

# WEALTH PROTECTION FOR FUTURE GENERATIONS

Americans are considered to be some of the most productive, goal-oriented people in the world. Yet, almost 60% let the courts determine<sup>1</sup> the ultimate fate of our assets, children and businesses upon our passing. The planning that goes into sustaining your legacy should reflect the same care and diligence that you've applied towards shaping your personal and professional lives. Frontier is here to guide you along the process.



## Estate Documents

Estate planning encompasses financial, tax, medical and business planning. The following documents are the basic ingredients:

- Last Will and Testament
- Durable Power of Attorney (DPOA)
- Medical Power of Attorney (MPOA)
- Living Will/Healthcare Directives
- HIPAA Authorization

Depending on your circumstances, additional documents may include a trust, guardian of the person, guardian of the estate, LLC or other business entity paperwork, and family limited partnership documents. Schedule meetings with your attorney every four-to-five years or upon specific life events to review your estate plan:

**1. Mental Health Episodes** Elder exploitation is on the rise with many falling prey to “sweetheart scams” or other financial fraud schemes. Dementia, Alzheimer’s disease, disability, and special needs should be considered and addressed in advance of their occurrence. Solutions could include trusts, the review of DPOAs, MPOAs, HIPAA authorizations, and long-term care planning. Thoughtful planning will ensure that loved ones are able to access their Supplemental Security Income (SSI) and other intended public benefits.

- 2. Death/Divorce/Marriage** It's good practice to review and coordinate beneficiary designation forms with estate planning documents. Considerations include determining an heir's ability to financially manage their inheritance, children from previous marriages and a child/grandchild's marriage and potential divorce.
- 3. Re-marriage** A team that includes both family law and estate planning attorneys who are well-versed in local laws can be invaluable in crafting relevant documents such as effective prenuptial agreements. A surviving spouse in Texas, for example, has the right to occupy the homestead for his/her lifetime regardless of circumstances unless a prenuptial agreement states otherwise. A strategic approach can avoid the potential pitfalls associated with the dissolution of a marriage.

<sup>1</sup> According to Caring.com's 2021 Wills and Estate Planning Study

- 4. Domiciliary** It is important to review your estate plan with a local attorney to assess whether your property is properly classified, i.e., community, separate, etc. Laws vary state-by-state and consulting with a specialist who is familiar with the local court system can be instrumental in protecting some of your most valuable assets.
- 5. Changes in Wealth** It's appropriate to review your estate plan when experiencing fluctuations in wealth, particularly as state tax exemption laws change frequently. These modifications may impact your philanthropic plan along with lifetime gifting strategies or bequests and beneficiary options.

## Protecting Your Legacy

Establishing a strategic trust can be impactful in securing your legacy. Discuss your goals, profession, net-worth and family dynamics with your attorney to select the right plan as subtle distinctions exist within each estate planning solution. If you create a living trust, for example, be sure to fund the trust regularly instead of holding off until the need arises, which is often an inopportune time, i.e., sudden illness, life-threatening diagnosis, etc. It's important to be mindful that a DPOA ceases at death, while the guidelines set within a trust endures. The following are the two types of trusts:

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### *REVOCABLE TRUST*

A revocable trust can be altered or cancelled. It does not provide creditor protection during the life of the grantor, but does avoid probate, provide privacy and controls the frequency and timing of the distribution of assets. It may also include other stipulations/wishes of the grantor.

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### *IRREVOCABLE TRUST*

An irrevocable trust cannot be modified, amended, changed, or revoked (except in rare circumstances). Irrevocable trusts protect your assets from creditors since once those assets are designated towards the trust, they are no longer under your ownership. As a result, the appreciated value is not included in your gross estate, but is applied to your lifetime gift exemption at the time of the gift. Corporate trustee services to administer the trust are offered through your custodian to reduce the burden to family members/beneficiaries.

## Beyond the Will

There are an array of assets that pass outside of the "Will." These include items with a named beneficiary, i.e., IRAs/other retirement plans, life insurance policies, annuities, property owned joint with rights of survivorship, transfer on death and payable on death titling and assets owned by a living trust. It is therefore good practice to review beneficiary designations and account titling (community property, JTWRROS, tenancy in common) to ensure consistency with your estate plan to ensure that your attorney understands your goals. This may impact a variety factors such as how you title your share of ownership for assets titled community property or naming your trust as a contingent beneficiary in lieu of a minor.

## The Power of Communication

Once estate planning documents are drafted, engage your loved ones and beneficiaries in an open dialogue, communicating the existence of these documents, their location, and who has access to them. Many clients store these and other important documents in their Frontier Wealth PASS vault, providing access to their attorney, executor, and powers of attorney. Take the extra step to complete a “Letter of Instruction,” an informal document with no legal authority that discloses your financial and personal wishes with your heirs. This document can be customized to include an ethical will or other personal statements as well.

## Engage with Your Estate Plan

1. Schedule meetings with an experienced, local attorney to review your estate planning documents every five years or more as circumstances and tax and probate laws may change. Incorporating this practice into your checklist will reinforce your estate plan’s ability to effectively preserve your legacy.
2. Communicate with your loved ones, executor and powers of attorney where the documents are stored, who can access the documents, and how. Any power holders should be given an executed copy of such document for access to your financial accounts in the time of need.

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