Guide to Estate Planning

Zeniki Wealth
Expert Advice at a Fair Price

INTRODUCTION

A well-designed estate plan is essential for anyone who wants to ensure the smooth transfer of assets when they pass away. And yet many people never get around to completing this critical piece of their overall financial plan. They may believe estate planning is only for the very wealthy—or the very old. Or they postpone it because they just don't want to think about what will happen when they're gone.

But the truth is, creating a comprehensive estate plan can actually help you reduce your anxiety about the future.

It will allow you to:

- ✔ Have a say in creating the legacy you leave behind.
- ✔ Monitor your plan's progress as it's implemented and make adjustments.
- ✔ Help minimize the taxes and other costs you and your beneficiaries might encounter.
- ✔ Enable your loved ones avoid some of the hard decisions and paperwork during a difficult time.
- ✔ Use your plan to address issues that are important to you and your family.
- ✔ Specify how you'd like to help your favorite charities.
- ✔ Provide instructions if you become incapacitated and can no longer manage your own affairs.

This guide is meant to provide you with a clearer understanding of what goes into a comprehensive estate plan. We'll cover the most basic topics and tools—and we'll dive into a few more sophisticated strategies that could further customize your plan.

This is still just an overview, however. Your financial advisor can provide more specific suggestions and solutions for you and your family. We'll work closely with you to build a plan that takes all your needs, goals and concerns into account. And you can feel confident knowing you have a plan in place that reflects your values and vision.

This guide is for general informational purposes only and is not intended to address specific needs. The information provided should not be used to create an individualized estate plan. Professional financial advice should be obtained before moving forward with any definitive action.

I What Are Some of the Costs Associated with Transferring Wealth?

One of the main goals of a proactive estate plan should be to minimize certain expenses that could impact you (and your spouse if you're married), and what your heirs will ultimately receive from your estate. These costs can include:

Probate

Probate is the legal process for reviewing the assets of a deceased person and determining his or her inheritors. The probate court will review and oversee the execution of your will; or, if you die "intestate" (without a will), the court will follow state laws to decide how to distribute your estate.

Keeping up with court appearances, responding to requests for official documents, and dealing with administrative procedures can be time-consuming and expensive. Legal and accounting fees and other probate costs can chip away at your estate—especially if you die intestate and/or if your heirs contest the distribution of assets. Even if you have what you think is a solid plan in place, you should consider whether your estate will have enough liquid assets to cover these costs and provide for loved ones during probate proceedings.

Taxes

Your taxable estate includes every asset you own, including cash, bank accounts, life insurance, real estate, investments and personal property (including jewelry, cars, artwork, etc.). These assets are generally taxed at their fair market value as of the date you pass, so it's important to understand how you can reduce those taxes in order to leave more to your loved ones.

- **Federal Estate and Gift Taxes:** The federal government assesses an estate tax on a deceased person's estate before anything is distributed to his or her beneficiaries. But you'll only have to pay this tax if your taxable estate is worth more than the current lifetime federal exemption. (If you're married, you can transfer unlimited assets to your spouse.

  The 2024 federal exemption is $13.61 million for an individual, or $27.22 million for a married couple, and that amount generally rises each year based on inflation. It should be noted, however, that the exemption amount is scheduled to be reduced to $5 million, adjusted for inflation, on Jan. 1, 2026. Transfers that exceed this amount may be taxed at a maximum rate of 40%.

  If you're concerned your estate may be over that threshold, a long-range lifetime gifting strategy may help preserve your wealth for your heirs. You can gift up to $18,000 in cash or other assets each year to as many individuals as you wish without paying any federal gift taxes or using any portion of your lifetime federal applicable exclusion amount. If you and your spouse both use your annual exclusions, you can transfer $36,000 per year to multiple recipients. And once those gifts are made, the money will be removed from your taxable estate. Over a period of several years, this could significantly reduce your total estate tax liability.

TAX ASSOCIATED COSTS

Federal Estate and Gift Taxes

State Estate and Inheritance Taxes

Generation-Skipping Transfer Tax

Income Taxes

- **State Estate and Inheritance Taxes:** Currently, 12 states and the District of Columbia levy an estate tax separate from the federal estate tax. Some states also impose an inheritance tax (which is paid by the inheritor or beneficiary). These tax rates can be as high as 20%, depending on the state. Exemption amounts may vary from state to state.
- **Generation-Skipping Transfer Tax:** The generation-skipping transfer tax (GSTT) is a separate federal tax imposed on transfers to beneficiaries who are two or more generations below the transferor (such as a grandparent directly to grandchildren). It ensures the inheritance the transferor's grandchildren receive is the same amount it would be if the inheritance were coming from their parents. The GSTT also can affect transfers to, and distributions from, certain trusts.

  Currently, a GSTT exemption of $13.61 million helps shield transfers to younger family members (sometimes referred to as "skip persons) from this tax. However, just like the federal lifetime exemption, it is scheduled to be reduced to $5 million, adjusted for inflation, in 2026. Transfers that exceed this exemption amount can be taxed at a 40% rate.

  It's important to note that the inheritor, or skip person, doesn't necessarily have to be a family member. Any individual who is at least 37½ years younger than the transferor is eligible to receive a generation-skipping transfer.
- **Income taxes:** Many people plan for federal gift and estate taxes, or state estate and inheritance taxes, when they consider how their legacy might impact their beneficiaries. They sometimes forget, though, that their loved ones may also have to pay taxes on the income or capital gains they earn from an inherited asset.

  Most inherited assets receive a step-up in basis at death, so the cost basis of an asset for an heir is typically the value the asset has on the day it's inherited, not on the day it was initially purchased. That higher cost basis means less gain when the heir sells the asset—and less of a tax impact. Retirement accounts like 401(k)s and IRAs don't qualify for a step-up in basis, however, and neither do tax-deferred annuities or pensions. That means withdrawals from these assets may be taxed as ordinary income.

Taking a proactive approach to estate-tax planning can protect your financial legacy for the short and long term. Your Zeniki financial advisor can help merge your legacy goals with your overall financial plan.

II What Are Some Estate Planning Tools That Can Help Lower These Costs?

A well-designed estate plan can help to minimize transfer costs as well as provide necessary liquidity to cover costs as your estate is settled. Basic tools that may be used to attain one or both of these goals include:

Last Will and Testament

A will is a legal document used to communicate your final wishes regarding how your assets should be disbursed. You can also use your will to name an executor (the person who will manage your estate through the probate process) and, if necessary, who you want to serve as guardian of your minor children.

A will is the governing document the probate court uses to guide the settling of an estate. It should help make the probate process easier for everyone—and can reduce costs and stress. But a will often doesn't cover every situation, and you may find that you'll need to use other tools to further establish your wishes.

Living Will and Health-Care Proxy

A living will tells your family and doctors about the type of medical treatment you want to receive if you are no longer able to express informed consent. You can also create a health-care proxy, a legal document that designates who should make choices about your care if you become incapacitated.

Durable Power of Attorney

You can use a durable power of attorney to name the person (or persons) you want to make financial and legal decisions on your behalf. This means the person you choose can manage your affairs without having a court-appointed guardian or conservator. Unlike a regular power of attorney, a durable power of attorney remains in effect if you become incapacitated and can no longer make your own decisions.

Trusts

A trust is a legal fiduciary arrangement that allows your assets to be held and managed according to your wishes by a third party known as a trustee. The trustee you appoint could be a trusted individual or a firm.

Besides offering significant estate tax benefits, a trust can provide other protections. For example, the assets in your trust won't be part of any probate proceedings, which means your beneficiaries should be able to receive them faster. And trusts don't become part of the public record, so it's a good way to protect your privacy—and the privacy of your heirs.

Before getting into the specifics of some of the many different trusts available, it can be helpful to understand two broad categories of trusts: revocable and irrevocable trusts.

- **Revocable Trusts:** A revocable trust allows you, as the "grantor," to make changes to your trust, or revoke it, if you should choose to do so at some point. You can remove beneficiaries, add new ones, or modify how assets within the trust are managed.

  However, because you'll retain control over the assets in a revocable trust while you're alive, those assets will still be considered part of your estate for tax purposes.

  Something else to consider is that, unlike an irrevocable trust, a revocable trust isn't a sure-thing when it comes to shielding your assets. Although it may be more difficult to gain access, the assets in a revocable trust are still available to creditors.
- **Irrevocable Trusts:** With an irrevocable trust, you, as the grantor, will give up the right to amend or revoke the trust without your beneficiaries' consent. So choosing this type of trust means giving up some control. But it also means that, when properly drafted and administered, any asset transferred to the trust during your lifetime will be removed from your estate for estate tax purposes. Those assets will also be protected from your creditors, and your beneficiaries' creditors.

There are pros and cons to both of these trust types. A revocable trust provides flexibility and control but doesn't offer as much protection against creditors and taxes. An irrevocable trust offers significant asset protection and potential tax advantages, but at the expense of flexibility. Your advisor can help you decide which is the right fit for you.

It's important to have a qualified attorney draft and execute any legal documents that are necessary to implement your plan, and it can be extremely helpful to include your financial advisor in that process. You may also choose to keep your documents on file with your estate planning team, so you and anyone you might designate will have access to a record of your wishes.

Marital Planning

People often think they don't need an estate plan if they're married, because they expect their husband or wife will inherit everything when they pass. But it's actually a good idea for spouses to create an estate plan together.

It can help to:

- Make dealing with personal and business matters less stressful during a challenging time.
- Avoid any miscommunications or misunderstandings that could slow the disbursement of assets.
- Minimize the tax burden when assets transfer to your children (as an annual gift or through your estate).
- Ensure that you will have a say regarding who your beneficiaries will be after you both pass.

Your financial plan really isn't complete without an estate plan—and both spouses should be present for any conversations you have with your advisor or attorney on this topic.

III What Role Can Life Insurance Play in Estate Planning?

It's a common misconception that it's only necessary to have life insurance when your kids are still young and you're working. But life insurance can be a valuable tool for estate planning at any age. Even if you have other assets, such as investment accounts or real estate, you may still want to consider using life insurance to provide additional financial support for your beneficiaries.

Life insurance death benefits are usually received free of income tax. And with proper planning, your benefits may be free of estate taxes as well.

Life insurance death benefits can be used to:

- Provide an income source for family members after you pass.
- Pay off your mortgage or other debts.
- Provide cash to pay estate taxes.
- Equalize inheritances among children.
- Leverage your annual gift tax exclusion, lifetime exemption and generation-skipping transfer tax exemption.

With the right type of policy and optional riders, your life insurance may also provide "living benefits," including:

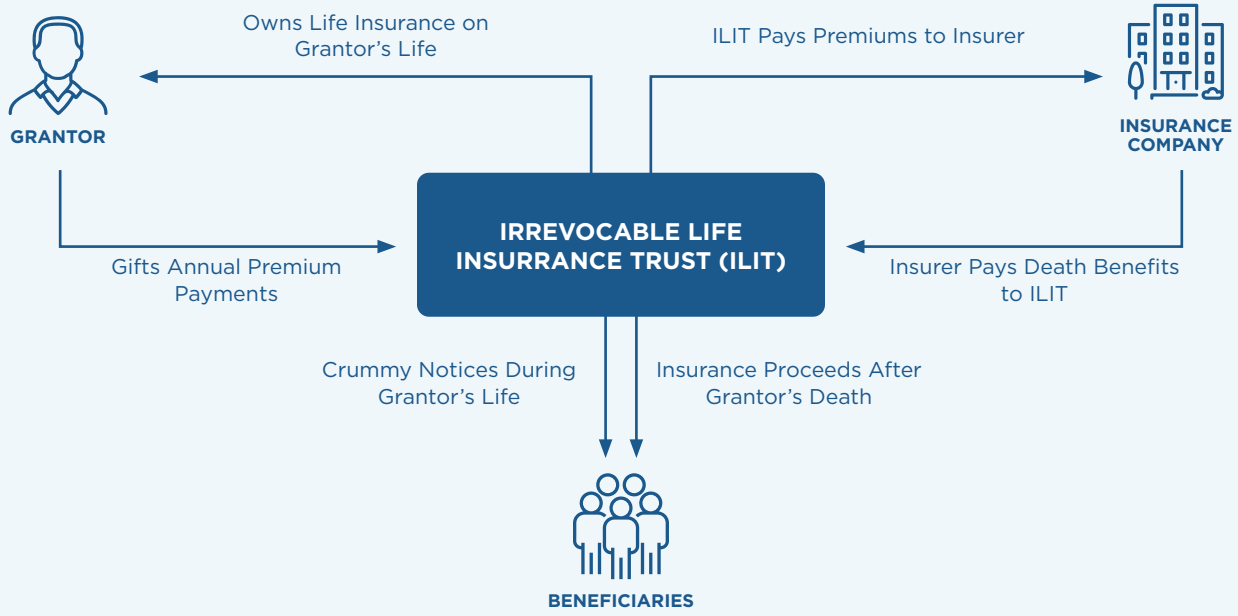
- The potential to supplement your income by accessing the policy's cash value on an income tax free basis.
- The ability to accelerate your death benefit during your lifetime to pay for qualified long-term care expenses.
- The ability to receive a lump-sum payment should you experience a critical illness.

Irrevocable Life Insurance Trusts

An irrevocable life insurance trust (ILIT) is an irrevocable trust designed to hold one or more life insurance policies. The trust becomes the owner, payor and beneficiary of the life insurance policy or policies, so the insurance exists separately from the grantor's estate and isn't included in the estate's value. Here's how that usually works:

- The grantor pays the trust.
- The trustee uses these funds to pay the life insurance premiums.
- When the grantor passes away, the trustee collects the life insurance payout and handles payouts to the beneficiaries.

PROPER STRUCTURING OF AN IRREVOCABLE LIFE INSURANCE TRUST (ILIT)



An ILIT can give you, the grantor, more control over when and how your beneficiaries receive their money after you pass away. And, when properly structured, those benefits won't be subject to income or estate taxes.

Advantages of an ILIT include:

- The trust can provide liquidity, including cash to help your beneficiaries pay estate taxes and other transfer costs.
- The trust's assets will be protected from your beneficiaries' creditors.
- The trust can continue managing your assets, based on your wishes, after your death.
- The trust can help you take advantage of the annual gift tax exclusion and leverage the generation-skipping transfer.

Something to keep in mind if you're considering an ILIT: Generally, you can choose anyone (other than yourself) to serve as the trustee. But naming an "independent" trustee (someone who is not also a trust beneficiary) can offer more flexibility when it comes to distributing the trust's assets. If a trust beneficiary is also the trustee, distributions should be subject to an "ascertainable standard," meaning the money will be used for health, education, maintenance and support costs.

Having an ascertainable standard for an ILIT, or another type of trust, allows a beneficiary to serve as trustee without causing the trust's assets to be included in the beneficiary's estate. It also helps to protect the beneficiary from having to use trust assets to pay creditors. And it can help preserve trust assets by restricting how much and when a trustee can distribute trust assets.

The way you use life insurance in your financial plan will likely evolve over time. Your financial advisor can assist you as you make insurance decisions with your family's needs and goals in mind.

IV How Can Proactive Gifting Strategies Benefit You and Your Loved Ones?

As mentioned above, gifting during your lifetime can help you establish your legacy and remove assets from your estate in order to minimize federal and state taxes. Here are some other things you should consider:

Annual Gifting and Your Lifetime Exemption

You can gift up to $18,000 in cash or assets each year to as many recipients as you want without paying federal gift taxes. But if you choose to gift more than the $18,000 exclusion in a year, it doesn't necessarily mean you'll be taxed. Instead, any amount over $18,000 per individual could be applied to your lifetime federal gift and estate tax exemption. You will have to file a federal gift tax return, and your lifetime exemption amount will be reduced. But you won't have to pay taxes on the overage.

Remember, spouses can double their tax-free giving by combining their annual limit (to $36,000) and lifetime limit (to $27.22 million).

Crummey Power

The Crummey power can be a useful estate planning tool to make annual gifts to a trust that exceed what would otherwise be eligible.

To do this, the trust must provide its beneficiaries with the right to withdraw tax-free gifts from the trust for a certain period of time after the gifts are made. Once the withdrawal period expires, the assets become part of the trust's permanent assets, and beneficiaries no longer have the power to withdraw them. The assets in the trust are then managed by the trustee.

Gifts Paid to Medical or Education Providers

If you're hoping to cover certain educational or medical costs on behalf of a loved one, you may want to consider paying the provider directly. Qualifying education costs (tuition, books and fees, but not room and board) and medical expenses paid directly won't count against your annual gift tax exclusion or your applicable exemption amount. And they won't be subject to GST taxes.

Choosing Which Assets to Gift

Often the best option is to gift an asset that is likely to appreciate in value. This removes the future appreciation from your estate tax free, and the recipient will benefit from a gift that will grow in value over time.

Your financial advisor can help you review and evaluate your assets in order to make the smartest gifting decisions.

V How Can Charitable Planning Help You Realize Your Legacy Goals?

Besides ensuring that your loved ones are taken care of when you pass, you may also wish to create a charitable legacy that benefits the causes you care about. You can transfer an unlimited amount of assets to qualifying charitable organizations without paying any estate or gift taxes. Charitable gifts can be made directly to charitable organizations or through a charitable trust you've created. Options include:

Charitable Lead Trusts (CLTs)

Charitable lead trusts (CLTs) are trusts that provide income to a charity for a certain period of time or during the donor's lifetime, after which the remaining assets are passed on to beneficiaries. Donors receive tax benefits for the gifts that may reduce estate taxes, income taxes, and capital gain taxes.

Split Interest Gifts

Split interest gifts include vehicles such as Charitable Remainder Trusts (CRTs), Charitable Gift Annuities, and Pooled Income Funds. Split interest gifts are irrevocable gifts that provide income to one or more noncharitable beneficiaries for a specified period, after which the remainder is donated to one or more charitable beneficiaries. This type of trust offers several tax benefits.

It can help to:

- Minimize capital gains taxes.
- Provide a charitable income tax deduction.
- Reduce your estate taxes.

Charitable Retained Life Estate:

A charitable retained life estate is a transaction where an individual irrevocably transfers a personal residence to a charity with a retained right to use the property for a specified term or lifetime. The donor receives an income tax deduction for the gift in the year of the irrevocable transfer.

Wealth Replacement Trust

A split interest gift can be paired with an irrevocable life insurance trust (ILIT) to replace the assets going to charity. To do this, you can use a portion of the income from the split interest gift to make gifts to a wealth replacement trust. The trustee can then purchase life insurance on you, or survivorship insurance on you and your spouse, to benefit your family.

Discussing your philanthropic vision with your family members can be a positive way to get them involved in the estate planning process.

VI How Can Estate Planning Help Protect the Value of Your Business?

Whether you plan to sell your business or pass it on to a family member or partner, it's important to think about what that transition might look like. Here are some steps to consider:

Plan for Your Successor

Who will run your business if you retire, become disabled or pass away? Succession planning can help minimize the risk that your organization might fail after you turn over the reins.

Decide How to Transfer Ownership

The type of business and how it's structured will help you determine financial, legal and operational details for transferring ownership. Getting experienced guidance with planning and paperwork is critical. It could help you save on taxes and avoid expensive mistakes.

Corporate Documents

Whether your business is a corporation, partnership, limited liability partnership, limited liability company, etc., the owners should agree to and document key aspects of its future, including defining who the owners are and their ownership percentage, succession plans, valuation methods, dispute resolution, how taxes are accounted for upon transfer, and buy-sell agreements. Keeping good banking, accounting and other records is essential. Maintaining corporate documents is important even if just one person owns the business. For solo owned businesses, it is critical to define who will continue business operations when the owner is no longer able to.

Perform a Strategic Analysis

A thorough and unbiased analysis of your business can help you assess its value—and help your successor achieve a successful transition when you leave.

Prepare for Estate Taxes

Do you know how your estate will pay the taxes when your business is transferred upon your death? A thoughtful estate plan can help you minimize that tax liability and develop strategies to pay what is owed without having to liquidate important assets.

No matter the size or structure of your business, having a defined long-range plan can help you and your team stay focused on current and future goals. Your advisor can ensure that your succession plan is part of your estate plan and guide you as you look at various transition strategies.

VII What Are Some Additional Trust Provisions to Consider?

There are several different kinds of trusts, so it's important to know what you hope to accomplish as well as what's required to properly and legally implement your plan. Some useful trusts to consider include:

Dynasty Trusts

A dynasty trust is a long-term trust designed to maximize the transfer of wealth from one generation to the next while also reducing or eliminating estate taxes. By holding assets in the trust and making well-defined distributions to beneficiaries, with no set date for termination, the assets of the trust may remain free from estate, gift or generation-skipping transfer (GST) taxes. In this way, a dynasty trust can continue in perpetuity, or for as many generations as your state law will allow.

Spousal Lifetime Access Trusts

A spousal lifetime access trust, or SLAT, is an irrevocable trust that allows one spouse (as the donor) to gift assets for the benefit of a non-donor spouse during their lifetime.

Once the donor spouse's assets are transferred to the trust, they are removed from the couple's combined estate—and the donor spouse can no longer take income directly from those assets. However, one of the major advantages of a SLAT is that the non-donor spouse—and, potentially, other named beneficiaries, may receive distributions of income or principal from the trust to maintain their normal standard of living. This means that as long as they remain married, both the non-donor (directly) and the donor (indirectly) still can have some access to the funds in the trust during their lifetime.

Then, when the donor spouse dies, all assets transferred to the SLAT (plus appreciation) pass tax-free to the surviving non-donor spouse and to the other named beneficiaries.

Intentionally Defective Grantor Trusts

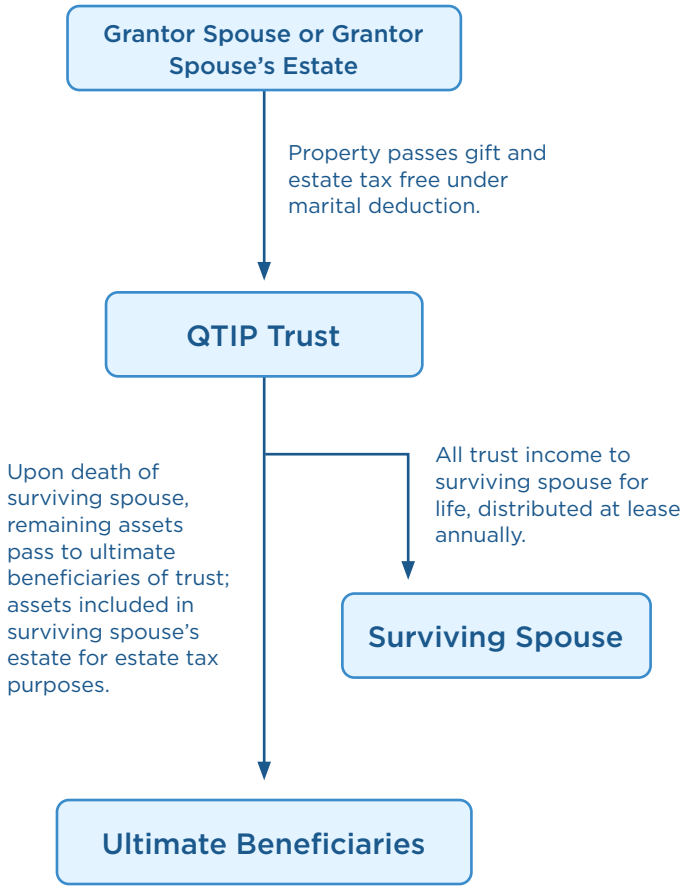
An intentionally defective grantor trust (IDT) is an irrevocable trust that is structured so that the grantor is treated as the owner of the trust's assets only for income tax purposes. For estate tax purposes, the trust's assets remain outside of the grantor's taxable estate. This means the income generated by the assets will be taxed at the grantor's income tax rate, which typically is lower than the trust's. And because the trust doesn't have to pay taxes on income generated by assets such as stocks or real estate, it can keep growing money faster for trust beneficiaries.

Marital Trust and QTIP Trust

A marital trust allows the couple's heirs to avoid probate and minimize the hit from estate taxes by taking full advantage of the unlimited marital deduction—a provision that enables spouses to pass assets to each other without tax consequences. Assets are moved into the trust, also referred to as an "A" trust, when the first spouse dies. The income generated by these assets goes to the surviving spouse—and under some arrangements, the surviving spouse can also receive principal payments.

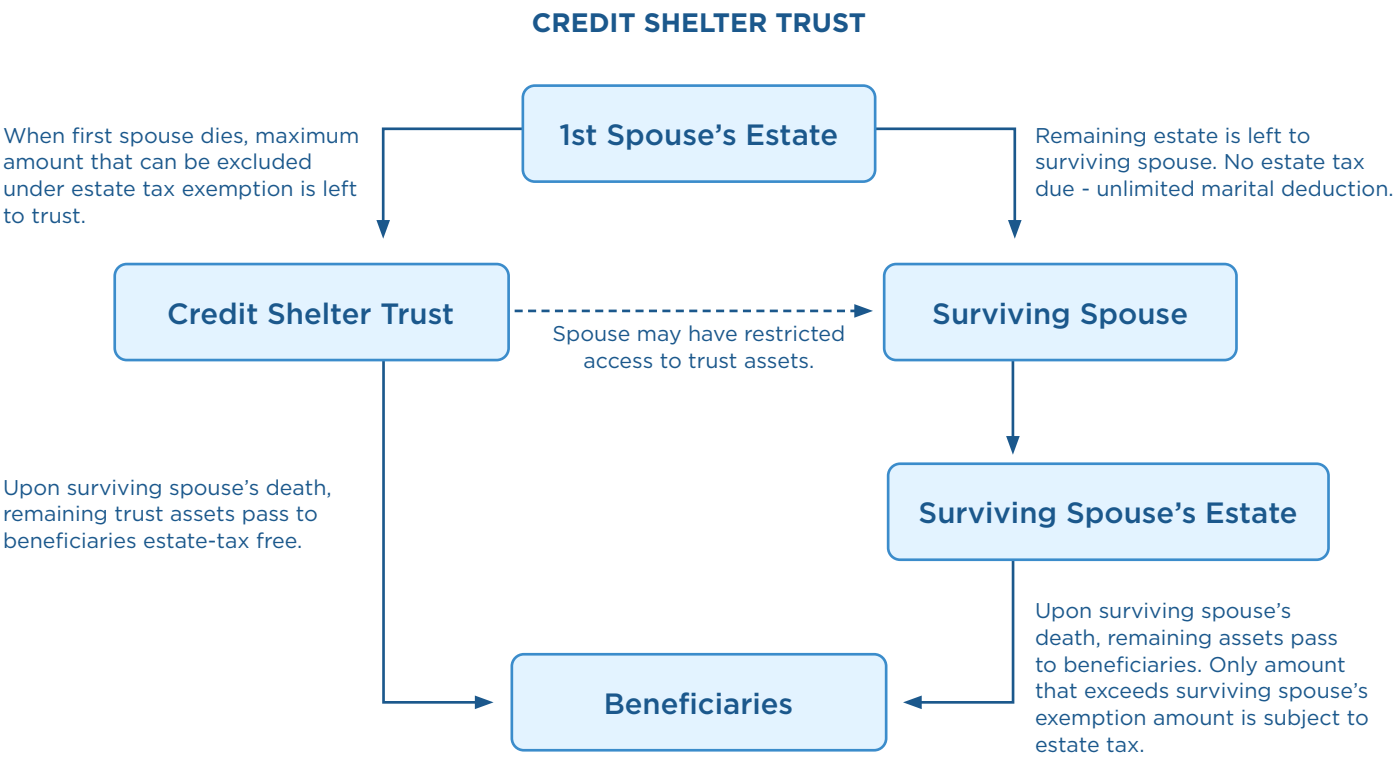
When the surviving spouse dies, the remaining trust assets are subject to estate taxes. To avoid this, a marital trust is sometimes used in conjunction with a credit shelter trust, also called a "B" trust.

A Qualified Terminable Interest Property (QTIP) Trust is a type of marital trust that may be used to restrict access to principal to ensure the trust assets are inherited by a specific person upon the death of the surviving spouse (such as a child from a previous marriage). When the surviving spouse dies, the QTIP property is includable in his or her gross estate.



Credit Shelter Trust

A credit shelter trust is often used by married couples to take full advantage of their combined estate tax exemptions, provide cash flow to the surviving spouse, and allow all future growth to accumulate



outside of the surviving spouse's estate. These trusts, sometimes called "B" trusts, are especially useful for couples who live in states that levy additional estate or inheritance taxes.

At the death of the first spouse, a credit shelter trust is funded with an amount up to the estate exemption for the benefit of the surviving spouse. The surviving spouse maintains certain rights to the trust assets, but because the trust is managed by a designated trustee, the surviving spouse doesn't actually take control of the trust's assets and the transfer doesn't add to the surviving spouse's taxable estate.

Asset Protection Trusts

An asset protection trust (APT) is a self-settled trust in which the grantor can be designated as a permissible beneficiary and allowed access to the funds in the trust account. When properly structured, this can help protect the trust's assets from creditors. An APT may also provide state income tax savings (depending on the grantor's state of residence.)

Medicaid Asset Protection Trust

A Medicaid asset protection trust (MAPT) can help you keep more of your wealth to pass on to your heirs, should you or your spouse need long-term care. As long as you create the trust and transfer assets into it within the required amount of time before applying for Medicaid benefits, the trust's existence won't impact your Medicaid eligibility. And after death, the assets in the trust will be protected from Medicaid estate recovery.

The Medicaid "look-back" period is five years in most states. There are other planning strategies for those who need Medicaid currently or in the near future.

Your Zeniki financial advisor can walk you through the many different types of trusts and help you decide which is right for you. And once you and your attorney have created your trust, your advisor can help you ensure it's funded and the trust's assets are properly titled.

VIII How Can Specialized Planning Benefit Owners of High-Net-Worth Estates?

High-net-worth individuals and families often have unique needs that require in-depth and detailed planning to protect their assets. The strategies mentioned here, and in other sections of this guide, are just a few of the options available.

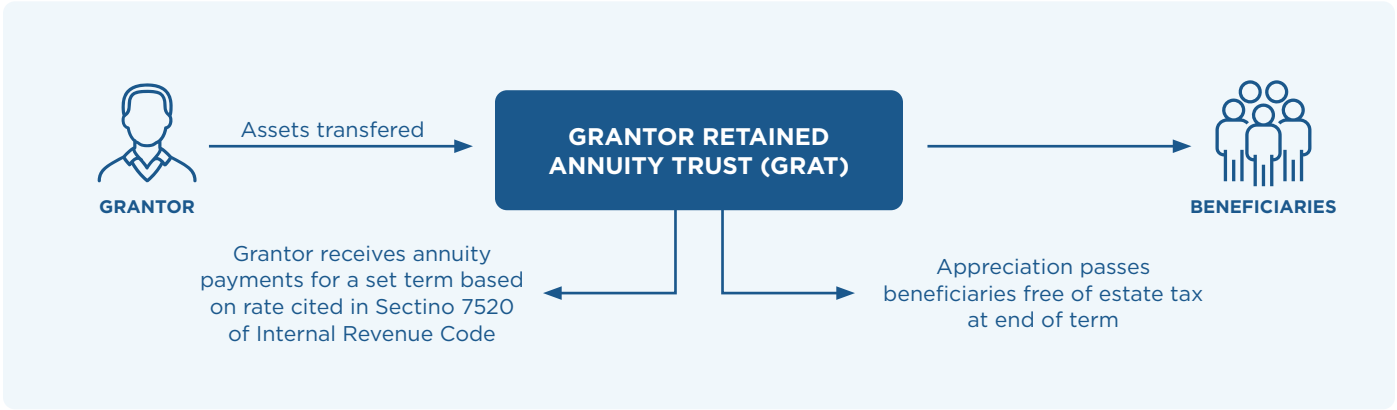
Family Limited Partnerships

A family limited partnership (FLP) or limited liability company (LLC) can be used by families to consolidate the ownership and management of family assets and to shift income or appreciation to other family members. These arrangements allow parents to make discounted gifts of limited partnership interest to children and grandchildren, or to trusts set up to benefit them, without giving up control of a business or property. And significant assets can be passed on to loved ones without triggering taxes or probate.

Grantor Retained Annuity Trusts (GRATs)

A grantor retained annuity trust (GRAT) is a type of irrevocable trust. It allows the grantor to transfer assets to beneficiaries while still retaining the right to receive income—in the form of an annuity payment from the trust—for a certain period of time.

Because the donor retains an interest in the trust assets, there may be a significant gift tax discount on the original transfer to the trust. If the grantor lives beyond the period during which he or she is to receive the income, the full value of the trust property is excluded from the grantor's gross estate and no estate tax will be imposed. However, if the donor dies within the term designated for receiving the income stream, the full value of the assets in the GRAT will be included in the grantor's gross estate. (Life insurance can help offset this possible increase in the estate tax.)



Qualified Personal Residence Trusts (QPRTs)

A qualified personal residence trust (QPRT) is similar to a GRAT, except it helps to minimize estate and gift taxes by transferring a personal residence or vacation home into a trust. The grantor irrevocably transfers the residence to the trust for a set amount of time while still living in the residence, and after that time ends, the property goes to the trust's beneficiaries. If the donor survives the trust's term, ownership of the residence passes to the trust's beneficiaries free of additional gift or estate taxes. As with a GRAT, a gift tax discount on the original transfer to the trust may also be available.

QUALIFIED PERSONAL RESIDENCE TRUST

Private Loan to Trust

Instead of gifting cash or assets to a trust, you may find that using a private finance arrangement with your irrevocable life insurance trust (ILIT) makes more sense. With a private financing arrangement, you can loan cash to your trust in exchange for a promissory note that charges interest at or above the applicable federal rate. The trustee of your ILIT can then use the borrowed funds to buy life insurance or other assets for your trust and also pay the interest due on the note. When the loan term ends, your trust will repay the debt to you using assets held in the trust. The remaining trust assets will stay in the trust, where they can continue to appreciate outside of your taxable estate.

Sale to an Intentionally Defective Grantor Trust (IDGT)

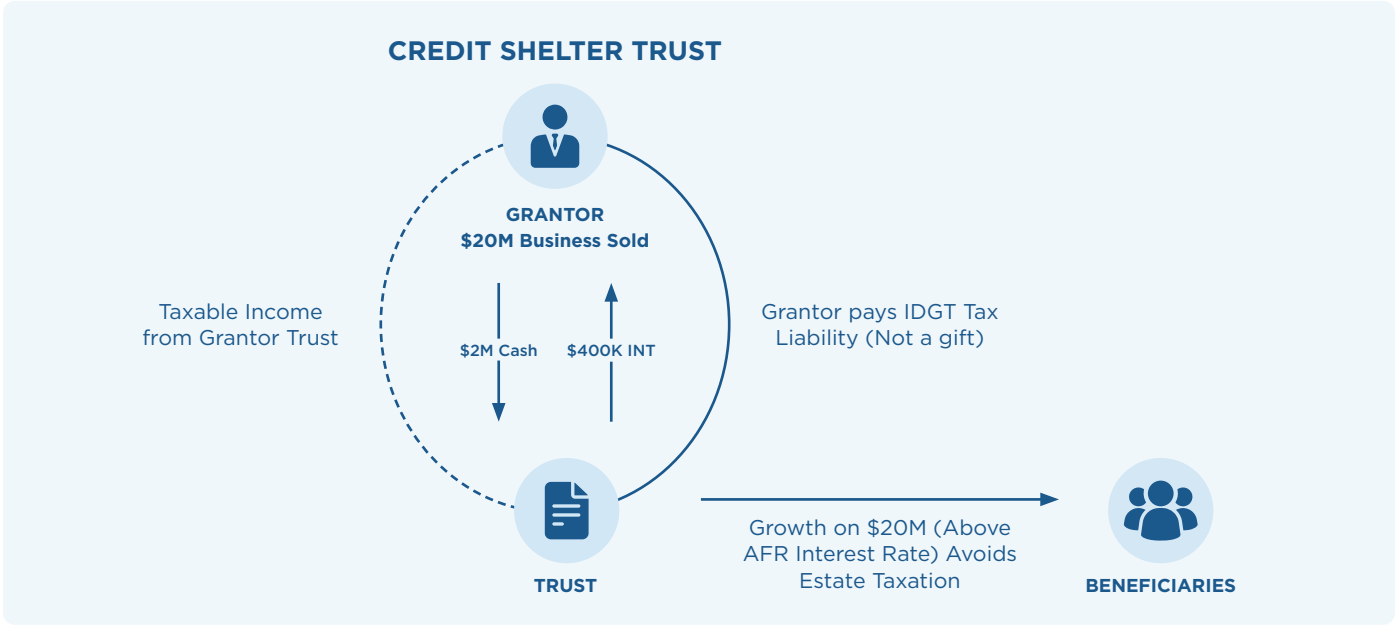
Another way to reduce your taxable estate with minimal gifting is to sell an asset to an intentionally defective grantor trust (IDGT). With this strategy, the grantor starts by making an initial "seed" gift that can be applied to the grantor's lifetime exemption to avoid gift taxes.

Usually, this seed gift is at least 10% of the value of the assets to be sold to the IDGT. This gives the trust the economic substance (required by the IRS) to support a promissory note back to the grantor in exchange for the property the grantor is selling to the trust. This promissory note typically is set up as a series of interest-only payments (at an interest rate at or above the applicable federal rate.)

Once the asset is sold to the trust, any future income and appreciation is removed from the grantor's estate. Instead, it will stay and grow in the trust for the good of the trust's beneficiaries. In this way you can "freeze" the value of the asset in your estate and move the appreciation outside of the estate—all with minimal gifting. And because this is a grantor trust and you'll be paying the income taxes for the trust each year, the assets in the trust may accumulate and compound at a faster rate.

When you, or you and your spouse, have both passed away, the installment note, plus any accrued interest, will be included in your taxable estate. But the assets you sold to the IDGT, plus all future income and appreciation, will not be included.

Wealth Advisors have the knowledge and experience necessary to provide sophisticated and fresh ideas to help you set up your wealth transfer plan.



IX Ready to Start Working on Your Plan?

Before you begin planning for your family's future, it can help to assess where you stand right now.

This process typically starts with gathering any legal documents and financial paperwork that might affect your plan. You'll want to create a record of everything you own—and everything you owe. And it can be a good Idea to review your overall financial plan to determine how it will hold up as you age.

Other things to consider could include:

- Are the beneficiary designations up to date on all your existing paperwork? If not, now is the time to make those changes.
- Have you talked about who you want to serve as the executor of your estate and/or as the trustee if you create some type of trust?
- If you have minor children, or an adult child with a disability, have you established who will be their guardian?
- Who will handle your affairs if you become incapacitated?
- Which family members, friends, or charitable organizations would you like to include in your estate plan?

X Conclusion

Estate planning can feel overwhelming at first, but you can be confident that your advisor will be available to assist you every step of the way. Your advisor can be there when you hold conversations with your family and when you meet with your attorney as you document your wishes. And as your needs change (and they inevitably will with births, deaths, marriages and more), your advisor can help you review, rethink and update your plan.

When you're ready to move forward, you can be sure the Zeniki team will build a plan that's specific to your needs, combining your wishes with the right tools and strategies to protect and pass on your legacy.

Contact us at 386-290-8278 or Visit Us at *Zenikiwealth.com*