

McILRATH | ECK

INVESTMENT - RETIREMENT - LEGACY PLANNING

April 20, 2024

Understanding and Navigating the Basics of Estate Planning

The Basics of Estate Planning

Many don't view planning for what happens to their assets when they have passed away with the same importance as retirement, investment, or tax planning. And therefore, planning for it gets delayed or pushed off indefinitely, often until it is too late. Why is it that important to plan ahead of time? If you die without a valid will or trust in place, you die *intestate*. This means the court decides who inherits your assets, and in order for them to make these decisions, they, too, will take a bigger portion of your assets through court costs and legal fees.

If you don't want someone else to decide who will end up with your house or unspent investments, being proactive in planning is a beneficial move to make now. Understanding the basics of estate/incapacity planning will help pass on your legacy tax efficiently and effectively to your heirs and ensure that if your health declines quickly, you have the safeguards in place for your wishes to be carried out even if you are no longer capable of strategic decision-making.

Will

Depending on the complexity of your assets, you may want to create a Will or maybe even a Trust. Each document has its own legal implications and limitations. With a will, your assets get disbursed among your beneficiaries in an orderly manner as the court supervises distributions of your assets, after which the case is closed. None can come to them later and make a claim for anything once the estate is settled. We call this probate. Probate is far more efficient when you have a will than dying without a will in place, and when your assets and wishes are less complex, it is the cheapest way to ensure your estate is transferred where you

want it to go. But, probate can also come with some delays, attorney fees, court fees, lack of privacy in asset-distribution, and doesn't eliminate the potential of someone contesting the will or the potential of siblings or other family members fighting.

Trust

If you want to make sure your estate is passed privately, have more complex asset-distribution desires, wish for more control over how the assets are administered after you have passed away, have a blended family or guardianship needs, and/or want to shelter more of your estate from taxes if your net worth is high enough to need it, a Trust may be the better option. Creating a Trust can be very important for people who previously married and remarried with blended families (each spouse has children from their previous marriages). You can seek a lawyer's help on this. Creating a C Trust or QTIP Trust, for example, guarantees income for the surviving spouse for the rest of their life while also protecting the principal for your surviving children. Signing a prenup is another legal form of estate planning that can make sense to some.

If you believe your situation is simplified enough to not need to seek the help of a lawyer, below are some websites for people with less complicated assets and wishes where you can draft your own Will or Trust online. The wills/trusts drafted through these sites are valid documents enforced by law. Please remember to sign and notarize them.

More details about these and other updates can be found at:

[Trust&Will.com](https://www.Trust&Will.com)
[LegalZoom.com](https://www.LegalZoom.com)

Estate Tax Exemptions and the Federal Exemption Sunset

In Washington State, estate taxes are taken upon your death depending on how many assets you have. There is an exemption from taxation on the first \$2,193,000 of assets. Any property or assets above that limit gets taxed by Washington State [it is important for those living outside of Washington to check their state's laws, as other states have their own exemption thresholds and some states do not have an estate tax at all].

On top of state taxation, the Federal government also has its own estate taxes levied on assets above its exemption of \$13,610,000 per person in 2024. Of great importance is the upcoming "sunset" for the increased amount of the Federal estate exemption at the end of 2025. This will happen if Congress does not vote to extend the current amount, so that starting in 2026 the \$13,610,000 Federal exemption amount will drop by half. If your assets exceed half of the current exemption limit, it would be wise to discuss your estate planning now, before the sunset occurs.

The federal government estate taxes are portable, meaning your unused portion goes to your spouse if you are married. However, the state level doesn't enjoy this privilege. There is no portability of unused exemption. There are trusts, however, that can help retain some or all of both spouses' exemption amounts at the state level and it is worth discussing that with your advisor if your net worth exceeds the \$2.2 million mark.

Beneficiary Accounts/ Accounts by Titling

Remember that any account specifically listing a beneficiary, such as IRAs, Roth IRAs, TODs, etc., supersede your will. They go straight to your beneficiaries once you are gone without reference to the will. This can be a great way to pass on assets quickly and with little to no expense to do so, but you will want to ensure that if you ever make changes to your will or trust, you also check to make sure the account titling and beneficiary information with the account custodian is updated to reflect those changes, too.

Durable Power Of Attorney

Planning for incapacity is also very important. You never know what life can throw at you, nor when it may happen. That is why it is critical to plan ahead. Finding a trustworthy, competent, and reliable person to make decisions on your behalf for financial and medical issues is essential in case you become incapacitated and unable to make sound decisions yourself. You need documents allowing a trusted, close person to help you. For finance, it is called a Durable Power of Attorney for Finance and for medical issues, a Durable Power of Attorney for Healthcare. The word “Durable” is vital to ensure your document lasts until you pass away. Otherwise, a Power Of Attorney (POA) that is not durable becomes void once you become incapacitated.

Sam Eck, Attorney at Law

While the links above work well for people with less complex estates wanting a will, if your estate is more complex or you would just rather sit down with a lawyer to discuss the ins and outs of your estate plan, we can recommend a lawyer to you. Sam Eck, Thor’s founding partner, no longer owns this firm, but does come to the office once a month to see any of our clients who want to formalize a plan for passing on assets efficiently and effectively. He also has offices out of Bellevue, WA. If you would find Sam’s services helpful or necessary, please call Mindy or Bri at the Front Desk and they will help put you in touch and/or schedule you with Sam when he is available.

It's NOT too late to register!
Successful Retirement Strategies™ classes



Our **Successful Retirement Strategies™** classes for Spring Quarter 2024 are open for registration.

Classes are offered through Everett Community College at the Everett campus, Cascadia College campus and through ZOOM.

The class schedule is as follows:

May 2nd and 9th – ZOOM from 9AM – 12PM

May 4th and 11th – In Person from 6:30 – 9:30PM – Everett Community College

If you or someone you know are interested in signing up for one of the sessions, please click the link below and register directly with Everett Community College.

More details can be found here:

<https://www.campusce.net/everett/course/course.aspx?C=2742&pc=74&mc=75&sc=0>

Get to know the McIlrath & Eck Team



Sabrina "Bri" Petterson

Front Desk
Administrative Specialist

We are delighted to introduce you to Bri. Bri joined the McIlrath & Eck team in February of 2023. She is the warm and welcoming face at the front desk, and voice on the phone who serves as the first point of contact for our office. Bri's dedication to greeting clients with a smile and efficiently handling incoming calls embodies the spirit of hospitality that we pride ourselves on. She brings a wealth of experience, with a career spanning 30 years in property management, coupled with her real estate license and CPM designation, she possesses a deep understanding of customer service and professionalism that greatly benefits our office.

Originally hailing from Southern California, Bri infuses her sunny disposition into her interactions with clients and colleagues alike. Her genuine warmth and attention to detail create a welcoming atmosphere for everyone who walks through our doors.

Outside of the office, Bri finds joy in spending time with her loving family, including her husband and two adorable dogs. She cherishes moments with friends and especially delights in the laughter and playfulness of her 12 grandchildren.

One of Bri's passions is "glamping" at her property in the woods, where she can unwind and connect with nature. Her adventurous spirit and zest for life inspire us all to embrace the beauty and simplicity of the great outdoors.

Bri's dedication to her role and her commitment to creating positive experiences make her an invaluable member of our team.

Referrals always welcome and appreciated.

At McIlrath|Eck, we are very honored that a large percentage of our clients have come to us as referrals. It means a great deal that our clients trust us enough to share our information with their loved ones. We consider this to be the highest of compliments! If you have family, friends, co-workers or other acquaintances that you think could benefit from a meeting with us, we would be more than happy to sit down with them for a complimentary consultation to help them analyze their situation and set them on the right track towards a successful financial future.

As we move toward summer, and more amazing weather - especially here in the PNW, we know plans are being made for trips, home projects, and many other needs that may require reviewing financial plans and goals. If you feel that you are in need of a discussion or review of your investment strategies, please give us a call to set an appointment.

In your service,

The McIlrath | Eck Team