has worked diligently to help clients prepare for the rest of their lives. In Part One of our fundamentals series, we offered strategies for **retiring early** - the bottom line is that **you need to plan**. In this current installment, we offer strategies to **protect your wealth through estate planning**. Just as much as we all dream of finishing well, the only tangible method of enhancing this probability is understanding the complexity associated with estate planning and **having experts manage this responsibility**. At Banta our expertise is among the very best and most comprehensive. As you begin to plan for retirement at any age, let Banta help you manage these critical decisions so that your health, wealth and well-being can be realized and enjoyed. With continued confidence,

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Banta Asset Management