

# Estate Planning: Establishing a Framework for Planning

When it comes to Estate Planning it is important to know that every situation is unique and there is no one-size-fits-all approach. However, establishing a clear framework can help you define your goals and build a tailored strategy.

**Here is our guide to help you think through the process:**

## 1. What Are Your Values and Vision?

Before diving into mechanics, start with purpose:

- Why are you creating this plan?
- What is the legacy you want to leave for your family and for things you care about?
- What do you want your money to accomplish?

## 2. Who Do You Want to Receive Your Assets?

No one can answer this for you — only you can decide who benefits and in what proportion. This includes children, grandchildren, charitable organizations, or other beneficiaries.

- Do any beneficiaries need special protections (creditor issues, special needs, spendthrift concerns)?
- Do you own real estate you want to keep in the family?
- Do you want any portion of your estate to go to charity?

## 3. When Do You Want Them to Have It?

The “when” drives the structure of the plan.

- Outright at death?
- At certain ages?
- Upon reaching specific milestones?

#### 4. Are There Any Restrictions or Protections You Want in Place?

This is where trust planning can help you plan to meet your estate goals. A trust allows you to control distributions beyond your lifetime. You can include virtually any restriction, as long as it is legal.

##### 3 Trust Provisions to consider:

*Spendthrift Clause* - Assets remain inside the trust and are protected from the beneficiary's creditors.

*Special Needs Protections* - If a beneficiary has special needs or receives government benefits, specific trust language can protect eligibility while still providing supplemental support.

*Grandchild Restrictions* - You may want separate stipulations governing distributions to grandchildren, particularly if a child has predeceased them.

#### 5. Choosing a Trustee

The person or institution you choose as trustee holds significant power over how your wishes are carried out. Key considerations:

- Be cautious about naming a beneficiary as successor trustee. This can create a conflict of interest — the person controlling distributions is also the person receiving them.
- Consider a corporate trustee or independent third party for administration.
- Discuss trustee succession planning. Who steps in if the primary trustee is unable or unwilling to serve?

#### 6. Common Distribution Approaches

*Equal Division — Everything Split Evenly:* All assets are divided equally among children with no restrictions.

*Equal Division with Age-Based Restrictions:* Assets are divided equally, but distributions are staggered based on the beneficiary's age.

*Legacy Real Estate Held in Trust:* When a client owns a family property they want to stay in the family — a vacation home, ranch, or family homestead — that real estate is placed in a trust separately, with the remaining assets distributed on their own terms.

*Goal-Based Restrictions:* Distributions are tied to specific milestones or purposes, such as funding education, purchasing a first home, or starting a business.

*Per Stirpes vs. Per Capita Planning:* If a child predeceases the client, what happens to that child's share? Per stirpes passes it down to that child's children. Per capita redistributes it equally among the surviving beneficiaries.

## 7. Asset-Specific Considerations

- IRAs and Qualified Accounts carry unique tax implications for beneficiaries.
- Non-Qualified Accounts receive a step-up in cost basis at death.
- Real Estate may need to be titled differently or held in trust to avoid probate or preserve family legacy.
- 529 Plans have named beneficiaries and pass outside the estate — but should still be coordinated with the overall plan.
- Charitable Giving — Does you want any portion of the estate directed to charity? If so, determine the best structure which could include a trust.
- Life Insurance - If needed to help pay estate taxes, determine if a trust planning for the life insurance policy is needed.

These are just a few key considerations when initiating your estate plan. If you are preparing to implement a plan, we encourage you to reach out to your financial advisor. If you do not currently have one, we would be happy to partner with you to create a secure plan for your future.

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