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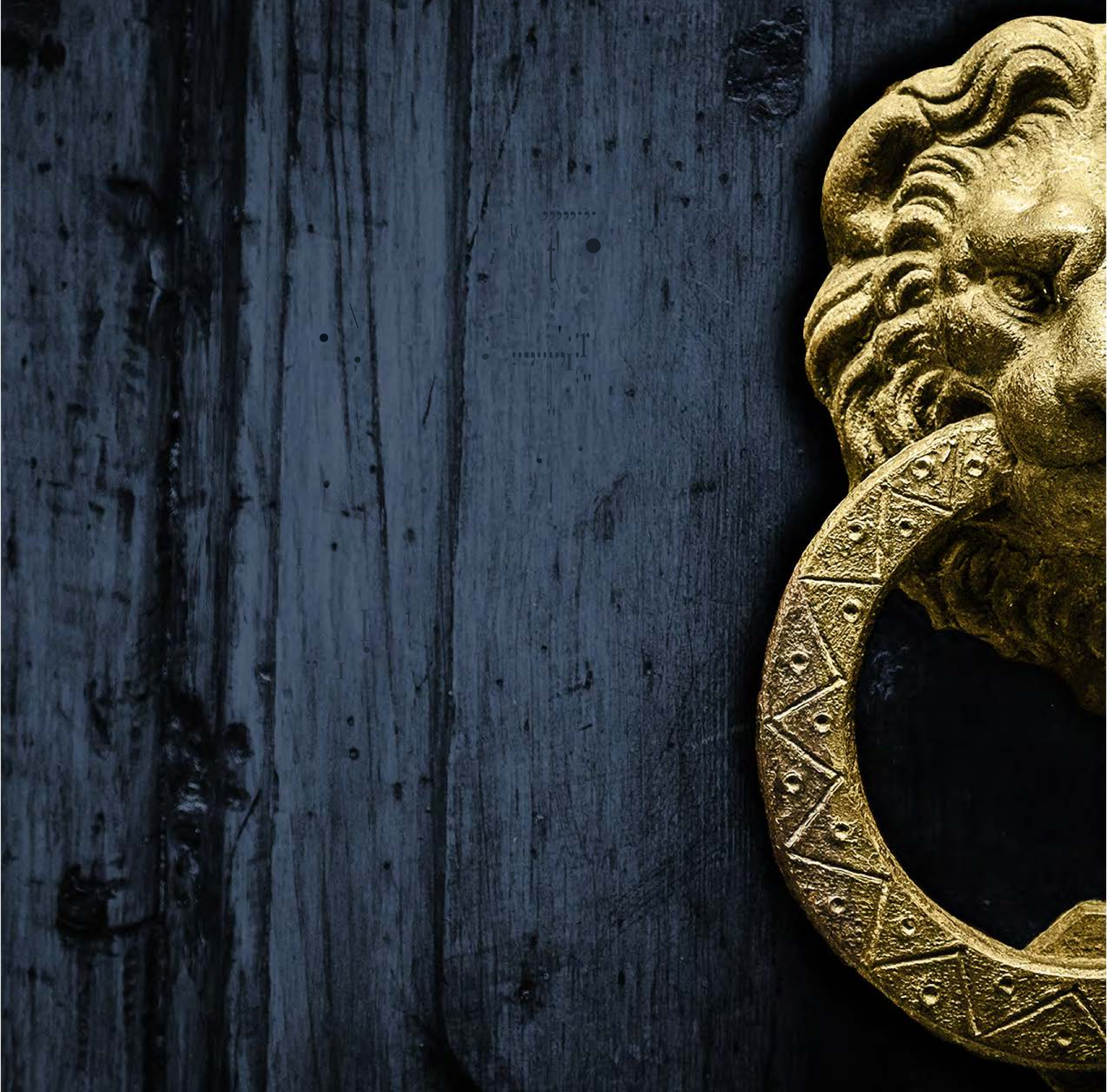
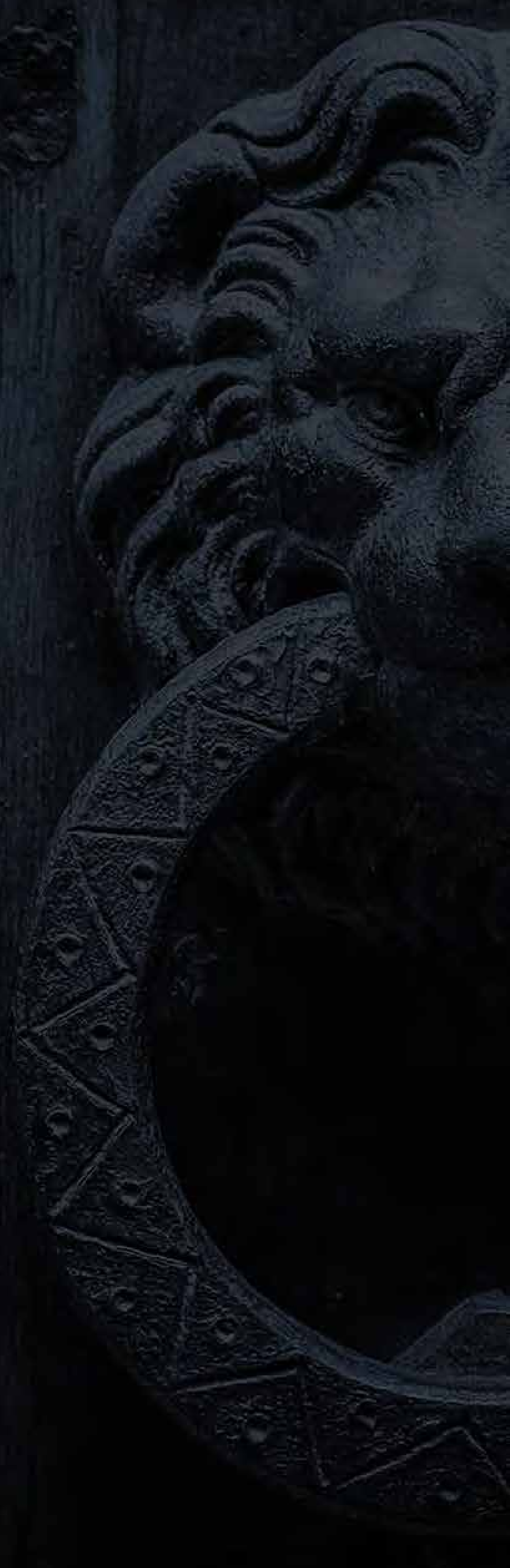


LEGACY AND ESTATE PLANNING

UNDERSTAND THE BASICS



Estate planning is a function of preparing for the inevitabilities of life. People get sick or hurt and you need a plan in place to determine what kind of medical care you'll receive if this happens to you. People become incapacitated, unable to make important decisions on their own, or unable to live independently. And of course, people die. Estate planning helps to protect your family and your assets in any of these unfortunate situations.

If you are beginning the legacy and estate planning process, your first concern is to provide your loved ones with the most resources as possible, as well as minimizing the tax burden for you both. However, your legacy is not just about increasing the financial wealth that you hope to pass on to future generations. It also involves preparing your family for the wealth they will receive and understanding what wealth means to individual family members and to the family as a whole.

This information is designed to help you better understand the elements involved in Estate Tax & Multigenerational Legacy planning.

In the next 30 years, approximately $40 trillion will pass from the Baby Boomers to future generations. A Pew Research Center analysis of census data found that in 2016 a record 64 million people-20 percent of the U.S. population-lived in multigenerational homes_i That number is expected to keep rising. Many grown children are moving in with mom and dad in order to make ends meet while paying off student loans. In other situations, grandparents may be recruited to provide childcare. And in a growing number of cases, adult children are reworking their housing arrangements to accommodate the needs of aging parents.

Multigenerational legacy planning should involve all those who will be part of your legacy plan. Good planning is critical to the success of these arrangements and to make sure all family members feel respected and included. It also involves a cross-generational understanding of what wealth means to individual family members and to the family as a whole.

There are three fundamental questions that should be addressed in multigenerational legacy planning:;;

1. What does my family want to do with the wealth that has been created? Whether you have near-term cash now priorities, long-term wealth transfer plans, or philanthropic goals that will span generations, identifying your objectives is the first step when creating a legacy plan. Generally, families that succeed through generational transitions of their legacy have developed real trust-and that trust is built through compassionate and candid conversation.

2. *How do I combine values and wealth to create a lasting legacy? Ask yourself and your family members questions and carefully reflect on the answers before determining what you want your legacy to be. Keep in mind that these can be very sensitive conversations. Discussing your values and aspirations with those important to you can help you develop a detailed wealth plan that aligns with your legacy goals.*

3. *Does my legacy plan align with my vision? Strategic planning aligns your values and goals with your overall investment strategy and wealth plan. Families who are successful in implementing their desired legacy and transitioning wealth to the next generations typically follow two best practices: developing family wealth goals and discussing planning options with select advisors to determine what strategies will best meet those goals.*

The Estate Tax is a tax on your right to transfer money or property at your death. For 2019, the estate tax basic exclusion amount is $11,400,000 for individuals. This means that Americans can exclude this amount of assets from their taxable estate. In other words, if you die and leave $11,500,000 worth of investments and other assets to your heirs and haven't given any taxable gifts, only $100,000 of this will be subject to estate tax.

What's more, this exclusion amount is per person. Married couples get an exclusion for each spouse, so a couple can leave as much as $22,800,000 to their heirs, and the IRS can't collect a penny of estate tax.[iii]

The tax rate on estates in excess of the exemption amount is now at 40%. The High Net Worth Investor ($1MM or greater in investable assets) will continue to plan around the estate tax, whittling down their estates with lifetime wealth transfer strategies to keep below the new threshold and avoid the 40% federal estate tax.

The HNWI can make use of the $15,000 annual exclusion amount. You can give away $15,000 to as many individuals as you'd like. A husband and wife can each make $15,000 gifts. So, a couple could make $15,000 gifts to each of their four grandchildren, for a total of $120,000. In addition, if you gift an amount that's above the annual gift tax exclusion, you can use the lifetime estate and gift tax exemption to pass on money tax free. The combined lifetime estate and gift tax exemption limit is now $11.4 million.[iv]

Sometimes the estate tax is referred to as a ((death„ tax where the executor of your estate, or whoever has been charged with distributing your money and property to heirs, has to pay the federal and/or state government when you die. Currently, there are 15 states that have an estate tax as well, which may kick in at a lower threshold than the federal estate tax does. There are ways in which you can help reduce or eliminate your state estate taxes.

- *Remove assets from your estate before you die. Make annual, tax-free gifts. This is a simple, no-cost way to save estate taxes by reducing the size of your estate.*

- *Transfer life insurance policies to an irrevocable life insurance trust. Here, you remove death benefits of the existing policy from your estate. However, if you die within three years of the transfer, it will be included in your estate.*

- *Use a qualified personal residence trust to remove your home from the estate at a discounted value, while still being able to live there.*

- *A grantor retained annuity trust or grantor retained unitrust is a way to remove income-producing assets from the estate at a discounted value, while still being able to receive income.*

In the state of Massachusetts, you can only pass on up to $1 million without triggering the state's estate tax. The estate tax ranges from .08% to 16%. It's important to note that if the estate is worth $1 million or over, the entire estate will be taxed, not just the amount over $1 million. Unlike the federal estate tax exemption limit, the Massachusetts estate tax exemption limit does not double for couples, it remains at $1 million.

Source: https:!!www.mass.gov/guides/a-guide-to-estate-taxes

- *Transfer assets to your children to reduce your taxable estate by creating a Limited Liability Company or Family Limited Partnership. Here, you're also able to protect your assets from future lawsuits, creditors, or even spouses.*
- *Use a Charitable Remainder Trust to convert appreciated assets into lifetime income with no capital gains tax. This saves both estate and income taxes where the charity receives trust assets after you die.*
- *Use a Charitable Lead Trust to remove assets from your estate, saving estate taxes, and distribute the income to a charity for a set period of time after which the trust assets then go to your loved ones.*[v]
- *Buy life insurance to replace assets given to charity and/or pay any remaining estate taxes. This is done through an Irrevocable Life Insurance Trust where death benefits are not included in your estate because you are paying estate taxes and/or replacing charitable gifts with the trust.*

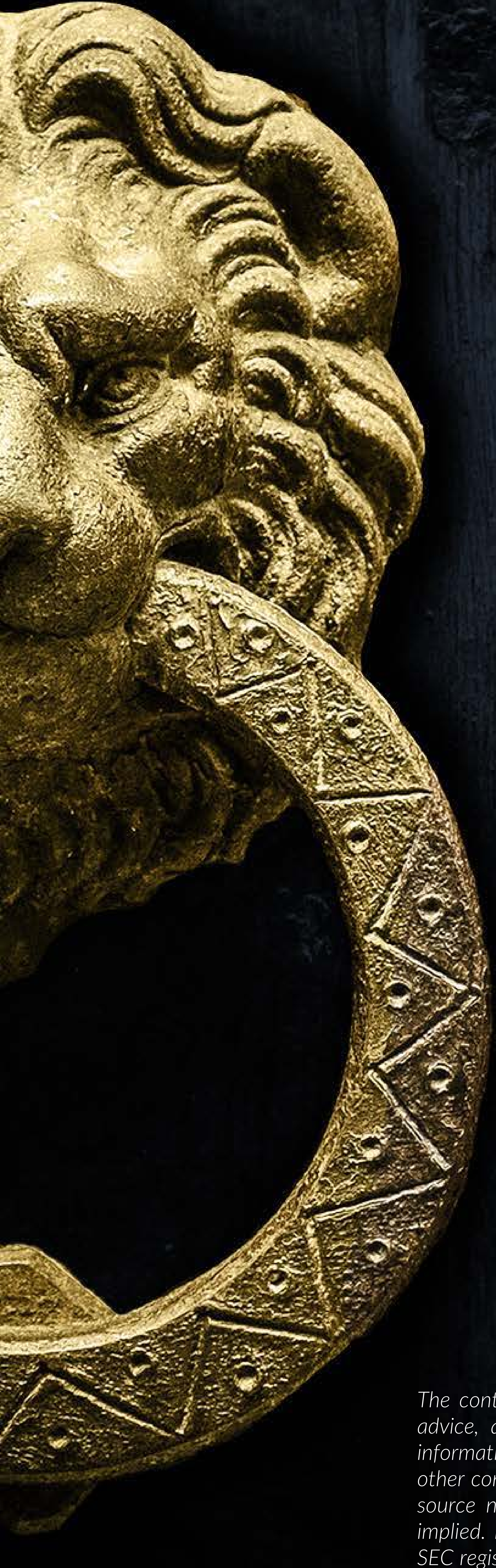
In the end, there are many different strategies for HNWI to properly manage and transfer their estate. But, if not planned for carefully, estate taxes could end up diminishing the value of your estate for your heirs.

You've worked your entire life to support your family and deserve the peace of mind that a comprehensive estate plan can give you. Estate plans need to be designed and executed with a high level of attention to detail to minimize related taxes for your family and heirs, to allow your assets to pass on outside of probate court, and make sure your final wishes are carried out exactly as planned. Even small mistakes can prove to be very expensive and invalidate legal documents, which is why our team of professionals takes the time to review every aspect of your plan extensively.

The process of building this strategy to maximize the transfer of your estate can be complex, but our financial experts are here to help you leave a legacy — one that creates a true impact on your loved-ones, special interests, or charities. We encourage you to contact us for a complimentary estate plan review or to go over estate planning basics.

SHP Financial Servicess specializes in helping retirees & pre-retirees plan for a nest egg that lasts as long as they do and help minimize the burden placed on their loved ones in any outcome. Take control of your personal wealth and work with a team of retirement planning experts to devise a custom strategy that carries you to and through a safe, successful, and enjoyable life in retirement.

CLICK HERE to Begin Building Your Plan To Create A Financial Legacy For You and Your Family



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