

## Family Continuity Plan

In our planning newsletter last October we discussed the importance of updating your estate plan on a regular basis. In addition to keeping all of your estate planning documents up to date, we also recommend that you create a Family Emergency User Manual to go along with them.

A Family Emergency User Manual is your family's financial and operational blueprint in case an unexpected (or even an inevitable) crisis occurs. If someone becomes incapacitated or passes away, the surviving family members and estate designees need to know where to find everything and how to operate the household during an emotional time. Your User Manual should include:

- Contact list of all important people (estate attorney, financial advisor, insurance agent, trustee, doctors, child caregivers, vets, important family friends, etc.)
- List of your accounts including what bank or brokerage company they are with.
- There's frequently an old account at a credit union (or the likes) from 20 years ago that someone forgot to transfer.
- This includes credit cards, mortgages, auto loans.
- List of current life and disability insurance policies.
- Location or list of passwords (or what password manager you use).

Other important information including:

- Where is the safety deposit box located?
- What is the safe code?
- Where are the keys and locations of other important assets (like a storage unit)?
- List of rewards points accounts (credit cards, airline miles, hotels, etc.)
- Where are valuable items hidden in the attic or basement?
- Where can other important documents be found that aren't part of your estate documents package (e.g. DD-214 for veterans)?
- List of utilities or other bill pay items like gardener, housekeeper, etc.

For our clients, one easy way to have all your financial account information listed in one place is to

## Executive Summary

- Every family should create a Family Emergency User Manual. This is your family's financial and operational blueprint in case an unexpected crisis happens.
- Communicate or leave a Trail on How to Find your User Manual.
- Consider gifting to family members or charities during your life so you're able to enjoy seeing others benefit from your generosity.
- A lifetime gifting plan gives you time to better educate and communicate, and it reduces the risk of inheritors using a windfall unwisely.
- When gifting to charity, consider giving annuity or IRA assets because these assets will be taxed if given to a family member but will not be taxed if given to a charity.
- Tax free Roth IRAs or non-retirement investments that receive a step-up in basis make ideal gifts to family members.
- Consider funding 529 plans for grandchildren and UTMA investments for younger relatives.
- Don't assume that giving a \$500,000 IRA and a \$500,000 Roth IRA are the same thing, particularly when dividing assets amongst family members.

use our eMoney Financial Dashboard. If you are using it, great! If you aren't and you'd like more information about it, please reach out.



## Communicate or leave a Trail on How to Find your User Manual

If you work in a building with a fire alarm, but the switch is hidden away, what happens when there's an actual fire? Your manual should be clear and conspicuous on one hand, but you may not want to leave a bright red binder labeled "Family Emergency User Manual" sitting on your living room bookshelf either. We commonly hear from clients that they don't want to leave this information in public view or even in an organized file cabinet for unscrupulous people or burglars to peruse.

Every household is going to address this differently but regardless of your approach - it's most important that you communicate the location well or at least leave a logical trail someone can follow. Please think twice about filing the manual under "Veterinary Bills" or stashing it in a linen closet.

## Gifting to Family Members or Charities During Your Life

Gifting to family members and charities during your life has its own advantages over waiting to gift by will or trust. Here are a few thoughts:

- Numerous clients have told us that getting to see the gift in action is very powerful and rewarding.
- A new refrigerator, a family vacation, or help with a wedding can mean more now than a cash gift or inheritance years down the road.
- Gifts now can provide "financial insurance" and help set-up a family for success for years to come.
- A gifting plan allows for education and fuller communication with the recipients. It reduces the risk of inheritors using a windfall unwisely.
- Gifting during life reduces estate contestation possibilities.
- After one passes away, testamentary gifts can add complexity and unwanted disclosure requirements.
- Recipients can delay the distribution of assets and even request a formal accounting (even a charity).
- If you do wish to make a testamentary gift to a charity, try to have those organizations waive their accounting and contestation rights while setting up the gift.
- Gifting that creates dependence or could hinder a younger person's drive for independence and autonomy should be avoided - consider initially giving in smaller amounts so you can see the results and adjust your plan as needed.



## Simple Ideas for Transferring Wealth More Effectively

Taxes are a big part of our lives, and being aware of how they affect the transfer of your estate from one generation to the next (while you are alive and also at your death) is very important. Below we've listed a few simple ideas to consider in an effort to transfer your wealth more tax efficiently:

- If gifting to a charity, consider giving annuity or IRA assets because these assets will be taxed if given to a family member, but would not be taxed if given to a charity.
- Family members are better off receiving Roth IRA accounts or non-retirement money that will receive a step-up in basis at death, which means there will be limited to no tax due on these assets if withdrawn.
- Consider Roth conversions in later life - particularly if you live in a lower tax state than your inheritors.
- An inherited Roth IRA can remain open 10 years after the original owner's death, giving the beneficiary an additional 10 years of tax-free growth potential.
- Fund 529 plans for grandchildren.
- Open UTMA's (Uniform Transfers to Minors Act) accounts for younger relatives.
- You shouldn't gift a low-cost basis investment that will get a step-up until death to a family member (unless they are in a lower tax bracket), but giving low-cost basis assets to a charity should be considered.
- Consider gifting assets with high appreciation

potential now while their value is lower.

- Remember, not all assets are created equal. A savings account, IRA, Roth IRA, and vacation home are all very different assets to bequest. Their tax treatment impacts their value. Don't assume that giving a \$500,000 IRA and a \$500,000 Roth IRA are the same thing, particularly when dividing assets amongst family members.

*Past performance is no guarantee of future results. All content in this newsletter is intended as general information, not specific advice. Performance data listed is for illustrative purposes only. Portfolios are personalized and often consider many variables, including investment objectives, age, time horizon, risk tolerance, and tax variables. Information contained herein has been obtained from sources believed reliable, but not guaranteed.*

## Don't Forget to Pass on Your Most Precious Asset – Your Stories

We often hear anecdotes from clients about the most precious gifts received from their parents. More often than not, these gifts turn out to be written stories and messages their parents left them about their lives, their values, and the love they shared with each other.

In our April 2014 planning newsletter, we wrote in detail about this. Because it is such an important topic, we decided to include a quote contained in that newsletter below:

“People have a natural desire to pass on more to loved ones than their money. Our humanity instills in us a need to help the next generation progress by passing on what we have learned, the ideas we hold most dear, and beliefs precious to us. Traditional estate planning fails to address this most fundamental desire. As a result, many wills go unsigned, and many people die without ever passing on their most valuable assets. Wisdom is wasted, like a library burned.”

This quote is from Andrew Gluck, who at the time was President & CEO of Advisor Products, Inc. and it was in the forward to Scott Farnsworth's book entitled, “Like a Library Burning – Sharing and Saving a Lifetime of Stories.”

We encourage you to give your heirs this most precious gift. We also encourage you to read our April 2014 Planning Newsletter entitled, “Passing On Your Most Precious Asset – Your Stories.”

## Summary

Create a Family Emergency User Manual for your family if you don't already have one. It will help to round out your estate plan and make things much easier for those you leave behind.

Consider making gifts to charities and family members while you are around to see their positive impact, and don't forget that your written stories and thoughts may (in the long run) end up being viewed as the most precious gift you gave.

We hope you and your family are well. Please contact us if you would like to discuss this or any other aspect of your financial life in greater detail.

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