Planning Perspective

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Beneficiary Designation Action Plan

The beneficiary designations that you find on your life insurance policies, annuities, and retirement accounts can have a tremendous impact upon your estate plan. If properly coordinated with your other estate planning documents, they can manage income taxes and make administration of your estate more efficient after death. However, if not properly executed, the same beneficiary designations can cause a catastrophic failure of your estate plan.

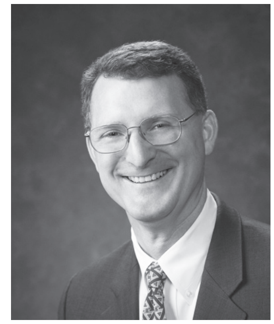
Beneficiary designations are a favorite estate planning tool because they are simple, inexpensive, and easy. However, you need a solid plan to take advantage of these designations and avoid some devastating pitfalls. As you do this, it is very important to remember that a payable on death designation ('POD") or transfer on death designation ("TOD") is just a beneficiary designation with a special name. All the same rules apply to POD or TOD designations.

Here are some simple steps you can take to stay on track with your beneficiary designations:

1. Take in the Big Picture. The biggest problems occur when a banker, stock broker, insurance agent, or financial advisor sets up a beneficiary designation for a specific account without ensuring the designation coordinates with the overall estate plan. Fitzgerald Law Office provides clients with a written recommendation regarding how beneficiary designations should be set up for various assets. Clients should compare their other advisors' suggestions to the recommended designation for each asset to ensure all stays in line with the overall plan.

2. Get It in Writing. Many people do not have copies of their beneficiary designations, as the beneficiary designation documents are generally held only in the files of the insurance company, retirement plan administrator, or financial institution. Without a hard copy in their files at home, many people are unsure what their designations say or have completely forgotten that they even set up the designation. To avoid this common trap, you should obtain a copy of your beneficiary designations or request a written statement regarding your current beneficiaries for each account, annuity, or insurance policy.

3. Double Check. It is good practice to read through your Will or Revocable Trust every five years to determine whether any changes need to be made. It is also a good idea to review the beneficiary designations every five years. This can involve checking whether you have set up any new beneficiary designations since you last reviewed your plan, verifying that you have something in writing on every



J. Douglas Fitzgerald

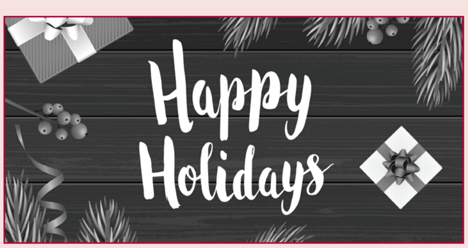
Fitzgerald Law Office

beneficiary designation (see step 2 above), and making sure each beneficiary designation matches up with the outline for the estate plan as a whole (see step 1 above).

4. Talk About It. As you review your Will or Revocable Trust every five years and review your beneficiary designations, you may also want to talk to your attorney or financial advisor about your beneficiary designations. If the recommendation that you received at the time you signed your Will or Revocable Trust does not seem right or if you have questions regarding the recommendation, then you should have a conversation with your attorney to make sure all the pieces of your plan still fit together correctly to accomplish your goals and objectives.

Happy Holidays!

During this time of year, our thoughts turn gratefully to those who have made our success possible. It is in this spirit that we say thank you and best wishes for the holidays and New Year.



Adventures at the Bank

Many clients visit their bank to set up an arrangement that will allow one of their children to help pay bills or take care of other things at the bank. While that should be simple, it often veers off course because the bank can offer a number of different options. When sorting through these choices, many people are either confused or unaware of the decision that they are making.

The choices that you make at the bank can have an impact upon your estate planning. Your estate plan can often involve determining how bank accounts are owned and what extra features are involved with the accounts. After setting up an estate plan, coordinating arrangements at the bank with the estate plan is an ongoing process.

A discussion of some issues involved when making decisions at the bank can be found on the Fitzgerald Law Office website at fitzgeraldlawoff.com/News/Adventures at the bank I, Adventures at the bank II and Adventures at the bank III.

Estate Taxes For 2018

At the end of 2017, Congress passed the "Tax Cuts and Jobs Act" that made major changes to the tax law. For estate planning purposes, the biggest change was increasing the lifetime estate and gift tax exemption up to roughly $11 million per person. The exemption amount is indexed for inflation, so it will automatically increase over time.

The number of families that need to worry about estate taxes under the new law is very limited. However, families with estates over $5.4 million dollars should not get too comfortable. Under the Tax Cuts and Jobs Act, the increase in the lifetime exempt amount expires after 2025. Unless Congress changes the law, the higher estate tax exemption will not apply to people who die in 2026 or thereafter.

While Congress has never allowed the estate tax lifetime exempt amount to decrease before, there is good reason to believe that Congress will allow the $11 million exemption to expire in 2025. First, the Tax Cuts and Jobs Act was put together very quickly and there was not universal agreement about the $11 million number when the law was passed. Many in the Washington D.C. tax and policy community believe that $11 million is not the right number, so it may be harder for tax cutters to make the change permanent than it was for similar provisions in the past.

If your family's total estate is between $5 million and $11 million you should consider reviewing your options and the opportunities to take advantage of the current law.

If you are interested in other issues raised by the Tax Cut and Jobs Act, you can read more at fitzgeraldlawoff.com/News/Five Estate and Tax Planning Ideas from the Tax Cuts and Jobs Act.

Fitzgerald Law Office

2005 Stonebridge Circle
West Bend, WI 53095
262-334-8015 • 262-334-1593 fax
email: fitzgeraldlaw@fitzgeraldlawoff.com

Modern Medicaid Planning

The last major change in the rules about qualifying for government benefits upset a lot of the tried and true planning strategies that families used and understood. Figuring out how to fund assisted living and nursing home expenses under the current rules remains a complicated subject. However, some of the core concepts have become clearer in the past few years.

If you believe you are capable of having at least five more years of healthy, independent living at home, there are tools and strategies available to protect and preserve assets. Planning ahead remains the best option.

If planning five years or more in advance is not an option for you, there are still some planning opportunities to protect and preserve assets. One important thing to keep in mind if you are less than five years away from a move to some kind of long-term care is that current law does not give you much incentive to make a move until after admission to an assisted living facility or nursing home. You certainly want to put together a plan and discuss the issues involved as early as possible. However, planning in the first few months after admission to a facility can be just as effective as planning two years before admission.

A real key is to take advantage of the planning window once you have been admitted to a long-term care facility. If there are no bonus points for starting too early, there are certainly major drawbacks to waiting too long after you are admitted to a facility. You can protect more assets and give your family better outcomes if you get the process started right away.

Assisted living facilities may require a commitment for private pay for up to two years. That commitment does not mean you cannot do any planning for the first two years after admission. Indeed, if you maximize your opportunities, this private pay period can be a very active time where a number of things are happening to protect and preserve your assets.