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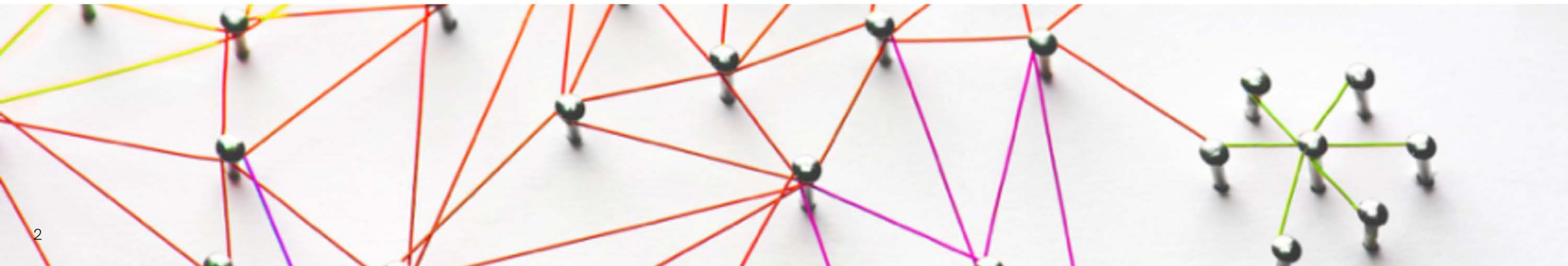
# Estate Planning Basics

An easy-to-understand introduction to help  
protect your assets and ensure your legacy.



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## SECTION 1

# The ABCs of Estate Planning

Estate planning is a topic that few people want to think about, although everyone needs to understand at least the basics of what an estate plan is, how it works, and who they can go to for assistance.

The reality is that when you die or become incapacitated, you can no longer give instructions to your family or friends about your financial and non-financial desires.

This means they could be left without clarity on essential considerations such as:

**Who will manage your money and property?**

**Who are the beneficiaries of your assets?**

**How much should each beneficiary receive, and when should they receive it?**

**Who will take over your business, and what will happen to it?**

**How will taxes be paid?**

**How will your family share the vacation home?**

**Who will take care of your minor children?**

**Do you want to be buried or cremated?**

**Do you have funeral arrangements, and how will they be carried out?**

Addressing these issues should take place before you die. The process of doing so is known as estate planning. An estate plan is the best way to protect and preserve your legacy.





## Estate Taxes, Simplified

The estate tax is paid for your right to transfer wealth at your death. It applies only if you transfer assets worth more than the estate tax exemption to non-spouse or noncharitable beneficiaries. For 2024, the estate tax exemption is \$13.61 million per person or \$27.22 million for married couples. This is the amount you can gift during your life or die without being subject to estate tax. Wealth over that amount is taxed at 40%.

Under current law, the estate tax exemption will be cut roughly in half at the end of 2025, and, of course, Congress could make changes sooner. Therefore, if your estate value exceeds the current estate tax exemption, you should consider lifetime gifts to use the exemption before part of it expires. If you have a taxable estate, consider minimizing your potential estate tax liability.

Simply put, your assets can go into one of three buckets: the government, charity, and your family and friends. The question is, how much do you want to go to each bucket? Most people want to maximize what goes to their family and friends and minimize what goes to the government, and a proper estate plan can help you achieve that goal.

## What's in an Estate Plan?

A basic estate plan consists of a will and, often, a living trust, along with other ancillary documents such as health and financial powers of attorney and living directives. Both wills and trusts are documents that speak for you when you can no longer speak for yourself, but there are essential differences that many people don't recognize.



## What's a Will?

A will is a legal document that expresses your intentions for the administration and distribution of your wealth upon your death. A will can dispose of assets, big and small, from the family china to the multimillion-dollar mountain home to the family business. A will also can provide instructions for the care of dependents and pets. A will can create trusts upon your death, protecting assets from a beneficiary's predators and creditors. A will can help ensure disinherited family members don't receive assets or have a say in the administration of your estate. Essentially, a will gives you a certain level of control, even after death.

Without a will, the laws of your home state will dictate who gets your property and who takes care of your dependents. However, your state's default estate plan is likely not the one you would've chosen. Not to mention that dying without a will can cause family conflict, additional expenses, and financial complexities.

That said, for all that a will does, there are some things that a will doesn't do. A will doesn't dispose of joint tenancy property, money in paid-on-death accounts, assets in a living trust, or assets with beneficiary designations. Those assets pass by contract or by beneficiary designation outside of what your will says. Also, a will does not avoid probate (the sometimes lengthy and expensive court-supervised process whereby assets in your name are transferred to your beneficiaries).



# Digging into Trusts

While many people are familiar with wills, trusts often evoke confusion. Some think of a revocable trust as a tax savings device, while others consider it just another way to pass down assets.

The two basic types of trusts are revocable trusts and irrevocable trusts. A revocable trust can be freely amended or revoked by the creator (or grantor) at any time before the grantor's death or incapacity. An irrevocable trust generally cannot be amended or revoked, although, under certain circumstances, modifications may be made under state law or by court order.

When it comes to trusts, there are various options to choose from. Some options include:

**Revocable trust:** These trusts serve as substitutes for wills. With a revocable trust, your wishes for administering and disposing of your assets are incorporated in the trust document instead of a will. Revocable trusts form the core of most estate plans, even the most sophisticated ones. This is because, when appropriately funded, these trusts are great for avoiding probate (including the time, expense, and lack of anonymity) and planning for potential incapacity. More sophisticated planning can be used in conjunction and coordination with the revocable trust.

**Annual exclusion trust:** These irrevocable trusts are used by those who wish to give up the annual tax-free gift amount but also want to stipulate how that money will be spent. These trusts are common among those with minor children. The annual tax-free gift amount (or annual exclusion amount) in 2024 is \$18,000 per beneficiary, double (\$36,000) for married couples.





**Grantor retained annuity trust (GRAT):** A GRAT is an irrevocable trust in which you retain an annuity interest for a period of time (generally two to five years), after which any remaining property is transferred to your beneficiaries. Due to how most GRATs are structured, they can be excellent vehicles for shifting asset appreciation from your estate to your beneficiaries at little or no gift tax cost.

**Spousal lifetime access trust (SLAT):** A SLAT is an irrevocable trust that married couples can use to gift assets to one another. SLATs allow each married person to use their lifetime gift exemption (\$12.06 million) while maintaining indirect access to the gifted assets as long as the couple is married and living. SLATs can be a great alternative to simply gifting assets directly to trusts for children or other beneficiaries. With SLATs, the couple (and not just the children or other beneficiaries) can continue to benefit from the gifted assets.

**Charitable remainder trust (CRT) and charitable lead trust (CLT):** CRTs and CLTs are irrevocable split-interest trusts designed to pay some portion of the trust assets to charity and another to noncharitable beneficiaries. A CRT pays a noncharitable beneficiary (typically the donor) an initial annuity or unitrust interest, after which the remainder is paid to charity. A CLT, on the other hand, does the opposite. It pays an initial lead interest to charity and the remainder to a noncharitable beneficiary. In addition to satisfying charitable intent, gifts to CRTs and CLTs can qualify for an income tax charitable deduction.

**Dynasty trust or legacy trust:** "Dynasty trust" and "legacy trust" are used interchangeably to describe irrevocable trusts designed to pass wealth free of gift and estate tax from generation to generation for as long as assets can remain in the trust per state law. These trusts are commonly used by people who want to leave a legacy uneroded by gift and estate taxes for many generations to come.





# Other Important Considerations

In addition to choosing the right type of estate plan, choosing the right executor or trustee is another essential consideration. Indeed, it's likely the most crucial consideration. This person will safeguard your assets and help ensure your wishes are fulfilled after you pass. The most eloquently crafted estate plan will not likely accomplish its objective without a qualified executor or trustee.

## Things to consider when choosing an executor or trustee include:

**Family dynamics:** Is there inherent acrimony between the potential executor or trustee and the beneficiaries that might cause them to fight? Can the potential executor or trustee stand up to the beneficiaries' improper requests for funds or otherwise? Could appointing the potential executor or trustee signal favoritism that might, in turn, strain relationships (e.g., appointing one sibling over another)?

**Financial acumen and responsibility:** Does the potential executor or trustee have the financial acumen to handle wealth and make investment decisions? Is he or she a spendthrift?

**Ability to serve:** Does the potential executor or trustee have the ability to serve, or are they preoccupied with other significant commitments? Given their age relative to your beneficiaries, is there a possibility they will not live long enough? Could the potential executor or trustee lack capacity when it is time to serve (as might be the case when appointing parents or older relatives)?

**Trustworthiness:** Ultimately, do you trust this person? It should be someone you trust to make the right decisions.

Another factor to consider is probate. Probate is a court-supervised process whereby some of your creditors are paid, and your assets are distributed to your heirs and beneficiaries after your death. This process can be time-intensive and costly in some states, so you may want to structure your estate plan to avoid probate.

Probate can be avoided by (1) titling assets in trust, (2) designating beneficiaries on accounts and life insurance, and (3) titling property jointly with rights of survivorship. The latter probate avoidance methods result in the underlying assets bypassing your will or trust. Thus, it's important to discuss these decisions with your trusted advisors, particularly your estate planning attorney.





## SECTION 2

# Who Needs an Estate Plan?

Estate planning presents an interesting dichotomy. While more than 50% of Americans believe it is at least somewhat important, only one in three Americans has a will or trust.

The reasons people give for not having an estate plan include:

**Fear of death or a preference to avoid thinking about death**

**Overwhelmed by the process (i.e., time or cost)**

**A belief that they don't have enough assets for a will**

**Privacy concerns surrounding finances and other personal information**

**Unaware of the consequences of not having a will**

**No idea where to start the process or who to contact**

Before we delve too deep into some matters surrounding estate planning, let's ask the question: Who needs an estate plan? Everyone. It doesn't matter how much you're worth. Your wealth only determines what kind of estate plan you need. Your estate is never too small for an estate plan.



Common misconceptions are that only the rich or people with children need wills, but this isn't true. You should have a will regardless of wealth or posterity. That said, high-net-worth clients generally require additional layers of sophisticated estate planning on top of the basic will and irrevocable trust. For instance, we often work with high-net-worth clients on:

**Wealth transfer planning:** a tax-efficient plan to transfer significant wealth

**Business succession planning:** who takes over your business when you die

**Philanthropic planning:** satisfies your charitable objectives, potential tax benefits, and family involvement

Just as the amount of wealth is not a significant factor, the importance of having an estate plan also has nothing to do with age. No rule says you need an estate plan when you turn 18, 21, or 30. Generally, it would be best to create an estate plan once you have a bank account and start saving or once you've inherited assets.

Yet, so many people don't follow this rule. They work and accumulate wealth for years, if not decades, and still don't have an estate plan. That's not a good place to be.

The repercussions of not having an estate plan are pretty simple. We often see it in the news with celebrities. Or perhaps you know people who have spent months or years in court fighting with siblings over their parents' assets.

Simply put, ignoring the need to create an estate plan can lead to confusion at best and ugly infighting and lawsuits at worst. Bad things tend to happen when you haven't left explicit instructions that specifically outline where your assets should go.





## SECTION 3

# Common Questions About Estate Planning

As with any complex topic, estate planning is a matter that generates a variety of questions. And the level of comfort on the subject varies significantly from individual to individual.

There's a vast range of knowledge to sort through.

Some people understand their estate plan and where they want it to go and just need fine-tuning. Others have no idea or have never done it. At Versant Capital Management, we work very closely with them to accomplish their goals and objectives.

The most common concern our clients share, regardless of their level of estate planning knowledge, is a topic you might expect: taxes.

People want to know how to minimize their tax burden. We address that issue with clients on a case-by-case basis and tailor our responses (and our approach to estate planning) to each person's individual situation. No two people are the same regarding assets, beneficiaries, and goals, so we treat every client uniquely.





## There are a multitude of questions that arise during estate planning, including:

- What is a trust, and how does it work?
- How is a will different from a trust?
- At what age should my children start to inherit money?
- What happens to my money if my spouse remarries?
- How do I protect my assets from future creditors and predators?
- When should I use life insurance?
- Are trusts ethical, and am I doing anything wrong by having one?
- When do I need an attorney?
- What tax filings do I need to be aware of?
- Where should I keep my will?
- Who needs to be informed once I die, and who informs them?
- What happens to my assets if my spouse and I both die?

**The question that might be most pertinent is:  
Do you need to know all about trusts, wills,  
and estate plans?**

**People don't need to become experts. They  
need to know who to turn to.**



## SECTION 4

# Mistakes to Avoid When Forming Your Estate Plan

A primary way Versant Capital Management helps people with estate planning is by reviewing their existing plans and providing feedback regarding potential areas for improvement.

In effect, we do a "stress test" to search for parts of the plan that can be strengthened and strategies that can result in additional savings or a smoother overall process.





## COMMON MISTAKE #1

# Not Revisiting the Plan

Generally, it's good to review your estate plan every 3-to-5 years or following a significant life event, such as:

- Marriage
- Divorce
- Birth of child or grandchild
- Significant acquisition of assets
- Significant loss of wealth
- Graduation
- Major promotion
- Retirement
- Death of spouse or child

Once you've done an estate plan, don't just put it in a drawer. It's a living, breathing document that needs to be changed occasionally. You might be surprised how much can change in a short period.

That mindset applies to life events and another area that people often overlook: tax laws. The federal estate tax exemption and other exemptions are indexed for inflation and change yearly, and other federal and state tax guidelines can also fluctuate.

Additionally, it is essential to consistently monitor any necessary updates to your financial plan. These changes may be connected to your financial status, state of residence and employment, or financial goals, among many other factors. Ultimately, your estate plan should factor into your overall financial plan, so it is critical to update consistently and collaboratively.



A person wearing a light blue button-down shirt is sitting at a desk, writing on a document with a pen. The background is slightly blurred, showing more of the desk and the person's hands. The overall tone is professional and focused.

## COMMON MISTAKE #2

# Not Involving the Accountant

Some people try to create their estate plan by working one-on-one with an attorney and not involving their accountant. But estate planning and taxes go together. This is especially true for more complex plans. Generally, attorneys don't know the details of your tax situation. That's the accountant's job. Thus, involving your accountant in any estate planning decision is essential to help ensure important tax considerations are not missed.

Additionally, your accountant, with whom you are more likely to engage than your attorney, might have more insight into the interpersonal dynamics involved with your particular family.



### **COMMON MISTAKE #3**

## Doing it on Your Own

Attempting to create an estate plan entirely on your own (using a service like LegalZoom, perhaps) can be problematic. While you can find online templates for wills valid in your state and execute them on your own, they can create challenges, particularly for those with significant wealth or a family.

Realistically, there is no way to understand the nuances of the rules and the repercussions for failing to take full advantage of them unless you specialize in estate planning.

The reality is that one rarely becomes an expert in estate planning unless they work in the field.





## COMMON MISTAKE #4

# Ignoring Digital Data

Although wills and trusts have been around for centuries, other elements of estate planning are significantly more modern. Electronic data, passwords, profiles, cell phones, social media -- all of your digital life has to be addressed. Who has your passwords for when you're gone to manage your accounts?

Getting information when someone dies is one of the hardest things, especially if you don't have their passwords and you don't have the rights to them.

It is important to consider your technology and online presence when composing your estate plan. As passwords change and accounts are added and removed (something that frequently happens over time), the details need to be updated in writing as part of your plan.



## SECTION 5

# How Versant Capital Management Can Help

We believe a comprehensive wealth plan is the bedrock of estate planning. Along with wealth management and investment services, Versant Capital Management helps multi-generational families, small business owners, women experiencing a life transition, and high-net-worth individuals with estate planning consultation. Working with your estate planning attorney, CPA, and other professionals, our wealth management team offers financial expertise to help people enhance and protect their legacies.

Versant Capital Management provides:

- Investment Portfolio Management
- Alternative Investments
- Wealth Management
- Income Tax Planning
- Estate & Legacy Planning
- Liquidity & Exit Planning
- Retirement Planning
- Family Governance & Education
- Risk Management
- Lifestyle Concierge & Specialty Areas



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