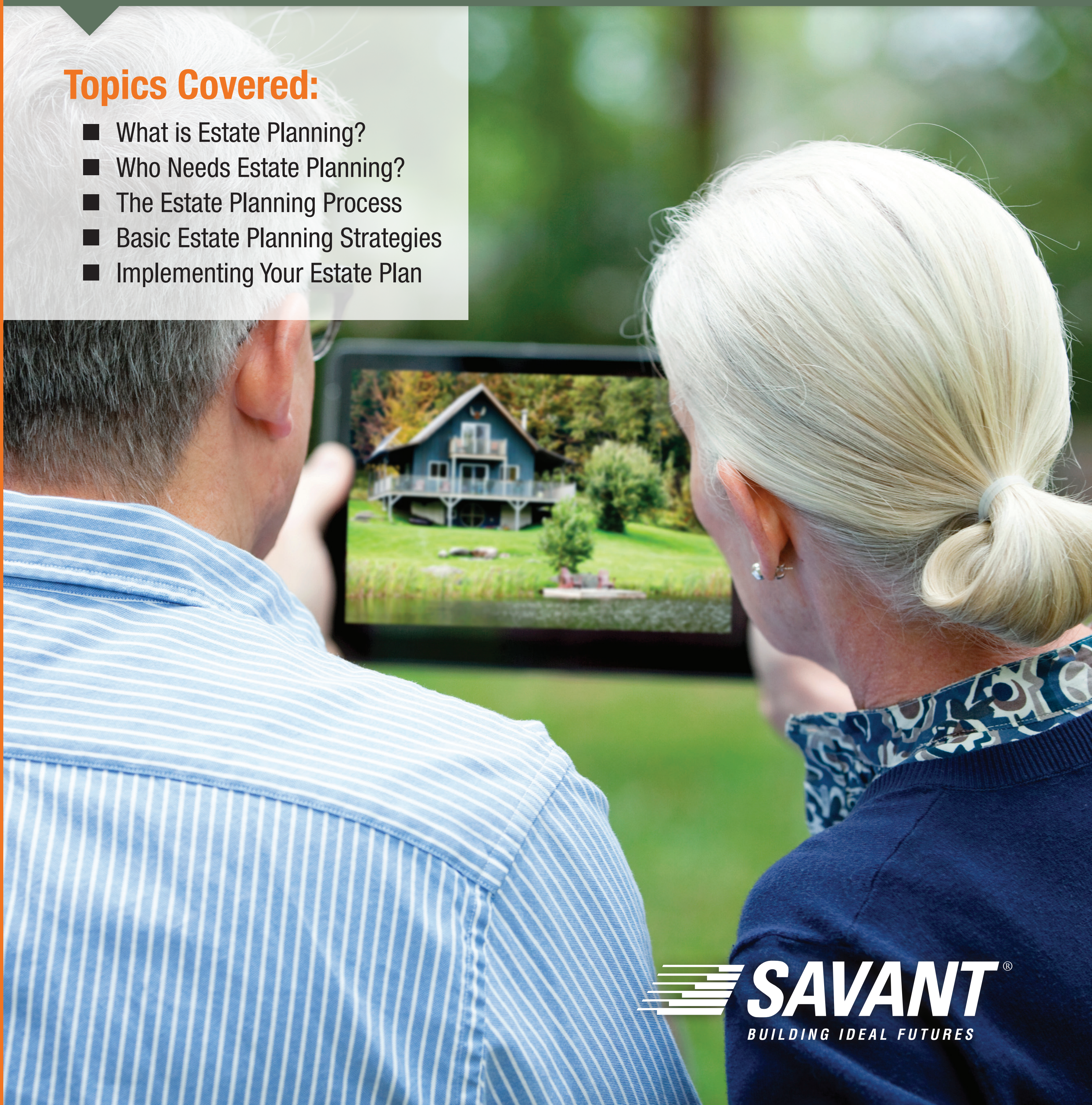
Estate Planning:

THE BASICS

The State of Your Estate

Topics Covered:

- What is Estate Planning?
- Who Needs Estate Planning?
- The Estate Planning Process
- Basic Estate Planning Strategies
- Implementing Your Estate Plan



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What is Estate Planning?

By definition, estate planning is a process designed to help you manage and preserve your assets while you are alive, and to conserve and control their distribution after your death according to your goals and objectives. But what estate planning means to you specifically depends on who you are. Your age, health, wealth, lifestyle, life stage, goals, and many other factors determine your particular estate planning needs. For example, you may have a small estate and may be concerned only that certain people receive particular things. A simple will is probably all you need. Or, you may have a large estate, and minimizing any potential estate tax impact is your primary goal. You may need to use more sophisticated techniques in your estate plan, such as a trust.

Who Needs Estate Planning?

Estate planning may be important to individuals with a wide range of financial situations. In fact, it may be more important if you have a smaller estate because the final expenses will have a much greater impact on your estate. Wasting even a single asset may cause your loved ones to suffer from a lack of financial resources.

Your master plan can consist of strategies that are simple and inexpensive to implement (e.g., a will or life insurance). If your estate is larger, the estate planning process can be more complex and expensive.

Implementing most strategies will probably require you to hire professional help of some kind, for example, an attorney, an accountant, a trust officer, or an insurance agent. If your estate is large or complex, you should consult with an estate planning specialist such as an estate tax attorney or financial planner for advice before the implementation stage.

In deciding on your course of action, you should always consider whether the benefit of the strategy outweighs the cost of its implementation.

Situations That May Require More Specialized Estate Planning

1. Your estate is valued at more than the federal estate tax applicable exclusion amount, or your state's death exclusion amount
2. Your income tax bracket is in excess of 10 percent
3. You have children who are minors, or who have special needs
4. Your spouse is uncomfortable with or incapable of handling financial matters
5. You are a business owner
6. You have property in more than one state
7. You intend to contribute to charity
8. You have special property such as artwork or collectibles
9. You have strong feelings about healthcare decisions
10. You have privacy concerns or want to avoid probate

"Death, taxes and childbirth! There's never any convenient time for any of them."

–Margaret Mitchell
***Gone With the Wind*, 1936**

The following are some common estate planning needs:

Over 18

Since incapacity can strike anyone at any time, all adults over 18 should consider having:

- ***A durable power of attorney (POA):*** This document lets you name someone to manage your property for you in case you become incapacitated and cannot do so.
- ***An advance medical directive:*** The three main types of advance medical directives are (1) a living will, (2) a durable power of attorney for health care (also known as a healthcare proxy), and (3) a Do Not Resuscitate order. Be aware that not all states allow each kind of medical directive, so make sure you execute one that will be effective for you.

Young and Single

If you are young and single you may not need much estate planning. But if you have some material possessions, you should at least write a will. If you don't, the wealth you leave behind if you die will likely go to your parents, and that might not be what you would want. A will lets you leave your possessions to anyone you choose (e.g., your significant other, siblings, other relatives, or a favorite charity).

Unmarried Couples

You have committed to a life partner but are not legally married. A will is essential if you want your property to pass to your partner at your death. Without a will, state law directs that only your closest relatives will inherit your property and your partner may get nothing. If you share certain property, such as a house or car, you may consider owning the property as joint tenants with rights of survivorship. That way, when one of you dies, the jointly-held property will pass to the surviving partner automatically.

Married Couples

Portability should not be relied upon solely for utilization of the first-to-die's estate tax exemption. A credit shelter trust created at the first spouse's death may still be advantageous for several reasons. First, portability may be lost if the surviving spouse remarries and is later widowed. Also, the trust can protect future appreciation of trust assets from estate tax at the second spouse's death. In addition, a credit shelter trust can protect assets from the creditors of the surviving spouse.

Married with Children

If you are married and have children, you and your spouse should each have your own will. Wills are vital because you can name a guardian for your minor children in case both of you die simultaneously. If you fail to name a guardian in your will, a court may appoint someone you might not have chosen. Furthermore, without a will, some states dictate that at your death some of your property goes to your children and not to your spouse. If minor children inherit directly, the surviving parent will need court permission to manage the money for them. You may also want to consult an attorney about establishing a trust to manage your children's assets in the event that both you and your spouse die at the same time.

You may also need life insurance. Your surviving spouse may not be able to support the family on his or her own and may need to replace your earnings to maintain the family.

Elderly or Infirmed

If you are elderly or ill, you may want to write or update your will, consider a revocable living trust, and make sure you have a durable power of attorney and appropriate advance medical directives. Talk with your family about your wishes and make sure they have copies of your important papers or know where to locate them.

Avoiding a Mess

You may have personally witnessed the consequences of a loved one's failure to make an estate plan. Choosing someone to be in charge if you become mentally incapacitated or die, and deciding who will get what (and when they will get it), will go a long way towards preventing family fights and costly court proceedings.

Working and Looking Forward to Retirement

If you are in your 40s or 50s, you have probably worked for some time and established yourself in a career. You have accumulated some wealth and you are thinking about retirement. Here is where estate planning overlaps with retirement planning. It is just as important to plan to care for yourself during your retirement as it is to plan to provide for your beneficiaries after your death. You should keep in mind that even though Social Security may be around when you retire, those benefits alone may not provide enough income for your retirement years. Continue saving some of your accumulated wealth in various retirement and deferred vehicles, including an individual retirement account (IRA), a Roth IRA, a 401(k) plan, etc.

Wealthy and Worried

The estate tax exemption (the amount you can pass on to your heirs free from estate tax) has increased dramatically in recent years to $5 million (indexed to inflation). This large increase means that many individuals will not be subject to estate taxes at their death. However, if your estate is over this threshold (or double the threshold if married), your estate could be subject to federal estate tax as high as 40%.Consider any estate tax when determining the appropriate estate plan.

Federal gift taxes may also affect your estate. Gift taxes may be imposed on property transferred to others during your lifetime. Under the current gift tax rules, you are allowed to gift up to your lifetime exclusion amount. In addition, you (and your spouse) are able to gift amounts up to the annual gift tax exclusion amount to as many people as you would like each year. Some gifts, such as payments for medical expenses and college expenses made payable directly to the institution, are free of gift tax. A gift tax return may be needed if gifts are over the annual limits or part of your lifetime exclusion is being used.

Add in another tax called the generation-skipping transfer (GST) tax, imposed on transfers of wealth made to grandchildren and lower generations, and the challenge becomes even larger. GST tax is imposed to prevent individuals from avoiding estate tax by skipping an intermediate generation. Transfers subject to GST tax are taxed at a flat rate equal to the highest estate tax rates. In addition, some states also impose their own GST tax. And let's not forget state death taxes.

What Happens if I Die Without a Will?

If you die intestate, that is, without a will, what happens to your property or estate? This depends on a variety of things such as the state where you live, your marital status, whether you have children and other factors.

Married With Children

In this case, most states award one-third to one-half of the estate to the surviving spouse. The rest goes to the child or is split among the children regardless of their age.

Married With No Children

If the couple doesn't have children about one-third to one-half of the estate is given to the surviving spouse. The remainder generally goes to the parents of the deceased. If the parents are dead, brothers and sisters (half-siblings are treated the same as full blood siblings) receive their share.

Single With Children

When a single person who has children dies without a will, the law uniformly states that it all goes to the children.

Single With No Children

If the person's parents are still living they receive the property. Otherwise, it's divided among siblings, if there are any.

"In this world nothing can be said to be certain, except death and taxes."

- Benjamin Franklin (1706–1790) in a letter to Jean-Baptiste Leroy, 1789

Top 10 Reasons for Creating a Will and a Sound Estate Plan

1. A sound estate plan can save your family thousands of dollars in taxes and legal fees.
2. If you don't have a plan, the government will decide who will receive your property.
3. If you don't have a plan, your spouse or partner may not receive the property you intended to provide.
4. Most people can avoid or reduce estate taxes with the right plan.
5. Naming a legal guardian in your will is the way to choose who will raise your minor children if you are gone.
6. Creating a durable power of attorney ensures that someone can pay your bills and sign legal documents if you become disabled.
7. Having a medical directive will provide guidance about your health care wishes in the event you become incapacitated.
8. You can avoid the unexpected results of owning property in joint name when you understand the rules.
9. You can make gifts to your favorite charity to reduce estate taxes but still provide for your family.
10. A good estate plan can preserve your assets for your children's use and prevent them from wasting those assets.

The Estate Planning Process

To determine if estate planning is a process you should go through, ask yourself if you care about how and to whom your property is distributed, and whether your property should be preserved. If you care about these two things, then you need to know more about estate planning.

As a process, estate planning requires little effort on your part, just a willingness to prepare for life after your death. Understandably, your death can be a very uncomfortable subject. When it comes to discussion in this area, preparedness for your family and estate rely on you establishing your wants for the unknown future. By making plans, the life you have worked hard to create will be able to continue on after you are gone. Thinking this way will help you understand the process more easily and implement a more successful master plan.

The following steps can be utilized to start the estate planning process:

1. Understand your particular circumstances such as your age, health, wealth, etc.
2. Clarify your goals and objectives
3. Understand the factors that will affect your estate such as taxes, probate, liquidity, and incapacity
4. Understand the strategies that are available
5. Seek professional help
6. Formulate and implement a plan
7. Perform periodic reviews

How do you begin?

There are many estate planning strategies. Some, such as making gifts, are implemented during life, and others, such as disclaimers, are implemented after death. Before you choose which strategies are right for you, you need to understand your particular circumstances.

Gather and analyze the facts

Understanding your particular circumstances results from gathering and analyzing the facts. The following questions may help you to accomplish this. If they are not easy to answer, you may have to make some estimates based on reasonable assumptions and expectations.

Information regarding your financial condition:

- What is your current income?
- What is your income likely to be in the future?
- How much do you spend each year?
- What are your expenses likely to be in the future?
- What are your current assets and debts?
- Are your assets currently owned solely or jointly?
- What estate planning strategies have you already implemented?

Family information :

- Who are the family members you intend to benefit?
- What are the needs of each family member?

What are your goals and objectives?

Your goals and objectives are personal, but you cannot formulate a successful plan without a clear and precise understanding of what they are. They can be based on your particular circumstances and the factors that may affect your estate, but your feelings and desires are just as important.

The following are some goals and objectives you might consider:

- Provide financial security for your family
- Ensure that your property is preserved and passed on to your beneficiaries
- Avoid disputes among family members, business owners, or with third parties such as the IRS
- Provide for your children's or grandchildren's education
- Provide for your favorite charity
- Maintain control over or ensure the competent management of your property in case of incapacity
- Minimize estate taxes and other costs
- Avoid probate
- Provide adequate liquidity for the settlement of your estate
- Transfer ownership of your business to your beneficiaries

Note: See the Estate Planning Checklist for further guidance.

KEEP IN-MIND

Before you choose which strategies are right for you, you need to understand your particular circumstances.

What other factors need to be considered?

Decide what your goals and objectives are in light of your particular circumstances and in light of the factors that may affect your estate. The primary factors that may affect your estate are your beneficiaries, taxes, probate, liquidity, and incapacity.

Taxes

One of the largest potential expenses your estate may have to pay is taxes. These may include federal transfer taxes, state death taxes, and federal income taxes.

Federal transfer taxes: Federal transfer taxes include the gift tax, estate tax, and the generation-skipping transfer tax (GSTT). Federal gift tax is imposed on property you transfer to others while you are living. Federal estate tax is imposed on property you transfer to others at the time of your death. The GSTT is imposed on property you transfer to an individual who is two or more generations below you (e.g., a grandchild or great-nephew).

State death taxes: States also impose their own death taxes. You should be aware of what the death tax laws are in your state and how they may affect your estate. There are three types of state death taxes: (1) estate tax, (2) inheritance tax, and (3) credit estate tax (also called a sponge tax or pickup tax). Some states also impose their own gift tax and/or generation skipping transfer tax.

Federal income taxes: In the estate planning context, you should be aware of three federal income tax considerations: (1) income taxation of trusts, (2) decedent's final income tax return, and (3) income taxation of your estate.

Probate

Probate is the court-supervised process of proving, allowing, and administering your will. The probate process can be time-consuming, expensive, and open to public scrutiny. Avoiding probate may be one of your most important goals. To develop a successful avoidance strategy, you will need to understand how the probate process works, how to estimate probate costs, and what is subject to probate.

Liquidity

Estate liquidity refers to the ability of your estate to pay taxes and other costs that arise after your death from cash and cash alternatives. If your property is mostly nonliquid (e.g., real estate, business interests), your estate may be forced to sell assets to meet its obligations as they become due. This could result in an economic loss, or your family selling assets that you intended for them to keep. Therefore, planning for estate liquidity should be one of your most important estate planning objectives.

Incapacity

Planning for incapacity is a vital yet often overlooked aspect of estate planning. Who will manage your property and make healthcare decisions for you when you can no longer handle these responsibilities? You need to ask and answer this question because the consequences of being unprepared may have a devastating effect on your estate and loved ones. You should include plans for incapacity as a part of your overall estate plan.

KEEP IN-MIND

One of the largest potential expenses your estate may have to pay is taxes. These may include federal transfer taxes, state death taxes, and federal income taxes.

Basic Estate Planning Strategies

An estate planning strategy is any method that facilitates the distribution of your assets and the settlement of your estate according to your wishes. There are several estate planning strategies available to you.

Intestate Succession: The Default Plan

Intestate succession is a strategy by default and is a means of transferring your property to your heirs if you have failed to make other plans, such as a will or trust. State law controls how and to whom your property is distributed, who administers your estate, and who takes care of your minor children. Without directions, your opinions and feelings are not considered. Indeed, one of your primary goals in planning your estate may be to avoid intestate succession.

Last Will and Testament

A will is a legal document that lets you state how you want your property distributed after you die, who shall administer your estate, and who will care for your minor children. This is probably the most important tool available to you. Anyone with property or minor children should have a will.

Will Substitutes

A will substitute for example, payable on death bank accounts allows you to designate a beneficiary of certain property that will automatically pass to that beneficiary after you die and avoids passing through probate.

Trusts

A trust is a separate legal entity that holds your assets, which are then used for the benefit of one or more people (e.g. you, your spouse, or your children). There are different types of trusts, each serving a different purpose, including marital trusts and charitable trusts. You will need an attorney to create a trust.

Joint Ownership

Joint ownership is holding property in concert with one or more persons or entities. There are different types of joint ownership, such as tenancy in common, tenancy by the entirety, and community property, each with different legal definitions, requirements, and consequences.

Life Insurance

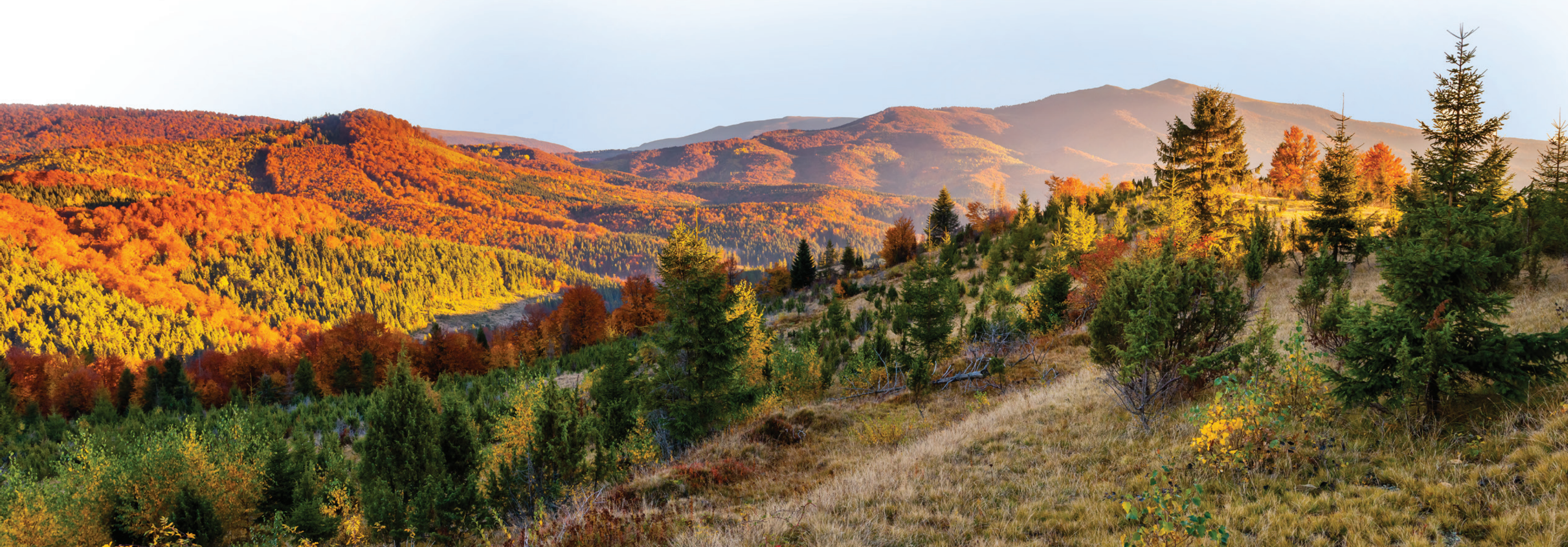
Life insurance is a contract under which proceeds are paid to a designated beneficiary at your death. Life insurance plays a part in most estate plans.

Gifts

A gift is a transfer of property, not a bona fide sale, that you make during your life to family, friends, or charity. Making gifts can be personally gratifying as well as an effective estate planning tool.

Tax Exclusions, Deductions, and Credits

The federal government offers several important estate planning tools. These include the annual gift tax exclusion, the basic (applicable) exclusion amount, the unlimited marital deduction, split gifts, and the charitable deduction.



Implementing Your Estate Plan

1. Seek Professional Help

Seeking professional help (an attorney or financial advisor) will help you understand the strategies that are available and formulate and implement your master plan.

2. Formulate and Implement a Plan

Finally, after following these steps, you can formulate and implement a plan that works for you. Here are a few basic tips: (1) make sure you understand your plan, (2) rely on people you trust, and (3) keep your documents and information organized and within easy reach.

3. Perform Periodic Reviews

When you have implemented your master plan, be sure to perform a periodic review and, if necessary, make revisions that reflect any changing circumstances and tax laws.

Six Steps to Estate Planning Success

Estate planning should never wait until you are older or near death. Get it done early in case there is an emergency. Estate planning dictates how your assets are handled upon disability as well as upon death. By having powers of attorney, you leave someone who can make decisions for you in case you are unable to handle them by being unavailable or physically/mentally incapable. Below are the six simple steps to estate planning success:

1. Research and Select Appropriate Advisor(s)

- Accountant
- Attorney
- Trustee
- Financial Planning Professional
- Tax Advisor
- Insurance Professional

2. Develop Background

Review and understand essential estate planning concepts, including probate, living or revocable trusts, power of attorney for property and healthcare, and living will declarations.

3. Assemble Your Data

Create a net worth summary, identify current beneficiaries, and assemble material related to life and disability insurance programs that are in place.

4. Meet With Your Advisors

Set up advisor meeting and develop team suggestions based on identified goals and objectives

5. Implement a Plan

Finalize and execute necessary documents and provide copies to advisors, administrators, and family as appropriate.

6. Review Annually

Keep your estate plan fresh by reviewing it annually.

Source: Broadridge Investor Communications Solutions, Inc.

Savant Capital Management

Who We Are

Savant Capital Management is an independent, fee-only wealth management firm. We do not sell products, and thus are able to deliver objective fiduciary advice and fully transparent service to you, our clients. Additionally, Savant does not receive benefits from brokerage services, commissions or finder's fees. This independence allows us to remain impartial and do what is in your best interest, giving you the peace of mind that comes from engaging in only the most trusting relationship.

What Drives Us

Our vision is to help build ideal futures for our clients, our team, and the communities we serve. Since 1986, we have focused on one key principle: all financial advice should be made strictly in the best interest of the client. But it goes beyond that…we are committed to helping our clients gain peace of mind through insight, wisdom, and perspective. At Savant we help people live the way they want when they retire. We start by working with you to determine what's important. Then, using a time-tested and evidence-based approach, we provide investors access to a personalized portfolio option and proactive, customized planning advice, all while considering the tax implications over a lifetime.

Experience and Recognition

Often our clients know where they want to be, but they need the collective wisdom and insight of a team of professionals to help them get there. That is why Savant is committed to providing you with the value and experience you deserve in wealth management. We have thoughtfully assembled a team of specialists, each of whom aspires to the highest professional and academic standards. Collectively, we offer each client our combined expertise, credentials, intelligence, work ethic, character, and reputation.

With hard work and a steadfast commitment to service, Savant has received significant local and national recognition:

- ***Accounting Today*** - Top CPA Financial Planners
- ***Barron's*** - Top 100 Financial Advisor
- ***BusinessWeek*** - Most Experienced RIA List
- ***Chicago* magazine** - #1 Independent Advisor
- ***Financial Advisor* magazine** - Top RIA Ranking and Fastest Growing Independent RIA
- ***Financial Planning* magazine** - Top 100 RIA Firm
- ***Forbes*** - Top 50 Registered Investment Advisor (RIA)
- ***InvestmentNews*** - One of the 50 Largest Wealth Management Firms in the Nation
- ***Schwab*** - Best-In-Business IMPACT Award™ Recipient
- ***Worth/Robb Report*** - Top 100 Wealth Advisor

Among these honors is a certification from the **The Centre for Fiduciary Excellence (CEFEX)** which has recognized Savant as a CEFEX Certified Investment Steward and a CEFEX Certified Investment Advisor. These designations confirm that Savant's fiduciary practices have been audited by an independent global assessment and certification organization to be in conformity with global practices.

Confidence, Simplicity, and Peace of Mind

Your total wealth extends beyond financial issues. It is also made up of human capital, intellectual capital, and your ability to positively influence society. Our process and team help you leverage your financial assets in a manner that aligns your personal goals, values, and vision of your ideal future. Our goal is to bring clarity, focus, simplicity, and efficiency to your financial situation. To do this, our team functions as your personal CFO and continually reviews, monitors, and measures your progress to ensure that your plan is in alignment.

As your personal CFO, we integrate your financial planning, investments, and tax decisions. We help assure that your plan considers all opportunities and risks and help you navigate to avoid mistakes that otherwise impede you from getting to where you want to be. An effective financial plan will point you in the right direction. Your investment strategy will focus on preserving and growing your wealth, and tax management assures you do not pay too much tax along the way. With Savant as your personal CFO providing proactive advice, helping you implement that advice, and coordinating with other key professionals, you will have a much higher likelihood of achieving your ideal future.

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