



Legacy Essentials

Bridging generations

How you can help your clients realize their wealth transfer goals



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Empathy and aging

"I see and
understand
who you are"

"I see and
understand
**how you see
the world**"

"I see and
understand **who
you want to be**"

Agenda

Why financial professionals should take the lead in legacy planning

Estate planning and beneficiary designations

Translating concepts into real life and connecting with the next generation

Why financial professionals should take the lead in legacy planning



Why financial professionals should take the lead in legacy planning

Empathy and legacy

- ▶ Understand the family dynamic
- ▶ Discuss charitable goals

Why financial professionals should take the lead in legacy planning

Your role:

Leverage your understanding of the client's goals

- ▶ Identify risks and propose solutions
- ▶ Explain the necessity of estate planning
- ▶ Describe the mechanics of wealth transfer
- ▶ Bring beneficiaries into the process
- ▶ Discuss the appropriate people for important roles

Why financial professionals should take the lead in legacy planning

Goals of the legacy plan

- ▶ Transfer wealth
- ▶ Minimize conflict
- ▶ Minimize taxes
- ▶ Protect vulnerable beneficiaries
- ▶ Support the causes that matter
- ▶ Plan for succession

Estate planning and beneficiary designations



What is estate planning?



Distribution of a client's assets



Via wills, trusts and other means



To reduce costs and tax liabilities



While respecting your client's wishes

Why do I need a will?



Having a will avoids intestacy,
though it does not avoid probate



What a will controls

Covered by a will:

- ▶ All personal property that does not pass by other means

Not covered by a will:

- ▶ Retirement accounts
- ▶ Annuities
- ▶ Life insurance
- ▶ Jointly owned financial accounts
- ▶ Jointly owned real estate

Estate planning and
beneficiary designations

A will also allows you to:

- ▶ Choose an executor
- ▶ Name a guardian for children



Letter of instruction

Types of personal property to mention:

- ▶ Jewelry (wedding rings, heirlooms, etc.)
- ▶ Family photos
- ▶ Collectibles
- ▶ Art
- ▶ Cars

Issues to consider with wills

Remember that a will:

- ▶ Does not avoid probate
- ▶ Does not offer ongoing control



A will alone may be insufficient to meet client objectives.

Trusts can offer significant advantages

Trusts can:

- ▶ Help avoid probate
- ▶ Protect against incapacity
- ▶ Offer ongoing control over trust assets

Revocable or living trust

- ▶ Alternative to a will
 - Avoids probate and protects privacy
- ▶ Must be “funded”
- ▶ Controls property held by the trust
- ▶ Property can be moved in and out of the trust

Revocable or living trust *(continued)*

- ▶ Income is taxable to the "grantor," who controls the trust during their life
- ▶ The grantor can allow a successor trustee to manage property prior to the grantor's death
- ▶ The trust becomes irrevocable at death

Irrevocable or “nongrantor” trusts

- ▶ A separate taxable entity from the person who set it up
 - Files a trust tax return annually
 - The trust is generally not included in the estate of the grantor
- ▶ Transfers to an irrevocable trust are considered gifts
- ▶ The trustee will manage trust assets for the trust beneficiaries
- ▶ The trust can be used to control the distribution of property to beneficiaries
- ▶ The trust can be named as a beneficiary of qualified retirement accounts
 - Ask the Advanced Consulting Group for details

Common types of irrevocable trusts

- ▶ Marital trust
- ▶ Credit shelter trust
- ▶ Special needs trust
- ▶ Irrevocable life insurance trust
- ▶ Charitable trust



The Advanced Consulting Group offers trust details.

Tax treatment of trusts

Tax efficiency is important

- ▶ There's a **37%** tax rate at just **\$13,050** of retained income (2021)
- ▶ A **3.8%** NIIT also applies

Tax-efficient investment options

- ▶ Municipal bonds; low-turnover portfolios
- ▶ Deferred annuities (tax deferral plus tax-efficient transfer opportunities)

Beneficiary designations

Assets with beneficiary designations



IRAs and Roth IRAs



Qualified retirement plans



Annuities



Health savings accounts (HSAs)



Life insurance

Common mistakes in beneficiary designations*

* Tax-deferred retirement accounts

- ▶ Failing to consider restrictions on stretch distributions
- ▶ Leaving designations blank or incomplete
- ▶ Failing to identify both primary and contingent beneficiaries
- ▶ Neglecting per capita vs. per stirpes
- ▶ Naming minors as beneficiaries
- ▶ Naming an estate as a beneficiary
- ▶ Naming a trust as a beneficiary




Estate planning and
beneficiary designations

Beneficiary considerations

The stretch option remains on
nonqualified annuity contracts

Options to restrict distributions

- ▶ Nonqualified annuity contracts
- ▶ Life insurance payouts



**Translating concepts
into real life and
connecting with
the next generation**

Translating concepts into real life and
connecting with the next generation

Spousal beneficiaries

Potential issues:

- ▶ Younger spouses
- ▶ Older spouses
- ▶ Community property issues

Translating concepts into real life and
connecting with the next generation

Spousal beneficiaries *(continued)*

Potential issues:

- ▶ Second marriages
 - QTIP?
 - Beneficiary designations?

Translating concepts into real life and
connecting with the next generation

Do you have an income plan for the surviving spouse?

Are you addressing
the "widow's penalty"?

Is there a guaranteed
income stream?

Have you considered
the drop in Social
Security income?

Would a tax-free
death benefit help?

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connecting with the next generation

Adult children and other nonspouse beneficiaries

How well do you know your client's beneficiaries?

- ▶ High earners?
- ▶ Bad money managers?
- ▶ Spouses (in-laws)?
- ▶ Behavioral issues?
- ▶ Special needs?
- ▶ Siblings and close friends?

Translating concepts into real life and
connecting with the next generation

Key issues for nonspouse beneficiaries

- ▶ Trusts may be needed
- ▶ Life insurance is a key funding strategy for special-needs and other trusts
- ▶ Elimination of the "stretch" option
- ▶ Roth planning



Translating concepts into real life and connecting with the next generation

Leaving assets to grandchildren

Issues to consider:

- ▶ Minors do not have legal capacity
- ▶ Minors get relief from new distribution rules
- ▶ 529 plans offer a unique gifting opportunity
- ▶ Be aware of the generation-skipping transfer tax

Translating concepts into real life and connecting
with the next generation

Charitable giving

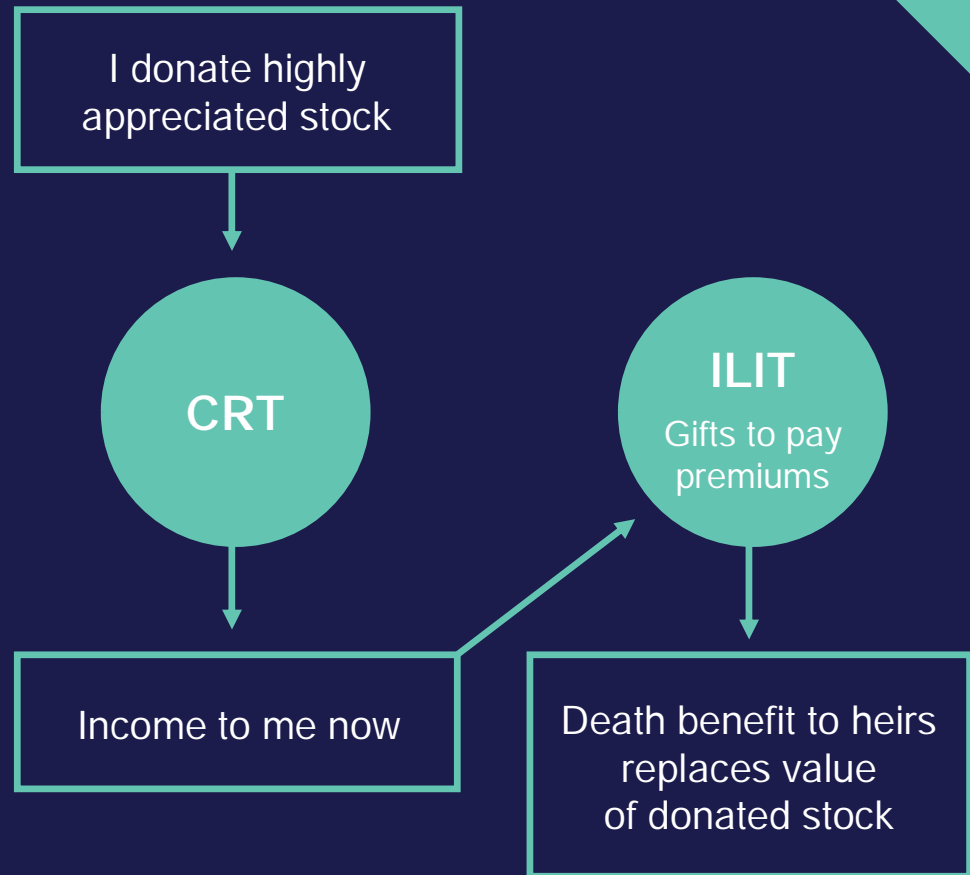
There are many ways to execute on charitable intent

- ▶ Charitable gift strategies
- ▶ Qualified charitable distributions
- ▶ Charitable trusts
- ▶ Donor-advised funds
- ▶ Charitable bequests

Translating concepts into real life and connecting with the next generation

Charitable giving

Consider a wealth replacement trust





Translating concepts into real life and connecting with the next generation

When a business is part of a client's legacy

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connecting with the next generation

Land As Your Legacy[®]



Translating concepts into real life and connecting with the next generation

Connecting with the next generation

87% of affluent investors choose **not** to work with their parents' financial professional¹

88% say they never even considered it¹

¹ "U.S. Retail Investor: Inheritance," Cerulli Associates (Q2 2019).

Translating concepts into real life and connecting with the next generation

Build a plan that includes the next generation

- ▶ Ask for introductions
- ▶ Arrange meetings
- ▶ Show them what you have done

Summary

Practicing empathy opens the door to discussions about what really matters

Legacy planning puts you in the center of the client's world

It can help you retain and grow your business

Thank you



More resources

NationwideFinancial.com/Legacy-Essentials

Advanced Consulting Group Call 1-614-677-6500 or
email ADVCG@nationwide.com

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