Workplace Education Series

Preserving Your Savings for Future Generations

[presenter name]
[date]

Fidelity INVESTMENTS

Your questions at this time of your life.

And, our agenda today:

- Do I need an estate plan?
- What is considered an estate asset?
- What kind of planning would I need to do?
- How do I review an estate plan?
- Are there steps I can take today?

Does everyone need an estate plan?

Let's explore:

– Tax law changes and considerations
– What is considered an estate and how assets are distributed
– The importance of getting the conversation started

You may need an estate plan if you:

- Want to increase the value of your estate by reducing applicable estate taxes if possible
- Have minor children who need an appointed guardian
- Have a large portion of your assets in retirement plans
- Are the beneficiary of a trust

What you may need to know

- The top effective estate and gift tax rate applicable to amounts in excess of applicable exclusions for 2018 and going forward is 40%.
- $11,200,000 “unified” federal estate and gift tax applicable exclusion amount (with annual inflation adjustments)
- $11,200,000 generation skipping transfer (“GST”) tax exemption (with annual inflation adjustments)
- Spousal portability of any unused portion of the federal estate and gift tax applicable exclusion amount
- Annual federal gift tax exclusion is $15,000 per individual/$30,000 per married couple for 2018

Identifying your estate assets

Estate assets

+ Tangible personal property
+ Real estate
+ Cash and investments
+ Retirement plan accounts
+ Business interests
+ Life insurance policies
+ Annuities
+ Interests in certain kinds of trusts
+ Expected inheritances
+ Share of joint interests
+ Miscellaneous assets (i.e., contract rights, patents, copyrights, etc.)

= "What you own or control"

Assets can be distributed in several different ways

By Contract

- To beneficiaries
  - Life insurance/ annuities
  - Retirement plans
- Transfer-on-death registrations

By Trust

- To trust beneficiaries
- Trust accounts
- Real property registered to trust
- Personal property registered to trust

By Law

- To surviving owners
- Joint tenancy
  - With right of survivorship
  - By the entirety, e.g., real estate, joint bank accounts

By Probate

- To heirs named in will or by state intestacy laws
- Takes time, expensive, easier to contest (as compared to methods previously mentioned)
- Real estate located in state other than state of residence may require probate in both states.

A goal of estate planning is to make sure distributions are consistent with your wishes

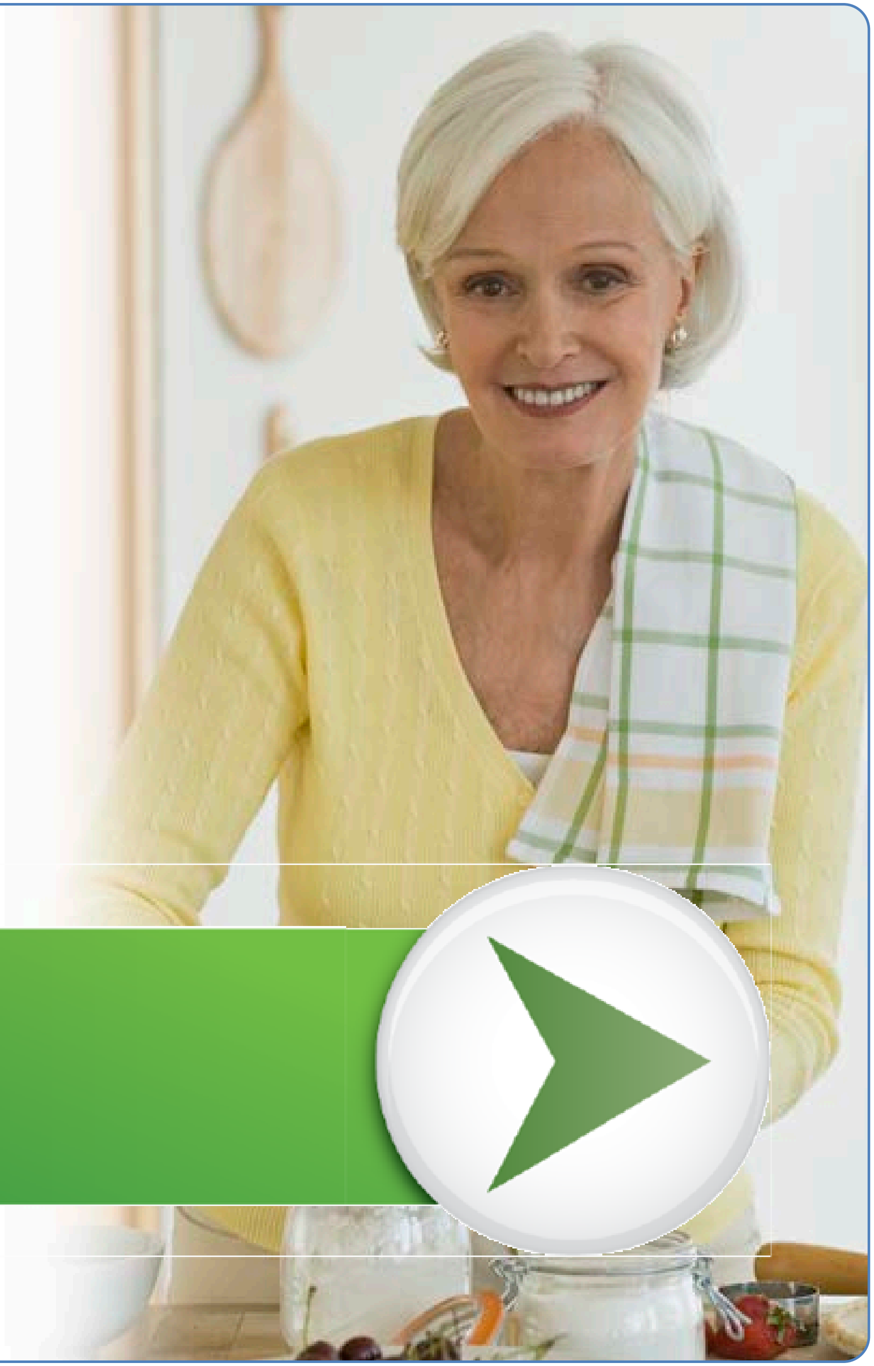
How to get the conversation started

Some general guidelines

- Pick a positive, comfortable environment
- Be sincere about your intentions
- Use personal examples to seek advice and engage
- Stress the importance and benefits to all of your family

Key estate planning tools

Let's explore:
– Common elements of an estate plan
– Beneficiary designations
– The importance of life insurance



Common elements to consider for sound estate plans

- Wills
- Powers of attorney
- Health care proxies
- Beneficiary designation
- Trusts
- Life insurance
- Gifting

Tip: Store important documents related to your estate in a safe place where they will be easily available.

What a will may accomplish

- Directs the distribution of assets in accordance with a decedent's wishes
- Usually names an executor
- May appoint a guardian for minor children

Tip: It's important to review and adjust your will every three to five years and at certain life events.

A legal document that authorizes someone to act on another's behalf

Often executed by one spouse for another.

- General power
- Limited power
- Durable power
- Non-durable power

Together, they may define a person's wishes regarding medical and long-term care

- Requires mental incapacity diagnosis by a physician to activate power
- May specifically list what medical actions an agent can / cannot do with regard to medical and/or end-of-life decisions regarding the removal or withdrawal of life support and artificial nutrition and hydration
- A living will expresses a person's wishes when considering the use of life-sustaining procedures

Simple to set and maintain – crucial to sound planning

Beneficiary designations help

– retirement accounts
– life insurance, and
– annuity contracts

avoid the probate process and ensure these assets transfer as the decedent intended.

What is a trust?

- **Legal Instrument:** Contains a grantor's instructions as to the management and distribution of assets during the grantor's lifetime and upon his or her death
- **Flexible:** A revocable trust can be amended or revoked during the grantor's lifetime to change terms or beneficiaries
- **Avoid Probate:** Assets held in trust avoid the cost, time and publicity of probate
- **Estate Taxes:** An irrevocable trust can be structured to reduce estate taxes – leaving more to heirs
- **Protect Inheritances:** Can be structured to help protect the inheritances of children and to control the timing, amount, and purpose of distributions to beneficiaries through trust language

How key documents may work together

Revocable Living Trust:
Created during lifetime to hold and manage assets, such as investment and banking accounts. Grantor, as Trustee, typically has total access and control.
Owes income taxes at personal rates

Marital Trust:
Testamentary, irrevocable trust created at death to provide spousal income. Included in surviving spouse's estate

Family Trust:
Testamentary, irrevocable trust created at death to shelter federal exemption and provide spousal income. Not included in surviving spouse's estate

Pour over Will:
Gathers individually owned, non-beneficiary assets and puts into trust

Beneficiary Designations

Durable Power of Attorney

Health Care Proxy

Helps ensure an estate can meet immediate cash requirements

- Funeral and burial costs
- Administrative expenses
- Readjustment and living expenses

Wealth transfer strategies

Let's explore:

– Giving to family and friends
– Charitable giving considerations
– How an irrevocable life insurance trust works

A thoughtful approach can help reduce taxes – and increase gifts

Three ideas to consider

- Use the annual "gifting allowance" ($15,000 single and $30,000 couple)
- Pay directly for educational and medical expenses
- Contribute to a college savings plan

Consider using your annual gift tax exclusion to help fund education

- A 529 savings plan
  - Restricts the money for educational use
  - Control stays with the participant even after the child reaches the age at which an UGMA or UTMA account would terminate.
  - Generally considered gifts to the designated beneficiary
  - Can contribute up to $75,000 per beneficiary, $150,000 for married couples who elect to gift split in a single year (five years annual exclusion)*
  - These gifts are generally excluded from your estate
- A uniform gifts to minors account (UGMA) or transfers to minors account (UTMA)
  - These gifts may be included in your estate if you are the custodian

*Gifts in excess of these amounts may be contributed, but they may be subject to transfer taxes or use of some of your lifetime transfer exclusions and exemptions. In order for an accelerated transfer to a 529 plan account (for a given beneficiary) of $75,000 (or $150,000 combined for spouses who gift split) to result in no federal transfer tax and no use of any portion of the applicable federal transfer tax exemption and/or credit amounts, no further annual exclusion gifts and/or generation-skipping transfers to the same beneficiary may be made over the five-year period, and the transfer must be reported as a series of five equal annual transfers on Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return. If the donor fails to survive the five-year period, a portion of the transferred amount will be included in the donor's estate for estate-tax purposes.

Giving to charities can help reduce current taxable income

It can also help reduce capital gains tax liability and estate taxes

You might consider:

- Charitable contributions of long-term appreciated securities—including mutual fund and brokerage account assets
- Naming a charity as a retirement account beneficiary
- Increasing your lifetime charitable giving amounts—if your budget allows

And remember to enjoy the act of giving!

May help pay estate expenses without selling your assets

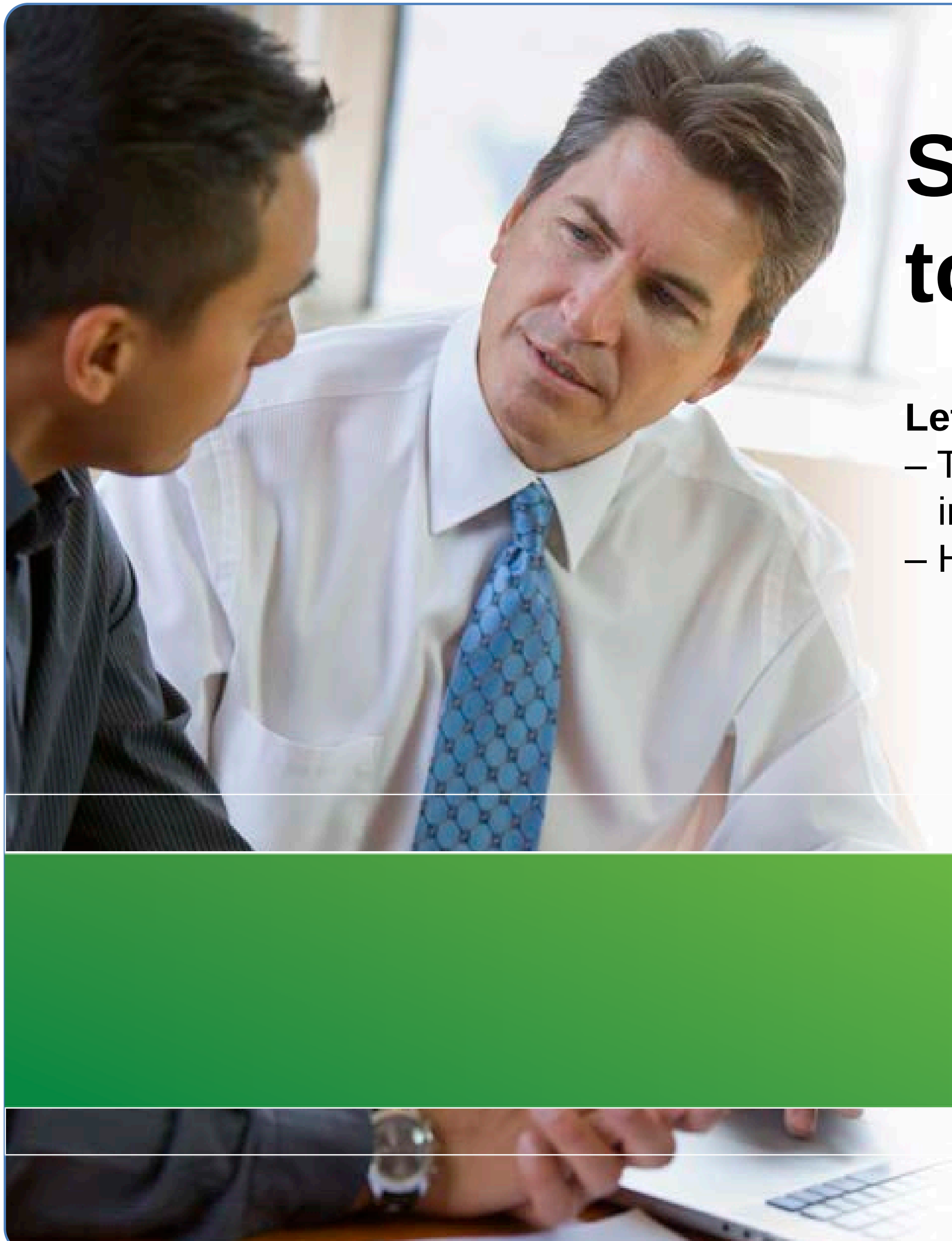
Here's how it works:

- A trust is established
- The grantor gifts money to the trust to pay life insurance premiums
- The policy provides liquidity for the estate

The grantor's gifts to the trust, if structured properly, may also avoid gift taxes.

You'll need help

- The final decisions are yours
- Professionals can help articulate your wishes, avoid mistakes, and reduce taxes



Steps to take today

Let's explore:

– The importance of staying actively involved in managing your plan

– How Fidelity can help

Commit to staying actively involved

- Get organized
- Consider strategies that can help you leave as much as possible to your beneficiaries
- Protect your retirement plan

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