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# **Tax, Trust and Estate Planning Overview**

**Wealth and Estate Planning Strategies**

**Family Office Resources**

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SECTION 1

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# Executive Summary

# The Expanding Role of the Ultra High Net Worth Advisor

As the Demands of Your Family Grow and Evolve, You are Likely to Need Advisors Who Have Expanded their Capabilities.



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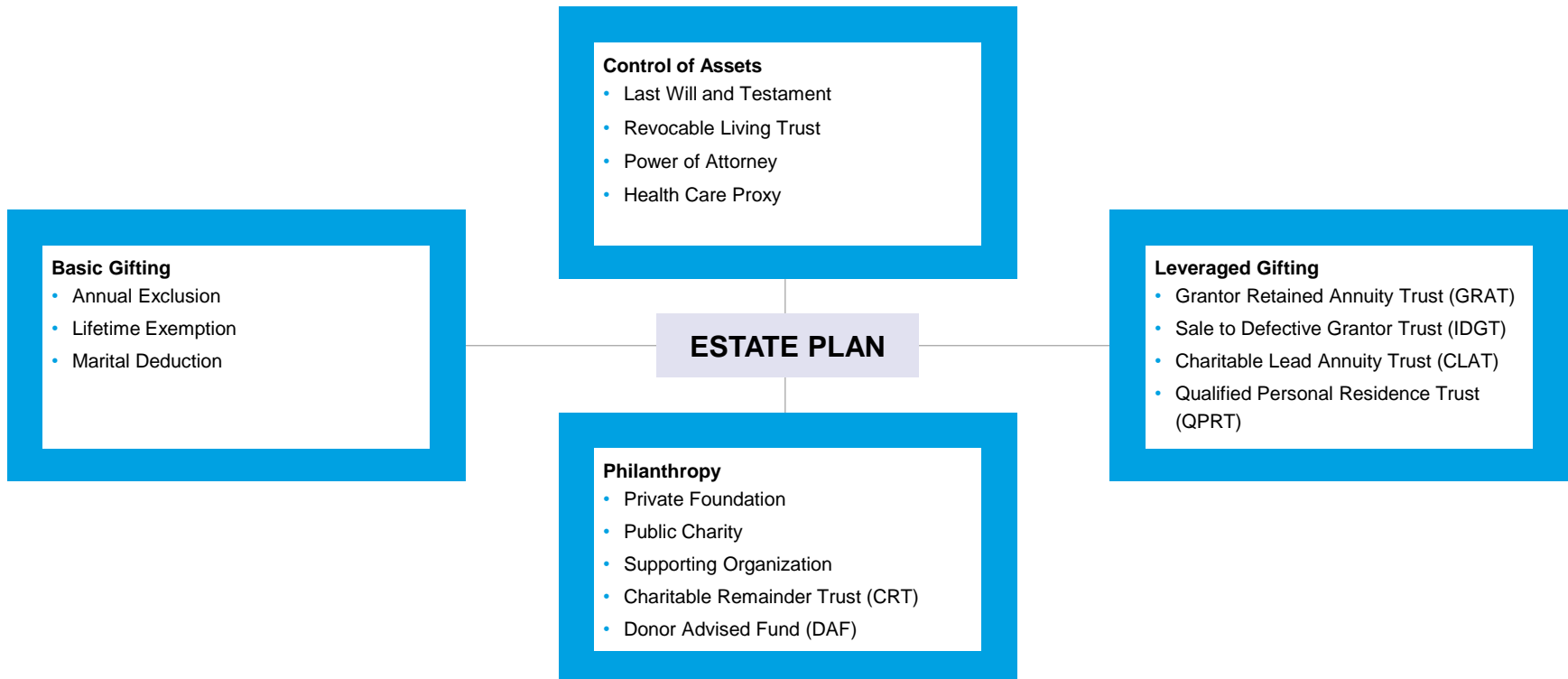
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## **Why Tax, Trust and Estate Planning Is Impactful**

# Reasons for Planning

The Wealth and Estate Planning Strategists look at all aspects of an individual's estate to understand the potential income tax and estate planning attributes of the vehicles. The goal is for the client and his or her investment professionals to make more informed investment decisions looking at their estate plan holistically.



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## Estate Planning Necessities

Generally, a number of tools allow the individual rather than the state to control his or her person and property when he or she is not able to do so due to death or incapacity.

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### CONTROL OF ONE'S ASSETS AFTER DEATH

#### Will

- A Will is an instrument which disposes of a person's property at death in accordance with his or her wishes. A Will takes effect only on the death of the maker and until that time may be revoked or amended
  - Property passing by Will is called "probate property" as probate is the judicial procedure by which an instrument is proved to be a validly executed and recorded Will. Probate makes a Will a public document

#### Revocable Living Trust

- A trust is effectively a contract by which an individual (the grantor) transfers property to a trustee who is under a fiduciary duty to manage, invest and administer the property for the benefit of designated beneficiaries as directed by the trust instrument
  - A revocable trust is a trust created during the grantor's lifetime which he or she can amend or revoke; the grantor is considered to still own the assets in the trust for income and estate/gift tax purposes
  - The trust becomes irrevocable on death of the grantor and in effect acts as a Will substitute. Moreover, the assets in trust avoid probate (and publication, because, in contrast to a Will, a trust is a private document)

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### CONTROL OF ONE'S ASSETS DURING LIFE

#### Revocable Living Trust

- If the grantor of a revocable living trust becomes incapacitated, the terms of the trust govern the disposition of the trust's property (rather than a court appointed person) and the named successor trustee takes over the management of the trust

#### Power of Attorney

- A Power of Attorney is an instrument by which a person (the principal) appoints another person (the agent) to act on the principal's behalf with respect to any or all of the principal's property, as specified in the power of attorney
  - A Power of Attorney can be made "durable" so that it survives the principal's incapacity or disability. It can also be effective immediately upon execution or "spring" into effect at a specified future time or upon the occurrence of a specified event such as the principal's incapacity or disability

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### CONTROL OF ONE'S PERSON DURING LIFE

#### Health Care Proxy

- A Health Care Proxy is an instrument by which an individual (the principal) grants another person (the health care agent) the authority to make health care decisions in the event the individual becomes unable to make such decisions for themselves (including decisions with respect to the withholding or withdrawal of life-sustaining medical treatment and artificial nutrition and hydration)

#### Living Will

- A Living Will is an instrument by which an individual expresses their intent or preferences with respect to health care matters, including the withholding or withdrawal of life-sustaining medical treatment and artificial nutrition and hydration
- If an individual has executed a Health Care Proxy, the health care agent must act in accordance with the principal's wishes as expressed in the Living Will.

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# Basic and Advanced Estate Planning

## ESTATE PLANNING: BASIC GIFTING

### Annual Exclusion

- Each person can make gifts of a present interest in property in the amount of the annual exclusion, per donee, tax free (married couples can gift twice the amount per year, per donee)

### Medical/Education Exp.

- Direct payments of certain medical and educational expenses (without limit) are excluded from the gift tax. Neither counts against the annual exclusion

### Applicable Credit/Exempt Amounts

- Each individual receives an inflation adjusted amount for Gift, Estate and GST Tax Credits. A federal estate tax applies on any excess. Certain states also impose an estate tax over and above the federal estate tax

## ESTATE PLANNING: LEVERAGED GIFTS/ESTATE FREEZE STRATEGIES

### Grantor Retained Annuity Trust (GRAT)

- Asset placed in trust with donor retaining an annuity and making a gift of the remainder to family members
- Return is valued using an IRS benchmark rate.
- Upon termination of trust, the remainder of the property after payment of the annuity to the grantor will pass to the remaindermen of the trust with all appreciation over the benchmark rate, in effect, passing free of additional gift tax

### Sale to Intentionally Defective Grantor Trust

- Assets can be sold to a trust for the benefit of one's family. The trust can purchase the property by giving the donor a note bearing a market interest rate. Because the trust is a grantor trust, the grantor is treated as the owner of the trust for income tax purposes, which means that the sale and "interest" do not result in tax recognition
- When the trust terminates, the property will pass to the remaindermen of the trust with all appreciation over the interest rate on the note, in effect, passing free of additional gift tax

### Charitable Lead Annuity Trust (CLAT)

- An asset is placed in trust with the donor making a tax-free gift of an income interest to a charity and a taxable gift of the remainder to family members.
- Upon termination of the trust, the property will pass to the remaindermen of the trust (generally family members) with all appreciation over the benchmark rate, in effect, passing free of additional gift tax

### Qualified Personal Residence Trust

- Primary residence and/or a vacation home can be transferred to a trust with the donor retaining use of the property for a term of years. Upon termination, the property is transferred to the remainder beneficiaries (generally family members)

## PHILANTHROPY

### Charitable Remainder Trust (CRT)

- An asset is placed in trust with the donor retaining an income interest and making a gift of the remainder to charity
- Income interest is taxable to the donor, but CRT itself tax-exempt, allowing assets remaining in trust to grow tax-deferred

### Public Charity

- Entity supported and controlled by public or government which advances charitable purpose
- Higher income tax deductibility limitations
- Not subject to private foundation rules

### Private Non-Operating Foundations

- Privately funded entity which advances charitable purpose through grant-making
- Can be controlled by donor/family
- Lower income tax deductibility limitations.
- Subject to private foundation rules

### Operating Foundation

- Private foundation which actively advances its charitable purpose
- Can be controlled by donor/family
- Higher income tax deductibility limitations.
- Subject to private foundation rules

### Supporting Organization

- Private foundation linked to a public charity
- Control shared between public charity and donor/family
- Higher income tax deductibility limitations
- Not subject to private foundation rules

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SECTION 3

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## **What We Offer to Clients**

# Our Approach

## OUR MISSION STATEMENT

We are involved with assisting your Financial Advisor to:

- Perform preliminary due diligence – review balance sheet and existing estate planning strategies
- Objectively educate clients about income tax and estate planning strategies
- Analyze planning techniques in relation to client goals
- Implement the estate plan to the extent the client is comfortable but does not provide tax or legal advice
- Integrate investment and estate planning strategies – combining “asset location” with “asset allocation”

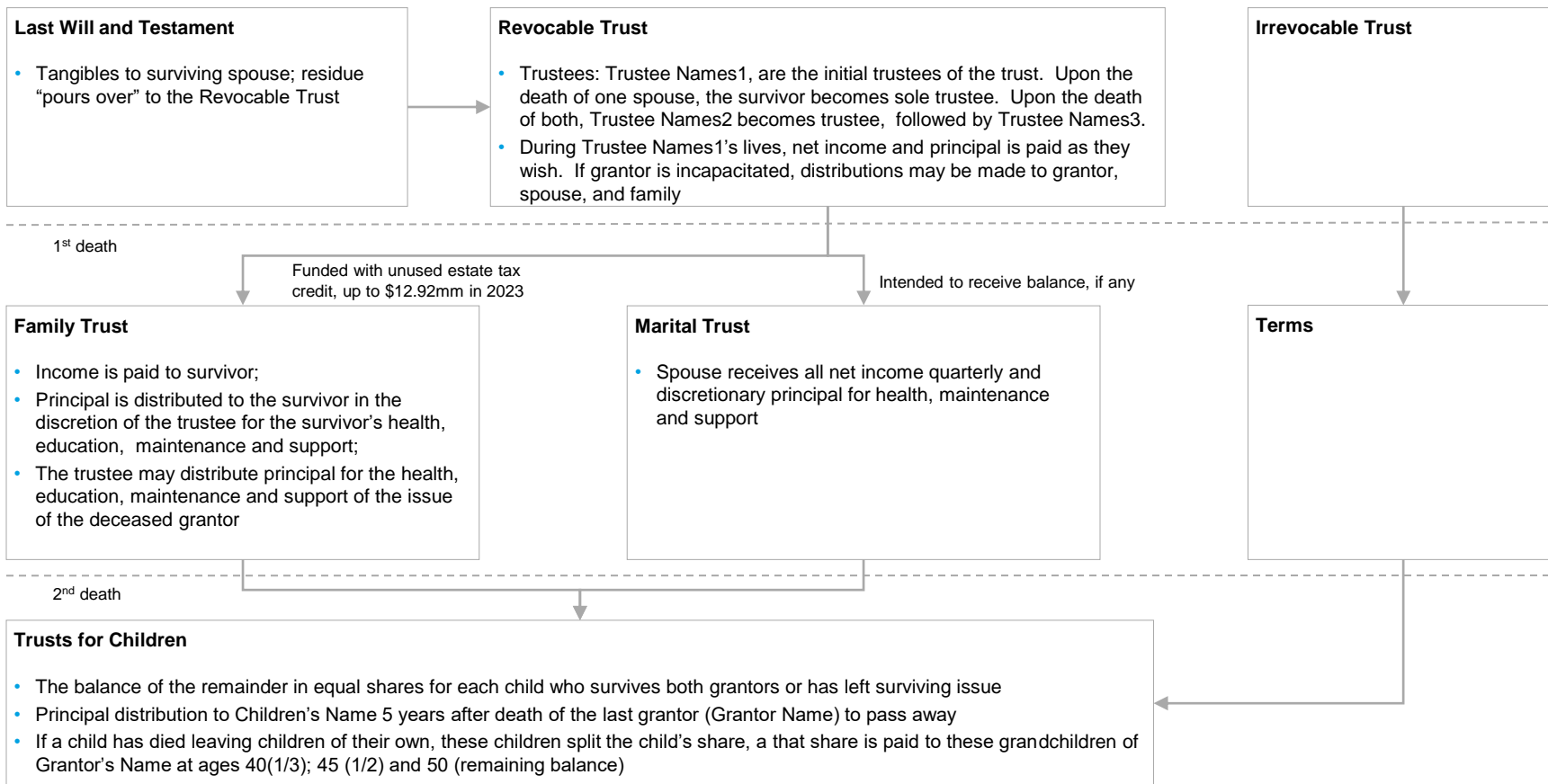


- Ultra-high net worth clients likely have or will have sophisticated estate plans
- Core functions of the Wealth and Estate Planning Strategists include educating clients about general estate and income tax planning issues and integrating client’s investment and estate planning strategies.
- Their job is to complement and support the client’s relationship with his or her Financial Advisor and tax and/or legal advisor but not provide tax or legal advice nor replace the client’s relationship with his or her tax and legal advisors

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# Document Illustration

We aim to provide a holistic view of your existing estate plan to help your Financial Advisor make investment recommendations in accordance with your objectives.



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# Techniques by Wealth Level

	INCOME TAX PLANNING	INCOME TAX AND ESTATE PLANNING	ESTATE PLANNING	
	INCOME TAX PLANNING	SPLIT INTEREST GIFTS	PHILANTHROPY	WEALTH TRANSFER
<b>All Wealth Levels</b>	<ul style="list-style-type: none"> <li>• Long Term Capital Gains</li> <li>• Qualified Dividends</li> <li>• Options</li> <li>• Charitable Tax Deduction</li> <li>• Tax-advantaged Investment Vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Donor Advised Fund (DAF)</li> <li>• Public Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Wills</li> <li>• Revocable Trusts</li> <li>• Health Care Documents</li> <li>• Financial Powers of Attorney</li> <li>• Annual Exclusion</li> </ul>	
<b>\$12MM+</b>		<ul style="list-style-type: none"> <li>• Charitable Remainder Trusts (CRT)</li> <li>• Charitable Lead Trusts (CLT)</li> </ul>	<ul style="list-style-type: none"> <li>• Health Care and Tuition Exclusions</li> <li>• Credit Shelter Trust (within will/trust) (CST)</li> <li>• ILIT</li> <li>• Leveraged Gifting                             <ul style="list-style-type: none"> <li>– Grantor Retained Annuity Trusts (GRAT)</li> <li>– Sale to Irrevocable Grantor Trusts (IDGT)</li> <li>– Qualified Personal Residence Trusts (QPRT)</li> </ul> </li> </ul>	
<b>\$25MM+</b>		<ul style="list-style-type: none"> <li>• Private Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Lifetime Exemption (Partial or Full)</li> <li>• Irrevocable Trusts</li> <li>• Dynasty Trusts</li> </ul>	

Individuals and estates may want to consider life insurance and lending for liquidity for estate tax purposes and spending to maintain lifestyle.

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SECTION 4

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## **Disclosures**

## Important Disclosure

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