ESTATE PLANNING SOLUTIONS

Preserving Your Legacy

Protect Your Kingdom

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Estate planning is a complex field that may cover many areas including wills, trusts, insurance, accounting, business continuation and estate, gift and income taxes. It is hard to imagine one person who can be the lone expert in all of these fields. Usually, the best approach is to put together an estate planning team that collectively has the knowledge, skill and experience to help create a holistic approach to your estate planning needs. The members of the team can work with you to meet your estate planning goals. Potential members of the team may include the following:

- Estate planning attorney
- CPA/Accountant
- Insurance agent
- Business planning consultant
- Financial advisor

A professionally designed estate plan allows you to employ various techniques that can minimize estate settlement costs and satisfy your objectives by:

- Reducing estate or inheritance tax liability
- Conserving principal
- Avoiding costly, frustrating settlement delays
- Reducing probate and administrative costs
- Minimizing income taxes

This brochure explains several estate planning solutions that can help you preserve your legacy and discusses the keys to an effective estate plan.

Estate Settlement Costs – Not Just Taxes

All estates, large and small, can expect to pay some expenses before assets are distributed to the heirs. Don't let settlement costs negatively impact the plans for your estate.

The Categories of These Expenses may Include:

Final Expenses | Funeral | Medical | Long-Term Care

Debts | Credit Card | Mortgage | Business

Advisor's Fees | Attorney's | Accountant's | Appraiser's

Maintenance Costs | Personal Residence | Real Estate

Taxes | Income | Estate | Inheritance

If the level of these costs exceeds the value of liquid assets in the estate, non-liquid assets may be sold to raise the needed cash. Those assets, some of which may provide income for the family or have sentimental value, would not then be available for other family purposes.

Your Will – The First Key to Your Estate Planning Success

If you die without a will, the state decides how your property is distributed, which can be a troublesome and potentially costly situation for your heirs. Preparing a will is a vital step in your estate plan because it ensures your personal wishes are carried out.

Generally a Will May Provide for:

- Payment of debt and expenses
- Distribution of your property
- Appointment of a guardian for your minor children
- A gift to charity
- Continuation of a business
- Appointment of a personal representative

Several Types of Wills

Simple Will

The most common type of will, a simple will, typically is used to leave everything to the surviving spouse. This arrangement, however, may not take advantage of tax saving strategies under current laws.

Will With Testamentary Trust

Many times, parents want to delay distributions to their children so the children are more mature when they receive their inheritance. A testamentary trust can help parents achieve this goal. A testamentary trust is created in a will and becomes effective when the person who drafted the will dies. Assets pass to this trust through the provisions of the will. Proper use of this trust will help ensure that your assets go to your heirs when they may be more prepared to receive them.

Trusts – A Flexible Tool That Can Help You

A trust can be one of the most flexible tools available for the estate owner.

Trusts can be established:

• For tax reasons • For asset management reasons

• For charitable purposes • For asset protection

• To delay distributions until a future time or event

• For privacy reasons

Trusts can be established:

• During lifetime • Upon death

Trusts can be:

• Irrevocable (not changeable)

• Revocable (changeable)

Additional Reasons to Plan

For certain estate owners, the plan may address these additional concerns:

• Passing the family business intact to the next generation

• Providing an equitable inheritance to all children when one large asset may not be easily divided

• Payment of income tax due on certain qualified retirement plan assets when received by the heirs

• Payment of expenses incurred when the estate owner is not able to care for himself or herself. Payment of these expenses acts to reduce the amount of inheritance for surviving family members

Establish an estate plan to help ensure that your legacy passes intact to your heirs.

Reducing the Size of Your Estate

Lifetime gifts

Giving away assets during your lifetime is a great strategy for reducing the size of your gross estate. The annual exclusion permits gifts up to $18,000 per recipient, with no federal gift taxes. This amount can be doubled to $36,000 if the spouse also makes a gift (called “gift splitting”).

Additionally, you may be able to structure your gifts in a way that further reduces your estate or gift tax liability. We can work with you and your other advisors to help determine whether any of these devices are right for you.

Charitable gifts

Charitable giving can be a powerful estate planning tool. Gifts to charities may provide not only estate tax savings, but income savings as well.

Estate Costs – Learn Your Options

Having a thorough estate plan doesn’t mean you won’t have settlement costs. If you need to pay estate costs, here are some options.

Use Cash

While cash can be used, it’s unlikely there will be sufficient cash available when needed. Generally it is impractical to keep large amounts of cash on hand.

Liquidate Assets

Assets may have to be liquidated below their fair market value.

Borrow Money

Borrowing also presents certain drawbacks. For example, will there be a willing lender available when the money is needed? Also, the loan will have to be repaid with interest.

Pay in Installments

If an estate contains business or farm assets, those assets may qualify for deferred installment payments under Internal Revenue Code (IRC) Section 6166. However, there are certain pitfalls when selecting this method of payment. The Internal Revenue Service can place a lien on property and a missed payment can cause the entire unpaid estate tax, plus interest, to become due immediately.

Life Insurance Advantages

- Premium payments can be spread out over a period of years
- Heirs don't have the burden of using current assets to pay for estate settlement costs
- Proceeds are immediately available when taxes are due
- Proceeds are free of federal income tax[1]
- Generally, insurance policy proceeds are free of federal estate tax if a third party or an irrevocable life insurance trust owns the policy[2]
- Generally, proceeds are not subject to probate expenses

Through proper planning and use of life insurance, funds will be available to pay for settlement costs, meet everyday costs and help conserve your estate for your heirs.

Use Life Insurance

Life insurance allows you to pay now, and may pay all estate-settlement costs, including federal estate taxes, usually for just pennies on the dollar. Life insurance can give you options with your estate plan. You can use the proceeds as income replacement, college funding, to pay off debt, to expand your business or to fund a major purchase you've always wanted.

[1]Death benefit proceeds from a life insurance policy are generally not included in the gross income of the taxpayer/beneficiary (Internal Revenue Code Section 101(a)(1)). here are certain expectations to this general rule including policies that were transferred for valuable consideration (Code Section 101 (a)(2)). This information should not be construed as tax or legal advice. Consult with your tax and legal professional for details and guidelines specific to your situation.
[2]Internal Revenue Code Section 2042(2)

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Getting Started

You can get things going by providing us information about:

- Your goals
- Your will, trust, etc.
- Your assets and outstanding liabilities

We can help you:

- Estimate the amount of your estate settlement costs for discussion with your attorney
- Determine how we can help you meet your goals
- Refer you to other advisors that we know and trust
- Gain consensus with legal, tax and other advisors regarding the best approach to meeting your objectives
- Coordinate implementation of your plan and establish funding for estate settlement costs
- Monitor your product choices to ensure they continue to meet your goals and objectives

A well-trained, professional insurance agent/producer who knows the benefits and uses of all different types of life insurance policies will be happy to analyze your situation without cost or obligation. The attached factfinder will help you and your agent/producer document the vital information required to develop an estate plan with your estate planning team.

Always Consult Your Legal and Tax Advisor Regarding Your Situation.

Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common … an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

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