AANA FOUNDATION

"Planning for Your Future"
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Estate Plan Building Blocks
Estate planning, broadly defined, includes planning for a variety of *lifetime* needs and eventualities. Several key tools are important to having an effective estate plan – a plan that marks you as a responsible person and good steward.

1. ***Your thoughtful will*** should be the cornerstone of your estate plan. A will gives form and substance to your thoughtful concern for the future of your family and other beneficiaries.

2. ***A trust***, created during life or in your will, may figure prominently in your estate plan. Through a trust you can provide income for your family, transfer investment worries to a trustee of your own choosing and perhaps even save on federal estate taxes and estate administration costs. The flexibility of a trust can also allow you to provide dual benefits to your family and charity with meaningful tax and financial rewards.

3. ***Total coordination*** of all your assets and beneficiary designations – your life insurance, your jointly owned property, everything you own – is absolutely vital to a smooth-working estate plan.

4. ***Your retirement plans*** ought to be part of your estate plan. You should try to integrate the tax advantages of a qualified retirement plan (such as a company pension plan, an individual retirement account or 401(k) plan) into your estate-building plan. It may makes sense to select retirement plan death benefits when you provide for charity. Private beneficiaries may owe income taxes on the death benefits they receive; a charitable organization would lose nothing to the tax collector.

5. ***Planning for death taxes.*** As the current law stands, in 2014 the estate tax allows only a $5,340,000 exemption without incurring any federal estate tax liability (40% rate). You can reduce or eliminate your estate taxes through careful planning, including gifts and bequests to charity. No one can predict what Congress will do or when they will do it. The best advice is to monitor news reports on tax developments in Congress and, of course, to consult your advisers.

6. ***Lifetime gifts*** to family members offer an avenue to tax savings as well as present satisfaction. You can make separate gifts of up to $14,000 each year to as many different people as you choose, owe no gift tax and protect these amounts from the federal estate tax. (Spouses can "split" gifts and increase the tax-free amount to $28,000 per year, per donee.) In addition, you can make gifts of any amount you choose, no matter how large, to your spouse without owing any gift tax.

7. ***"Special beneficiaries"*** such as minors under your care, or beneficiaries with special needs, require your thoughtful consideration. You may need to establish guardianships or trust arrangements that assure that these individuals receive appropriate care and financial support.

8. ***Planning for disability*** is an important part of stewardship. Consider establishing a trust or durable power of attorney to allow responsible persons to handle financial decisions if you become incapacitated.

9. ***A living will or health care power of attorney*** is a thoughtful arrangement that tells loved ones and medical personnel your preferences regarding health care decisions in the event you are incapacitated and cannot make your wishes known.

10. *Choosing your executor* – your personal representative after death – is a vital decision that presents a basic choice between and individual or a corporate executor. Be certain the person you select is both willing and able to serve.

11. *A personal affairs record* that provides detailed information about your finances, location of wills, insurance polices and trust documents, and explains your funeral and burial preferences will prevent confusion and save time for family members.

Why Everyone Needs a Will

- A will is the simplest way for you to direct who will eventually receive your property. Without a will, the state may distribute some or all of your property for you -- according to its own inflexible laws and in ways that may violate your every wish.

- Your will can assure that the distribution of your property will be a lasting expression of your unique life – perhaps by arranging a memorial to your spouse or parents, aiding an impoverished friend or remembering a favorite relative with a gift of a carefully selected property.

- Through a skillfully drafted will, your attorney can minimize any taxes and other costs that will be payable at your death.

- Your will can provide practical security for beneficiaries who are not really qualified to manage and budget their inheritance. A trust in your will can guarantee your beneficiaries all the rewards and advantages of property ownership, but with none of its burdens and frustrations.

- Your will lets you name an executor (personal representative) -- of your own choice -- to carry out the directions in your will and help your family with any of the special problems (business or personal) that may arise after your death.

- Your will may be the best way for you to arrange to make a thoughtful bequest to provide for charity. And in a well-planned will, the cost of such a bequest can sometimes be surprisingly modest.

What State Law May Require If You Don't Make a Will

If you are survived by:	**A common result***
Spouse and children –	Your spouse will receive one-half of your estate; all the rest will be divided among your children or their heirs.
Spouse and no children –	Half of your estate will go to your spouse, but half will go to your parents if they are living.
Children only –	The children will share your estate in equal portions, with a separate portion divided among the heirs of a deceased child.
No spouse or children –	Your parents will inherit your entire estate. If parents are not living, your estate will be divided equally among brothers and sisters.
No known relatives –	Your entire estate will be transferred to the state.

*These general "intestacy" rules vary from state to state; exact treatment would depend on the laws in effect in the state in which you are living at death.

Finding an Estate Planning Attorney
Effective will planning should start with a telephone call to an attorney. While it's possible to use computer software or "boilerplate" forms to construct a will or trust, using an attorney is well worth the cost. Legal fees for wills are relatively low and an experienced estate planning attorney can help you plan for unexpected contingencies.

Do Your "Homework" First
Before seeing your attorney about drafting your will, ask yourself the following questions:

* What does my estate include (cash, real estate, insurance, investments, IRA, etc.)?
* Do I want to leave everything to my spouse or other particular person? Should I leave my assets outright or in trust?
* What happens if my spouse and I were to die within a short time of each other?
* Do I need to name a guardian for minor children or others?
* Are my children mature enough to handle a large, immediate inheritance?
* Will my estate be subject to estate tax? How can I avoid or reduce the tax?
* Do I have any assets that require special treatment, such as a business?
* Besides my spouse and children, is anyone else dependent upon me for care (aged parents, friends)?

Your attorney will ask you these, and other questions, in order to draft the right will for you and your unique situation. He or she will make sure the wording is clear, that all possibilities are considered and that your will conforms to state law.

Make Your Will Safe...and Available

Your skillfully drafted, up-to-date will may be meaningless unless it can be found at your death. It might be a good idea to have your attorney retain the original copy. Or if you name a bank as executor, the bank will generally provide safekeeping in its vaults.

Keep Your Will Up-To-Date

It's important that you undertake a regular review of your will to determine if changes are necessary. Simple changes may be made through a codicil (amendment), while more extensive changes may require a completely new will.

To be safe, take the time at least once a year to review your will in light of your present circumstances, and ask your lawyer to look at your will at least every two years, whether or not you think you want to make changes. State law changes, new tax pitfalls or opportunities and new financial considerations make periodic legal reviews well worthwhile. Here are 14 events (there may be more) that require a modification of your will:

* A new marriage
* Birth of a child or grandchild
* A child reaching adulthood
* Divorce
* Death of a spouse
* Increase in the value of your assets
* Acquisition of new assets by gift or inheritance
* Giving away or selling assets mentioned in your will
* Death of a beneficiary named in your will
* Changes in the needs of your beneficiaries
* An executor or trustee dies, moves or becomes disabled
* You move to a different state
* Purchase or sale of real estate

A Revocable Living Trust
May Be a Helpful Tool

When linked to your will, a revocable trust coordinates most of your assets under a consolidated arrangement that also can provide considerable privacy for your estate. In addition to a unified estate plan, your trust can provide:

- ***Advantages of trusteeship***. Suppose you become incapacitated and are temporarily or permanently unable to manage your affairs. If your assets are in a trust, the trustee can continue to handle your property on your behalf – without resort to court-appointed guardians
- ***Avoidance of probate***. Property you transfer to a revocable living trust during life is not subject to the delays, expenses and restrictions of probate (estate administration). Those who own property in different states might face multiple probate procedures without a living trust.
- ***Smooth transition***. Families of business owners may benefit from the assistance of a trustee in continuing or transferring a business at death.
- ***Support for worthwhile causes***. You can use your revocable living trust to make gifts that benefit the organizations you support, such as the AANA Foundation. Gifts can be distributed according to the instructions you have left in the trust. Such gifts are 100% deductible for federal estate tax purposes. You can even leave funds to charity but have lifetime income paid to a family member...with excellent tax results. Any trust payments to charitable organizations during your lifetime can be deductible as a charitable contribution on your personal income tax return.

Consider a Trust in Your Will

In your will you can – and possibly should – create a trust for your beneficiaries. Most people find that a well-planned trust will not "tie up" their property, will not be interpreted as a lack of confidence in their beneficiaries and will not be a burdensome expense. Indeed, you may find that a trust in your will is the best method of providing financial security for your family and other beneficiaries.

The trust you create need not be complex. You simply direct, as part of your will, that certain property be transferred to a trustee, to be held and managed by the trustee for the benefit of family or friends you name.

You can name a trustee to invest the trust assets and to handle all the other burdens of property ownership. You can also make specific provisions for the future enjoyment of the trust property. The practical advantages of a trust are significant. The trustee will take care of all investments and management, give the beneficiaries periodic reports, and even attend to the personal finances of the beneficiaries in times of illness or disability. The beneficiaries can have all the advantages and rewards of property ownership without its burdens and frustrations.

A charitable remainder trust created by your will can pay income to family members and result in meaningful tax savings and future benefit for the AANA Foundation. Equally important, a skilled and knowledgeable trustee will be available to conserve your estate and provide investment growth.

Charitable Bequests: Simple,
Satisfying and Tax-Wise

You have many options when it comes to benefiting worthwhile organizations in your estate plan:

- ***Outright (specific) bequest***. This is a gift through your will or living trust of a particular amount of money or item of property. For example: "I bequeath $25,000 to the AANA Foundation."
- ***Residuary bequest***. The residue of an estate is the amount remaining after all specific bequests have been distributed; the exact amount will not be known until the final accounting is completed. The residue may pass as a percentage bequest : "I give one-third of the residue of my estate to the AANA Foundation."
- ***Contingent bequests***. This is an alternative plan for disposing of property. You name a secondary beneficiary to receive property in the event the primary beneficiary is not alive (for example: "I bequeath $25,000 to my father, but if he has predeceased me, I direct the $25,000 be paid to the AANA Foundation."
- ***Tax-burdened assets***: Consider leaving tax-burdened property to charitable organizations, such as U.S. savings bonds, accounts receivable, deferred compensation, IRAs and other retirement plan death benefits. The AANA Foundation is tax exempt and would keep every dollar of such bequests, where another

beneficiary might owe income tax. Don't forget that life insurance policies and most financial accounts can be made payable to charity at death without any need to change your will. Remember, too, that revocable living trusts can name a charity as beneficiary, both during life and at death.

Consider a Life Income Gift Instead of a Gift by Will

Many donors find it rewarding to "accelerate" bequests into gifts that are made today but provide them with lifetime income. Charitable gift annuities are highly popular, and provide charitable deductions and partly tax-free income, in addition to lifetime payments and current satisfaction. Charitable remainder trusts offer similar benefits but can be custom tailored to fit the needs of a donor and her family.

Make Plans for Someone to Handle Your Finances

Who would take over the management of your financial affairs if – for any reason – you become unable to handle them personally? Who would do your banking, pay bills or manage investments. Two or three options generally are available:

1. ***Power of Attorney***. In most areas you can establish a "durable" power of attorney, naming a friend or relative to act for you on a broad or narrow range of activities. Standard forms are generally available, although you may need an attorney's assistance for complex situations. In any event, check with your advisers whether your power of attorney indeed will continue in effect if you are disabled (a "durable" power).
2. ***Trusteeship***. As discussed earlier, you can set up a revocable living trust and name a trustee (money manager) who will act on your behalf as to the assets placed in the trust. The trustee can provide valuable assistance in the event of disability. You could be the trustee at first and provide for a "standby" trustee in case you are disabled. A power of attorney sometimes is incorporated into trust arrangements, as well.
3. ***Guardianships***. Courts will appoint guardians for persons who become incompetent – an often cumbersome, costly and time-consuming arrangement. With trusteeship or a power of attorney, you -- not a court – decide who will handle your affairs. Guardianships nonetheless provide the protection of court supervision of all transactions made on your behalf.

How Will Important Health Care Decisions Be Made?

It is important to give consideration to whether you would want life-sustaining medical treatment continued if you were comatose and had no chance of recovery from an accident or illness. You can make your wishes known through a "**living will**" or **power of attorney for health care** (known as a "health care proxy" in some areas).

- A ***power of attorney for health care*** names a person to make health care decisions for you, in the event you are incapacitated, and specifies the circumstances under which you want life sustaining treatment maintained, withheld or removed.
- A ***"living will"*** is simply a statement by you, in writing, as to your preferences on life-sustaining treatment, that you give to your doctor and family members. Living wills are not officially recognized in all states, but they nonetheless may serve to avoid confusion and disagreement about what choices you would have wanted. Standard forms for living wills and health care powers of attorney are available at the web site of the National Hospice & Palliative Care Organization, www.caringinfo.org.

INSURANCE CONSIDERATIONS WITHIN ESTATE PLANNING
Utilizing Insurance policies within a carefully designed Estate Plan, in the broadest sense, combines the elements of wealth accumulation, conservatorship and distribution into cohesive strategic and tactical action.

A sound estate plan is essential because, in absence of a plan, federal and state governments will force one upon you which may or may not coincide with your wishes. Use of Insurance policies to complete estate plans will address Financial Burdens, Asset Transfer, Care of minors or other dependents and Charitable endeavors.

The ROLE OF FINANCIAL ADVISORS
Occupations involved in the estate planning process can include financial planners, insurance agents, attorneys, accountants and trust officers of banks. Each of these various financial disciplines are useful when considering and constructing an estate plan. Regardless to which discipline the planner is associated, only the attorney can draft legal documents and dispense legal advice.

INSURANCE AND RISK TRANSFER
Many Americans accept the concept of purchasing homeowners insurance ahead of the insuring against becoming permanently and totally disabled or dying prematurely. Yet which has the larger loss potential: the total loss of a home valued at $250,000 or the next twenty to thirty years of lost income?
The reality of risk transfer is that it costs money. Therefore a basic prioritization of risk must be developed (an estate plan) and then a logical and cost-effective plan needs to be implemented; utilizing most effectively the value of every premium dollar spent.

LIFE INSURANCE: A BASIC PRODUCT REVIEW
Within an overall estate plan, Life Insurance can either “create” and/or “preserve” an estate.
Probably the single biggest question on one’s mind when considering Life Insurance is “how much should I purchase?” This is why prioritizing one’s risk (premature death) within the context of the information inventory (see Nat’s list) is a crucial first step in answering that question. **Future income needs of the estate’s beneficiaries versus the reduction of purchasing power over time due to inflation must be conscientiously examined.**

WHOLE LIFE (“Permanent” Insurance)
Also known as “permanent” or straight life, provides death benefit coverage for an individual’s entire lifetime (normally to age 100). At age 100, the accumulating cash value of a policy will equal the death benefit. Prior to age 100, death must occur in order for the policy proceeds or face amount to be paid.
Common Characteristics of Whole Life Policies Include:

- A level and guaranteed premium
- A level and guaranteed death benefit
- Growing cash value which will equal (endow) the death benefit at age 100

The appeal of Whole Life rests upon the exchange of a level guaranteed premium for a level guaranteed death benefit. Accumulated cash value may be accessed through either a policy loan or by surrendering all of the death benefit at any time prior to death.

The drawback to Whole Life centers around the internal rates of return on amounts paid into the plan. Since a long term cost factor and death benefit are being guaranteed, the insurance company only offers a conservative rate of return on the money placed into a policy.

TERM INSURANCE

Term Insurance is temporary life Insurance, or death benefit coverage for a specified or limited term of time. Term Insurance does not accumulate any cash value. **It is simply the exchange of insurance protection for premium dollars.**

Like Whole Life, Term Insurance can be packaged in many formats such as annually renewable, 5 year, 10 year or 20 year. The idea behind term insurance is to pay only for the death benefit cost, instead of prepaying and accumulating a cash value side fund. " Buy Term and invest the difference".
Most people buy term insurance because they simply want the lowest cost protection available, perhaps with the idea of investing any cost savings (by not purchasing "permanent" insurance) into some other investment vehicle.

A drawback to term of course is the limited time (or term) of coverage (compared to "permanent"). Therefore; there are two riders that should be considered by anybody making a term purchase:

- **Waiver of Premium**
- **Convertibility option**

Of course, many factors will influence which type of Life Insurance is best suited for your situation. This is why it is important to identify the specific Insurable risk you are seeking to safeguard against in a premature death situation. (again, see Nat's list).

DISABILITY INSURANCE

When it comes to financial planning, one area that is normally overlooked completely, or for which premiums are not allocated, is the area of long term disability. The table below shows the percentage chances of the average individual, at various ages, of becoming disabled compared with dying at the same age.

AGE	CHANCE of DEATH	CHANCE of 90+ day Disability
20	< 2.5%	10%
25	< 3%	12.5%
30	< 5%	16%
35	< 7%	20%
40	< 10%	25%

In discussing Disability Income Insurance, several items must be considered: Definition of Disability, Elimination periods, Indemnity period, and Portability are perhaps the most significant items for a CRNA to pay close attention to when shopping for coverage.

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