

# LIFE PLANNING SOLUTIONS

INSIDE THIS ISSUE:

*Estate Q and A* 2

*Continued* 3

*What to do When a Spouse Dies* 4



Like us on Facebook!

Visit our website,

**www.rfmoney.com to:**

- Learn more about Rosenberg Financial Group, Inc.
- Download, read, and share special reports.
- Order publications.
- Request a no-cost, no-obligation consultation.

Listen to our Radio program, *Your Money*, on AM940 every Saturday morning from 9-10

## GETTING YOUR AFFAIRS IN ORDER

It seems to me that I talk about this subject a lot, but I feel the need to bring it up again. During the month of December I met a lot of people who tragically, and unexpectedly, lost loved ones. Some were prepared for this worst-case scenario, and some were not. The big question is, are you prepared?

In this newsletter I will talk about wills, powers of attorney and beneficiary designations. If these three things are out of date, and a person dies, the end result is not good. The assets may go to the wrong people, or be assigned to deceased people. The bottom line is not having things in order can make things much more complicated, and damage relationships. That's why I wrote the Life Book, which is available, free of charge, on our website. The



book is a guide to help you do all of this, and more. I hope it helps.

Sherri

## THE ESTATE AS BENEFICIARY

Years ago, when I was in the group insurance business, I recall an early training class where we were told to always use "estate" as the beneficiary on an insurance policy. Someone asked why this should be done, and the trainer responded, "It is faster, and you don't ever have to worry about changing it. This also prevents the wrong person from getting the money." Bad advice.

It is not usually a good idea to name your estate as beneficiary on retirement accounts, investment accounts, or life insurance policies. By naming the estate as beneficiary, the proceeds from the accounts or policy have to transfer by the will, meaning they must be deposited into the estate account. This means that it will take longer

to get these funds to the heirs, but that's not the worst problem. If you name your estate as beneficiary on a retirement account (IRA or employer plan that will roll over into an IRA), the estate beneficiary designation **changes how the funds are paid out at death.** It makes the beneficiary have to take the funds out sooner, and they will probably pay more in taxes.

If a named person is the beneficiary of an IRA, the assets can be moved to a beneficiary account in their name for their benefit, and the beneficiary would only have to take annual Required Minimum Distributions based on their life expectancy. The remainder of the account could continue to grow for their retirement. This option is lost if the estate is beneficiary.

# ESTATE Q AND A

**Disclaimer:** I am not a CPA, nor am I an estate planning attorney. This is general information that I am sharing so that you can become aware of concepts and learn more about them from legal or tax professionals. This information should not be viewed as legal or tax advice.

## What's an Estate, Anyway?

According to IRS.gov, the Gross Estate of the decedent consists of an accounting of everything you own or have certain interests in at the date of death. This property may consist of cash and securities, real estate, insurance, trusts, annuities, business interests and other assets. Keep in mind that the Gross Estate will likely include non-probate as well as probate property.

There are numerous exclusions and deductions, the largest being the unlimited marital deduction. All property that is included in the gross estate that passes to the surviving spouse is eligible for the marital deduction.

## Who Pays Estate or Gift Taxes?

Many people don't realize that they will not need to worry about Federal Estate and Gift taxes. These two programs have been unified, and the total **lifetime** exclusion amount is \$5,490,000 for 2017. This amount also increases with inflation each year.

The **annual** gift tax exclusion for 2017 is \$14,000. So, you can personally make a gift, to any number of people, of \$14,000 each year (unless this amount changes) and not have to report this anywhere. However, if you gift more than that amount to any person, you would claim this on your tax return and it would count against your total lifetime exclusion amount.

So, if you do not have an estate worth over \$5,490,000, and you die, your estate will pass to your heirs without owing estate tax. And, they will not owe any tax by inheriting these assets. The estate tax exemption used to be much smaller, and was the reason many people held assets in trusts.

## Who Will Owe Tax on the Sale of my Home?

Your home will pass based on the way the account is titled, or by your will. If you and your spouse own a home as Joint Tenants with Rights of Survivorship, when one dies the home ownership can be easily deeded to the surviving spouse.

If you own your home, and your will directs that non-spouse heirs will inherit it, upon your death the homeownership will be transferred to your heirs. If they decide to sell it, they may not owe any taxes from the sale because assets, such as your home, receive a step-up in cost basis to the date of death value. This means your home could be sold shortly after your death, and no capital gains tax would be owed from the sale.

Important note: if you gift property to a person, they do not receive a step-up in cost basis when you die, because they already own the property.

## What if the Second to Die Will Owe Estate Taxes?

Let's say that you and your spouse each have \$3 million in assets, and when one of you dies, all assets go to the surviving spouse. Now, the surviving spouse will own assets worth over \$6 million, and be over the threshold. The deceased spouse's estate exemption can be granted to the surviving spouse. This must be done within nine months of the death of the first spouse. A CPA can help with this.

## Do You Need a Will?

If you own property in your name, that cannot pass by a beneficiary designation, you need a will. When you create your will you will name an Executor, who is the person that will disburse your estate. I recommend adding a back-up Executor in case the primary executor is unable to do the job when the time comes.

In your will you can also specify who gets certain personal items, you can nominate a guardian for minors, you can create a trust if one is necessary, and you can designate gifts to charity.

*"Let our advance worrying become advance thinking and planning."*

*Winston Churchill*

## CONTINUED

### What if I Don't Have a Will?

The State will follow its laws for distribution of your estate, and your spouse may get as little as 1/3 of your assets.

Here's a true story. A woman came up to me after a speaking engagement years ago, and said she had been after her husband to make a will for years. He died unexpectedly, and he had two adult children from a previous marriage. All assets, including the home, were in his name.

The court gave her 1/3 of the house and the investment accounts/savings, and each adult child also got 1/3 of the house and the money. Do you think either child turned down this inheritance? No, they did not. She had believed that she would have enough money to live on in retirement, and because a will was not made, she was now financially devastated.

### What About Advance Directives?

An Advance Directive has three parts. Part one is where you name a Health Care Agent. This person can make health-care decisions if you cannot do so for yourself. They can also make decisions after your death with regard to organ donation and final disposition of your body.

Part two allows you to set up treatment preferences if you are unable to communicate your preferences, and you either have a terminal condition or are in a state of permanent unconsciousness.

Part three is where you nominate a person to be your guardian should one ever be needed.

I encourage everyone to complete an Advance Directive, and they are free. Go to [www.caringinfo.org](http://www.caringinfo.org), which is the National Hospice and Palliative Care website. Find the Georgia Advance Directive, and print it. The instructions for completing the document are included and easy to follow. Once complete, this document should be copied to your doctor and all responsible parties.

### What About Minor Children?

Minor children cannot inherit assets, so if they are listed as a beneficiary, a Custodian also needs to be named.

Another issue with minor children is what happens when their parents die. Let's say you have three single children, and each of them has a child. Three kids and three grandkids. In your IRA, you designate your spouse as your primary beneficiary, and your three children as contingent beneficiaries. If one of your children passes and the will is not updated to include the grandchild, the grandchild will get nothing.

An option in this scenario is to list the adult children as contingent beneficiaries, Per Stirpes (Latin for "by branch"). An estate of a decedent is distributed per stirpes if each branch of the family is to receive an equal share of an estate. When the heir in the first generation of a branch predeceases the decedent, the share that would have been given to the heir would be issued to their children in equal shares.

### What are POD and TOD?

If you have a retirement account, there is a place for you to assign beneficiaries. If you have a bank account, you can use a POD, or Pay on Death form, to assign beneficiaries. If you have a non-retirement investment account, you can use a TOD form to assign beneficiaries. This makes it very simple for the Executor to move money to the beneficiaries, as it passes outside of the estate.

Ask your bank(s) for these forms, and they will provide them for you. If you have non-retirement investment accounts, ask about moving this money to a TOD account. The process is very simple.

### Where Should I Keep This Information?

Put instructions for your executor in a secure place, and let them know where it is and how to get to it. Include important contact information and instructions for everything they will need to do.

*"Thinking well is wise; planning well, wiser; but doing well is the wisest and best of all."*

*Unknown*

---

## Rosenberg Financial Group, Inc.

2517 Moody Rd.  
Warner Robins, GA 31088  
Phone: 478-922-8100  
Fax: 478-922-3090  
Email: [sherri@rfmoney.com](mailto:sherri@rfmoney.com)  
[www.rfmoney.com](http://www.rfmoney.com)

Securities offered through Royal Alliance Associates, Inc. Member FINRA/SIPC. Advisory services offered through Rosenberg Financial Group, Inc., a Registered Investment Advisor not affiliated with Royal Alliance Associates, Inc.

The opinions and information provided from the web sites sourced in this newsletter are not necessarily the opinion of Royal Alliance Associates, Inc. This material is not intended to be a substitute for financial or legal advice. Royal Alliance Associates makes no representation as to the completeness or accuracy of information provided through these sites.



---

# WHAT TO DO WHEN A SPOUSE DIES

I meet a lot of widows, usually after they have taken care of final expenses, and burial or cremation. The funeral home has usually filed for life insurance and Social Security benefits. By this point they are so exhausted and stressed, they're not sure what they even need to do next. Here are some priority steps that need to be taken:

1. Review the new household cash flow and expenses, and see if there is a gap. Most couples live on multiple streams of income, but most widows have one remaining source, usually Social Security. Will this be enough to meet the monthly obligations, and what other resources exist?
  2. Use resources wisely. One of the first things a widow will ask me, especially if she received a large amount of money from a life insurance policy, is how much money she can safely give the children. I usually urge them not to start this, because it can become a slippery slope toward dependence. And, they need to consider that they could live a long life and need the money to pay for their own care.
  3. Seek help. I consistently hear that there were all sorts of visitors before and after the funeral, then widows feel somewhat abandoned once everyone leaves and the loneliness is painful. Ask the supportive people in your life for help. Call a neighbor. Attend a grief support group. You are not alone.
  4. Deal with the bills. Make sure everything continues to be paid on time and slowly move accounts into your name. If some bills are paid automatically by a credit card, secure the new card and set up payment before the old account is closed.
  5. Meet with the advisors. If the widow or widower didn't attend the meetings with the financial advisor, tax preparer or attorney before, it's now time to meet these people and understand how they can help and what needs to be updated. If you would like to read more advice for widows and widowers, there is a free report on our website. Go to [www.retirerelax.com](http://www.retirerelax.com) and click on Free Reports.
-