

Herstate Planning 101



A Lifetime Process





brought to you by:

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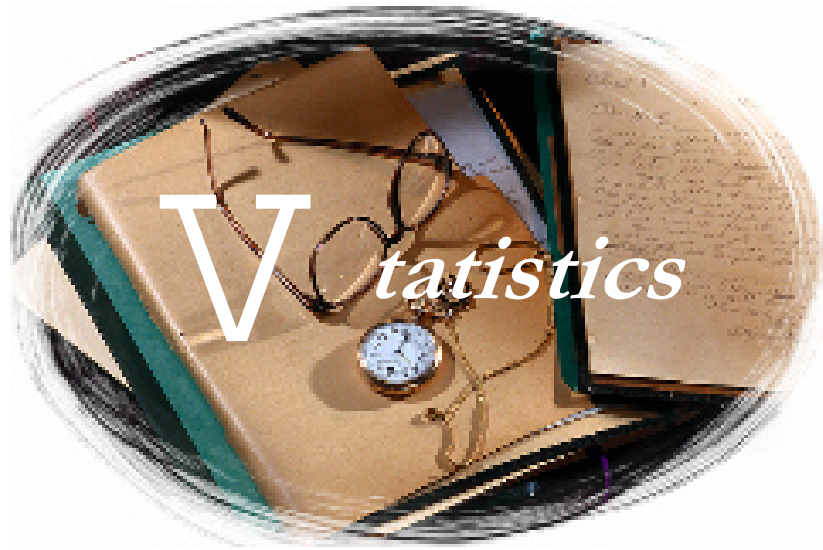
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What is Estate Planning?





Ten Adult Americans

- 70% -- No Plan
- 20% -- Outdated or Wrong Plan
- 10% -- “Perfect Plan”



Challenge 1: Probate



What is Probate?

Probate is the court process that takes care of people and their assets when they can no longer make their own personal, health care and financial decisions, and have otherwise failed to make proper plans to avoid it.

Challenge 1: Probate



- **Incapacity Probate**
Guardianship & Conservatorship
- **Death Probate**
Recognized Potential Disadvantages:
Unnecessary Expense, Delays & Loss of Privacy

Challenge 1: Probate

• Some Strategies to Avoid Probate:

- Durable Powers of Attorney
- Beneficiary Designations
- Revocable Living Trusts



Challenge 1: Probate

• Durable Powers of Attorney

- Personal & Health Care Decisions (in conjunction with Advance Medical Directives- “Living Wills”)
- Financial Decisions



Challenge 1: • Beneficiary Designations Probate



- Life Insurance
- Retirement Plans
- Other:
 - Pay on Death (POD)
 - and
 - Transfer on Death (TOD)

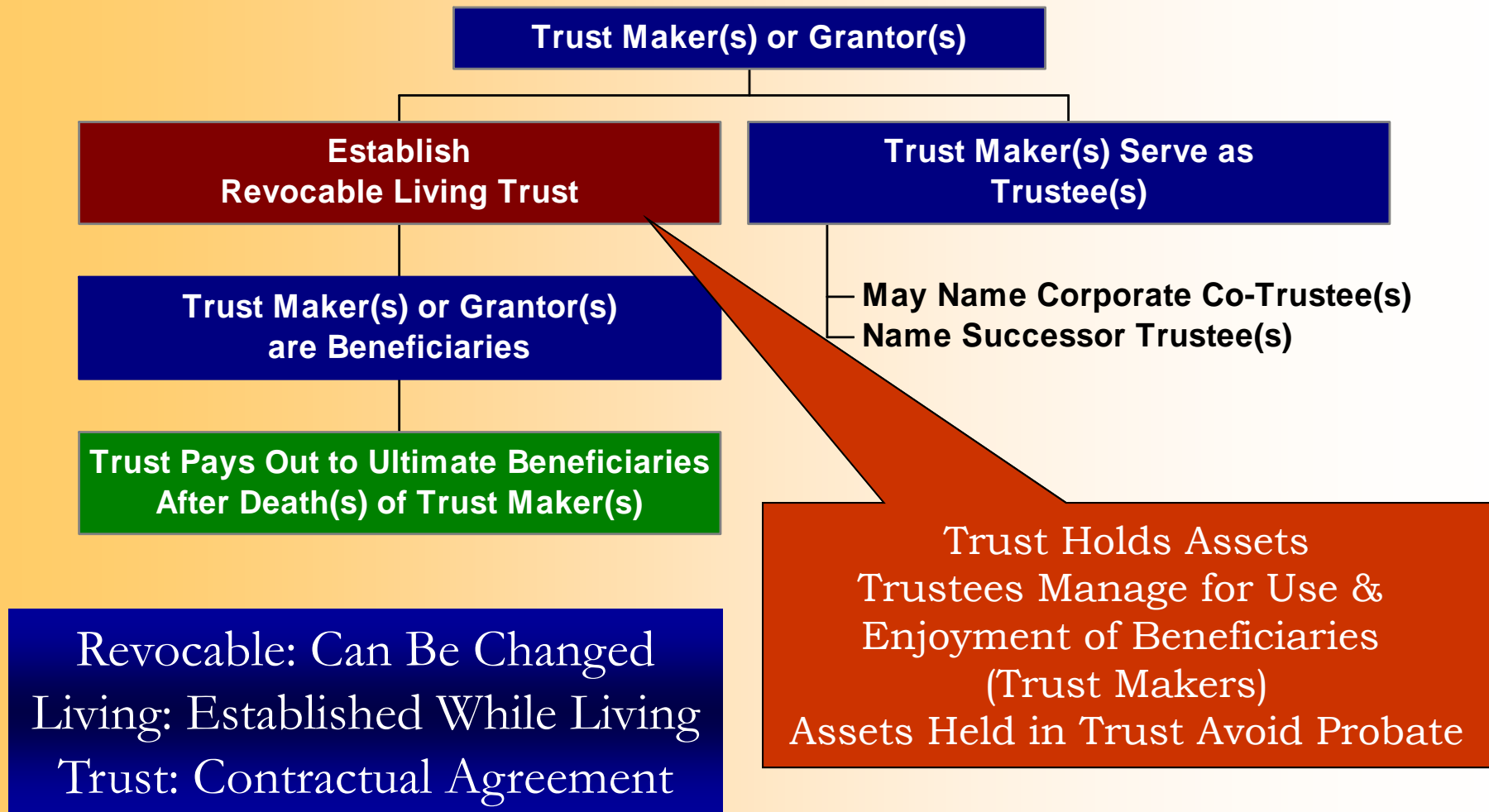
Challenge 1: Probate

• Revocable Living Trust

- Differs from a Will
- Contractual Arrangement
- Not Filed With Probate Court
- Effective During Incapacity



Establishing a Revocable Living Trust



Challenge 2: Federal Estate and Gift Taxes

Taxes on Transfers for Lifetime Gifts and at Death

What is your taxable estate?

(Everything you own minus Everything you owe)

- Stocks, Bonds, Cash
- Mutual Funds
- Life Insurance
- Real Estate
- Personal Property
- Business Interests
- Retirement Accounts



Challenge 2: Federal Estate Taxes

Transfer Taxes for Estates

YEAR	EXCLUSION AMOUNT	TOP TAX RATE
2018	\$11.2 MILLION	40%
2019-25	Adjusted for Inflation	40%
2026	\$5 MILLION (adjusted for Inflation)	40%





Challenge 3: Unpleasant Surprises

- *Divorces*

- *Lawsuits*

- *Bankruptcies*

Protecting Assets for Surviving Spouse

Future Predator Spouse



- 90% of Men Remarry if their Wife Dies First
- Divorces: 1 in 2 Marriages Ends in Divorce
- Leaving Assets in Trust with the Requirement of a Prenuptial Agreement if Remarriage Occurs Will Protect the Family Assets

Protecting Assets in the Next Generation

Your Child's Future Creditors?

- Divorces: 1 in 2 Marriages Ends in Divorce
- Lawsuits: 1 in 10 Americans Is Sued Every Year
- Bankruptcy – 1.2 Million Filings per Year

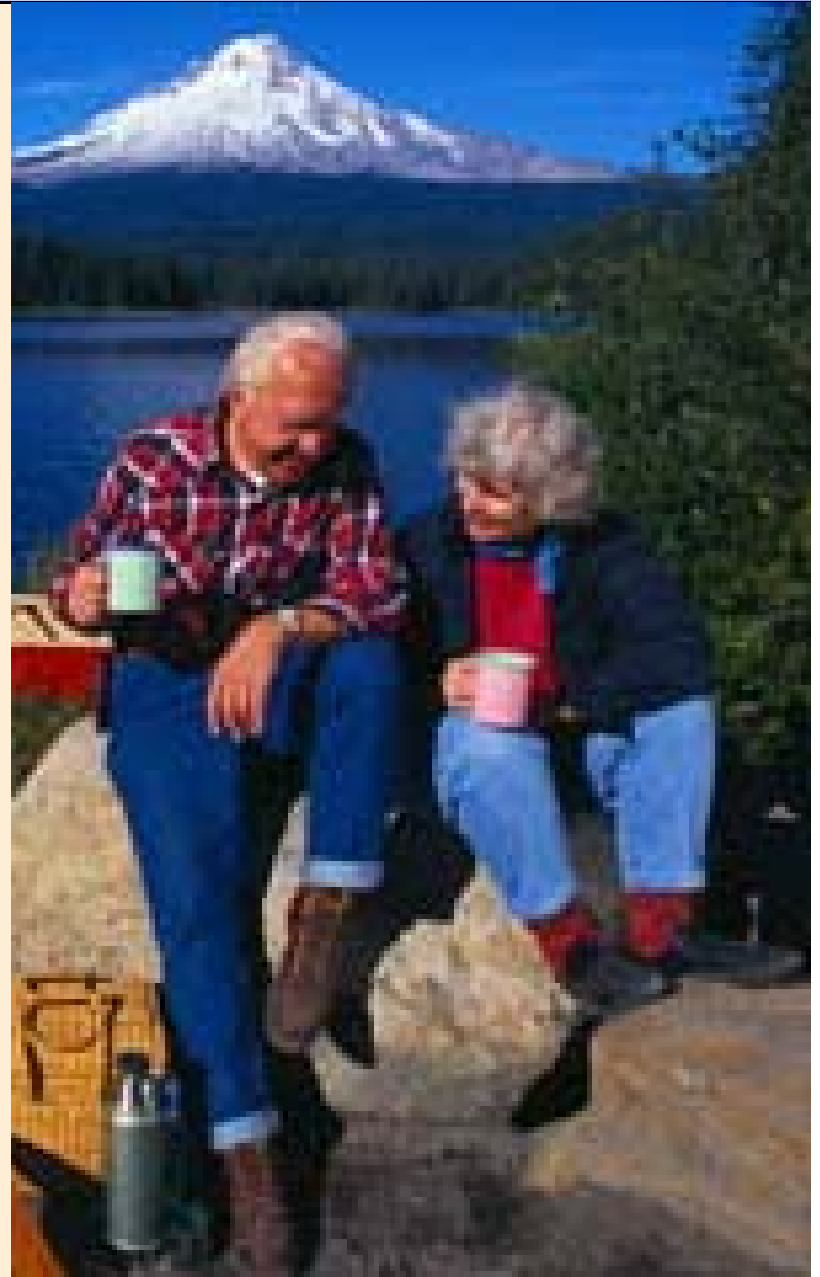
Don't Unintentionally Disinherit the
Grandchildren – Legacy Planning

Asset Protection Planning Tactics

Anything Your Surviving Spouse and Your Descendants Own Outright is Subject to the Claims of Creditors and Predators

But ...

You Can Protect it All with Wise Planning



Strategy for Preserving the Inheritance

- **Transfer** Inheritance into Lifetime Trusts for your Descendants – full benefits of the funds, but not subject to claims
- **Preserve** the Income Stream, Protect the Principal - still available for needs
- **Avoid** Future Estate Taxes – If they don't own it – they can't be taxed on it



An elderly couple is sitting on a couch in a cozy living room. The man is holding a mug and both are smiling. A fireplace with a fire is visible in the background.

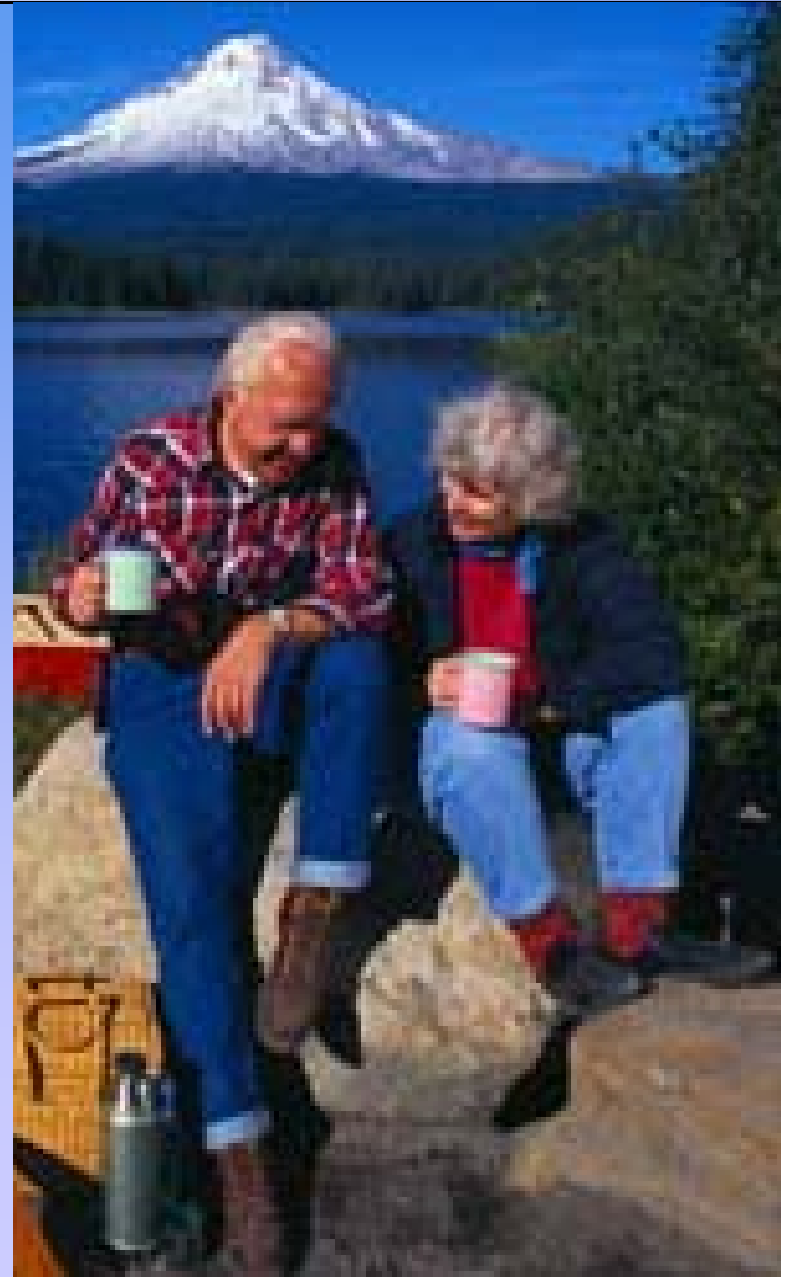
Challenge 3: More Unpleasant Surprises

- Long Term Care Costs – Who Will Pay for the Nursing Home?
- Average NH in Texas is \$5,170.20 per Month

Asset Protection Planning Tactics

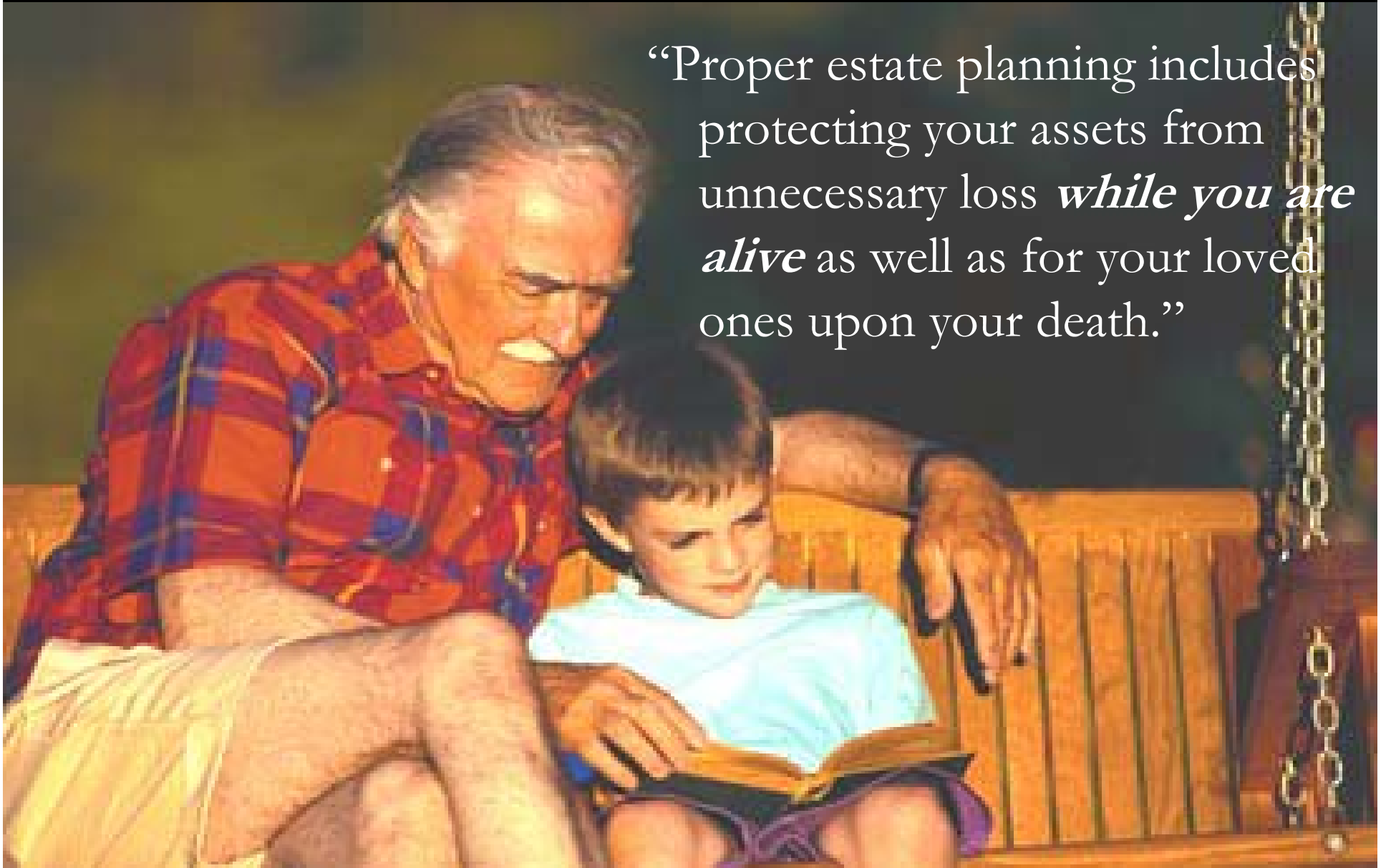
- **Special Needs Trust**
 - Don't Disqualify Beneficiary
- **Medicaid Asset Protect Trust**
 - Start the Five-Year Clock
 - Avoid tax consequences and beneficiary risk of gifting outright to kids
- **VA Asset Protection Trust**
 - No Lookback – up to \$2,170/mo. tax-free income

Limited options if you don't have prior planning in place!



Leaving a Protected Legacy

“Proper estate planning includes protecting your assets from unnecessary loss *while you are alive* as well as for your loved ones upon your death.”



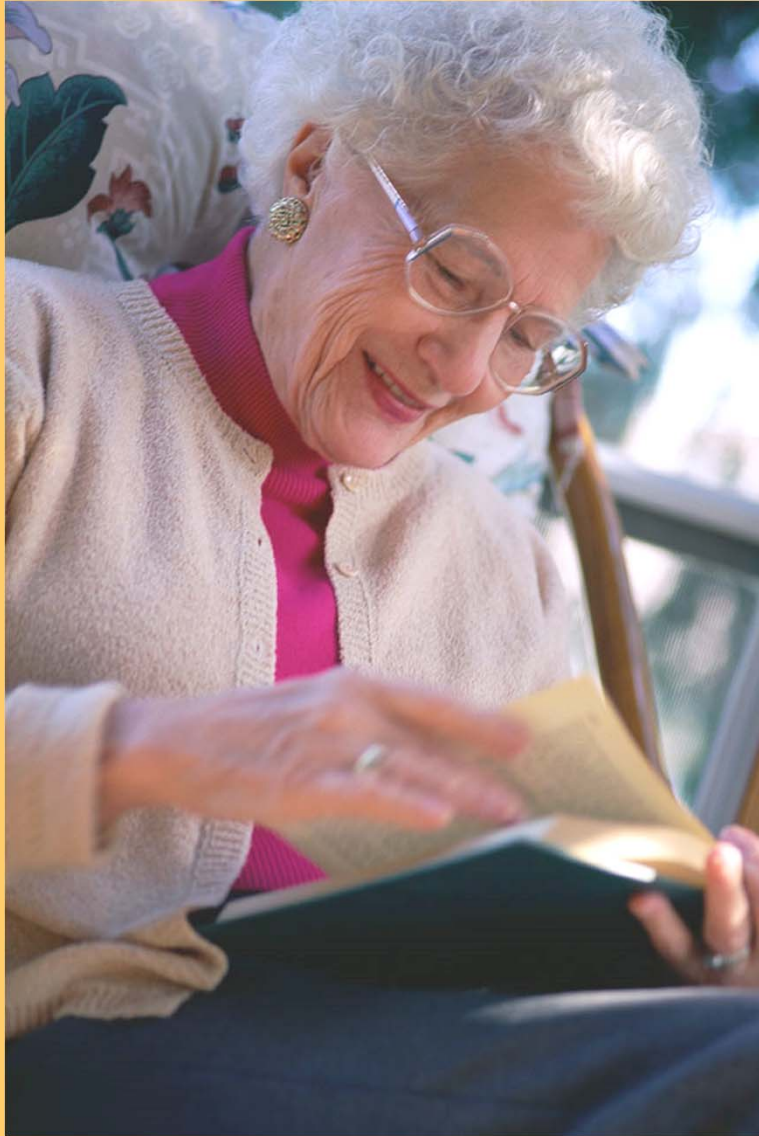
Closing Thoughts: “Follow-Through”

- Don't Delay, Plan Now
- Maintain Your Plan



The Professional “Team” Approach

- Financial Advisor
- Estate planning attorney
- CPA/tax professional
- Professional Trust Company



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**Estate Planning –
*A “Lifetime Process”***



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