

Estate Planning: *Mapping Out* Your Course



Navigating the Path Ahead

When it comes to life, death and your possessions, an estate plan is the road map for ensuring your wishes are fulfilled. The process requires complex consideration of your assets, debts, heirs and goals. A well-constructed estate plan can promote certainty that your heirs and beneficiaries receive assets in the amount and manner you desire, as well as in a way that minimizes taxes. Without an estate plan, the fate of your possessions will lie in the hands of the state.

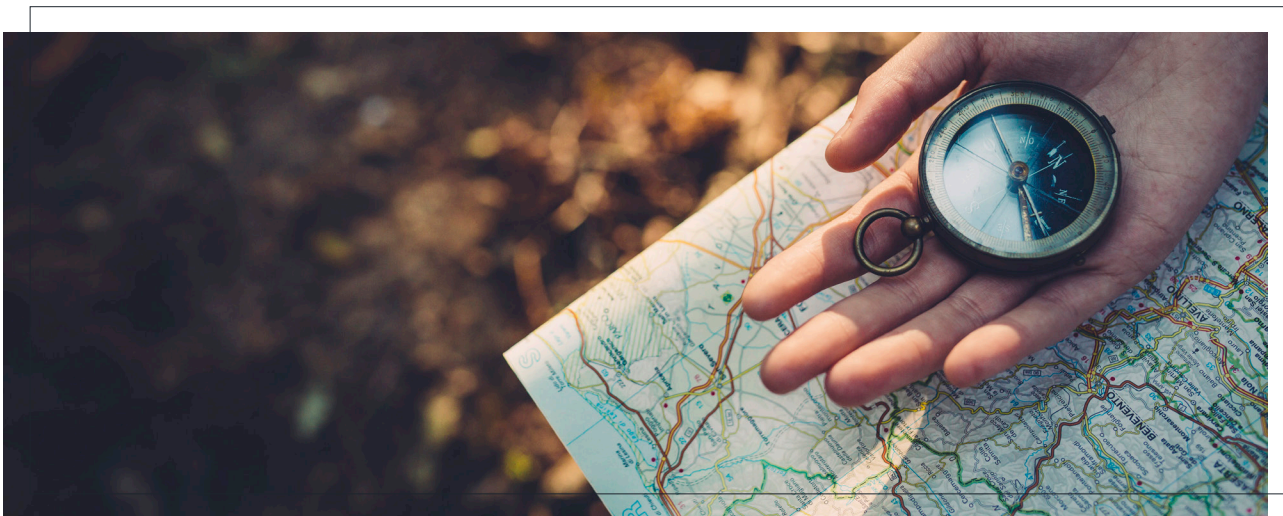
The Value of an Estate Plan

Estate planning is the process of arranging for the efficient management and transfer of a person's wealth. Crafting a comprehensive estate plan can provide several benefits, such as asset protection, tax minimization and peace of mind.

Laying the Foundation for Your Future

Building a straightforward and strategic plan is a best practice when starting the estate planning process. There are generally four high-level steps to complete.

1. **Take inventory of assets.** Compile an inventory of all your assets, both tangible and intangible. Please note that property, including land or real estate, can be individually owned, held in co-ownership or in an entity, which may impact how you may transfer it.
2. **Obtain guidance from professionals.** Discuss your goals and options with your financial advisory team, and always hire a competent estate planning attorney.
3. **Review and designate beneficiaries.** Retirement plans, annuities and insurance products usually have beneficiary designations that take precedence over a will. Make sure to review your primary and secondary beneficiary designations. If you have established a "payable on death" or "transfer on death" designation for any bank or brokerage accounts, periodically review those as well.



4. **Determine and set up estate planning documents.** A complete estate plan includes establishing legal directives via specific documents. These documents can include:

Last Will and Testament	Governs the disposition of your individually owned assets. The probate estate includes the assets that will pass pursuant to the provisions of your will.
Advance Healthcare Directive (or Living Will)	Communicates your treatment preferences and end-of-life wishes if you are unable to speak on your behalf.
Healthcare Power of Attorney (or Medical Power of Attorney)	Appoints an individual to make medical decisions on your behalf if you are unable to do so yourself.
Durable Power of Attorney	Authorizes an individual to manage your finances, including bill payments, investment management and Social Security benefits. If durable, the authority continues even if you become incapacitated.
Beneficiary Designations	Specifies who will inherit certain assets (e.g., an IRA or life insurance death benefit) when you die. Typically, there is one or more primary designees, and one or more secondary or contingent ones.

In addition to these major documents, you may also want to consider these tools that address additional wishes and specific financial distributions:

Letter of Wishes	A nonbinding document that expresses your wishes for your post-mortem arrangements (funeral, burial or cremation and other personal matters).
Guardianship Designations	<p>In your will, specifies an individual to care for your children if you die when they are minors.</p> <p>In a separate document, specifies an individual you appoint to care for you in the event of your incapacity.</p>
Trusts	Allows you to transfer ownership of assets to a trustee you select to be managed for the benefit of a beneficiary according to the terms stated in the document. There are many different types of trusts that can be included in an estate plan, each with its own benefits.

Tax Considerations

The transfer of wealth to your beneficiaries is subject to taxes. While gift and estate tax planning can be effective in minimizing taxes, the aggregate value of your assets at your death will be used to determine your gross estate for tax purposes. It is important to understand tax considerations as you build your estate plan:

Estate Tax

Placed on the transfer of property after death. At the federal level, only very large estates are subject to estate tax. The federal estate tax is imposed on the value of all assets owned at death, less exemptions, expenses and deductions, and unified with lifetime transfers. Some states have their own estate taxes that are applied to estates above a specific threshold.

Gift Tax

The federal gift tax applies to gifts that exceed a specific value, called the annual exclusion. There is also a lifetime gift tax exemption, which means you can give away up to a certain amount over your lifetime without having to pay gift tax. Doing so will reduce the exemption available at your death against the estate tax, but it often still creates tax savings. Some states have a gift tax, some do not — but add back transfers made within a certain period before death — and some have neither.

Income Tax

Income tax is placed on the income you earn during your lifetime. Income tax is also assessed against income earned by your estate after your death. Considerations for income tax include the basis of assets, timing of asset sales and the use of trusts.

There are additional tax considerations that should be examined when planning your estate, including property, sales and inheritance taxes. Consult with your tax advisor to understand the specific tax implications of your estate plan.



Estate Administration Process

Those who are appointed executor or personal representative of an individual's estate, or trustee of a trust, have a fiduciary duty to ensure the intent of the individual as set forth in the governing will or trust is carried out correctly. This requires several important tasks to be completed within various timelines once the individual has died:

In the immediate term:

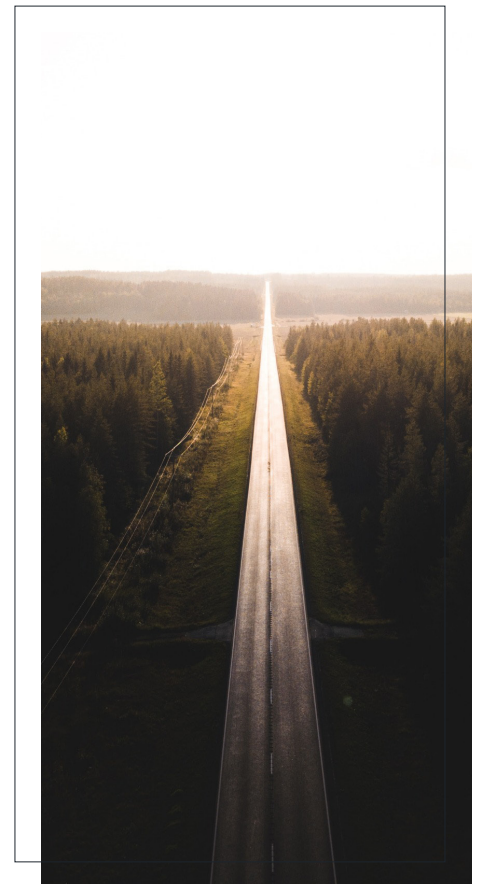
- a. Probate the will and obtain "short certificates" that evidence your appointment as executor and enable you to deal with banks, brokers and other organizations to collect, sell and distribute assets.
- b. Open a bank account for the estate. The appointed executor will use the funds in the account to pay the estate's necessary expenses, including taxes.
- c. Inventory, take control of, and safeguard the assets. For example, if the decedent's assets include a home or other property that is now unoccupied, make sure it is secured, insured and protected.

In the near term:

- a. Notify the Social Security Administration, the beneficiaries under the will, potential heirs of the decedent and others of the death and your appointment as executor for the estate. State law will define whom to notify, how to notify them and by when.
- b. Determine whether assets should be held or sold, which may be influenced by whether cash will be needed to pay inheritance and estate taxes.
- c. Obtain appraisals of assets if the estate includes real estate, partnerships, business interests, art or other hard-to-value assets. If a federal estate tax return is required, these appraisals will need to withstand IRS scrutiny.

In the long term:

- a. Inheritance and estate tax returns are generally due within nine months of the date of death. A final lifetime income tax return will be due by April 15 of the year following the date of death. The estate becomes its own taxpayer and will have to fill an estate income tax return (Form 1041).
- b. Four months after filing a federal estate tax return, you may request a closing letter from the IRS. The distribution of estate assets typically occurs once the inheritance and estate taxes have been paid and a closing letter is received.
- c. When all aspects of the administration have been completed, the executor will need to decide whether to close the administration of the estate by either a formal or informal method. In both cases, the executor prepares a schedule of distribution stating the assets to be distributed and who is receiving those assets. Once the assets have been fully distributed, the estate administration can be closed, and final federal and state income tax returns can be filed.



To learn more about the value of an estate plan,
contact your Glenmede Relationship Manager.

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