

Estate Planning: Changes, Decisions, Communications, and Planning Tools

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AND ENVIRONMENTAL SCIENCES

Objectives

- To encourage you to develop a succession plan which keeps your assets and family intact.
- This presentation is offered as an educational session. It does not offer legal or tax advice. All participants are encouraged to consult their accountant and attorney with specific tax and legal questions.



Agenda

- What are Your Questions?
- Making Estate Decisions
- Identify and Overcome Your Communication Issues
- Estate Planning Tools & Outcomes
- Nursing Home Planning
- Getting Yourself Ready



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What are your questions?

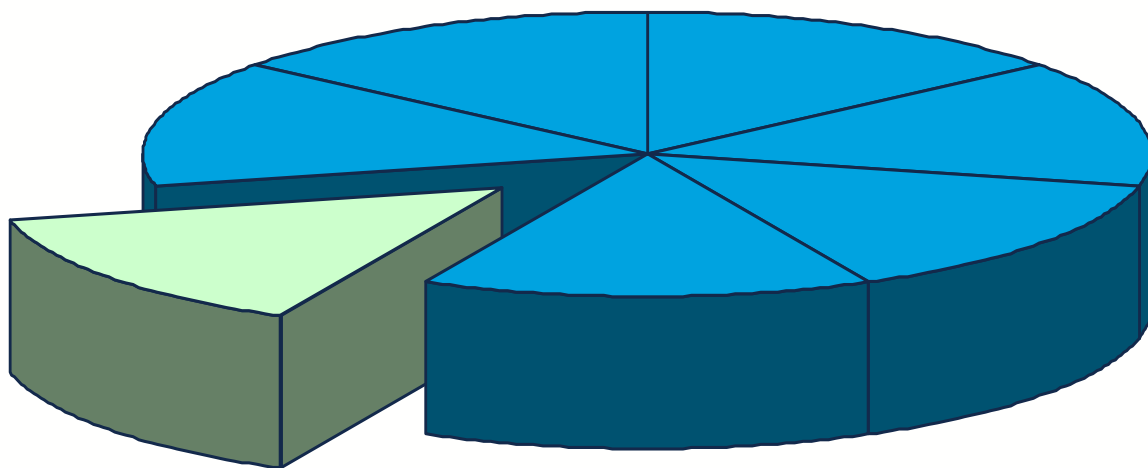
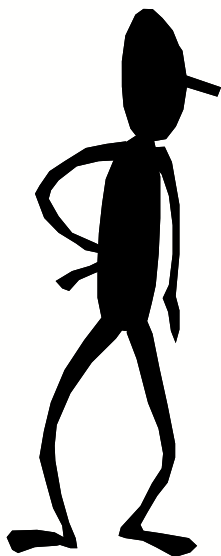
What do you hope to learn?

Making Estate Decisions

What do you want to have happen with your property and assets when you die?

Should Heirs Be Treated Equally in an Un-Equal Situation?

Fair vs Equal



First—Who Are Your Heirs?

Family & Friends

Church & Charities

Civic Organizations

Community

Everyone Has Property to Transfer



Titled Property Ownership Is:

- Identified on a written document
- Titled Property includes:
 - Real Estate
 - Motor Vehicles
 - Stocks and bonds
 - Savings and Checking Accounts



Non-Titled Property . . .

- Ownership is not identified with a written document



Non-Titled Property Includes:

- Dishes
- Linens
- Needlework
- Jewelry
- Collections



- Guns
- Tools
- Furniture
- Photos
- Books
- Printed items

What Items Are Special?

- Books
- Gifts (wedding, birthday)
- Musical Instruments
- Sports equipment
- Toys
- Others?
- Furniture
- Handmade items
- Dishes
- Jewelry
- Antiques
- Collections
- Photos/albums



Non-Titled Property Decisions:

- Meanings differ
- Emotions involved
- Impossible to divide equally
- Perceptions of what's fair differ
- Involves facing issues of death and loss



Factors to Consider

- Recognize sensitivity of issue
- Determine what you want to accomplish in transfer
- Decide what's "fair" in the context of your family
- Understand belongings have different meanings to different individuals
- Consider distribution options and consequences
- Agree to manage conflicts if they arise

Have You Asked Your Kids What They Think?



Identify and Overcome Your Communication Issues

How Can We Communicate More Effectively?

McDonald's

**TRY OUR NEW
CRAP**





Dog for Sale

- * DOG FOR SALE. Will eat anything. Especially likes small children. Call 888-9999.



Family Communication

Most people are not known for their excellent communication skills
....especially on difficult topics!



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Levels of Conversations

Level	Type	Description
Level 1	Cliché Conversations	Safe, shallow, polite
Level 2	Reporting Facts	Refers basically to third person
Level 3	Ideas or Judgments	Risk begins here (attachment of self with facts)
Level 4	Feelings and Emotions	Laying self on the line
Level 5	Open Communication	Total honesty, “mutual understanding,” vulnerability

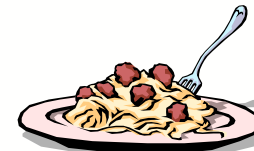
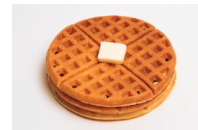
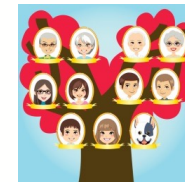
From *Why Am I Afraid To Tell You Who I Am?* by John Powell

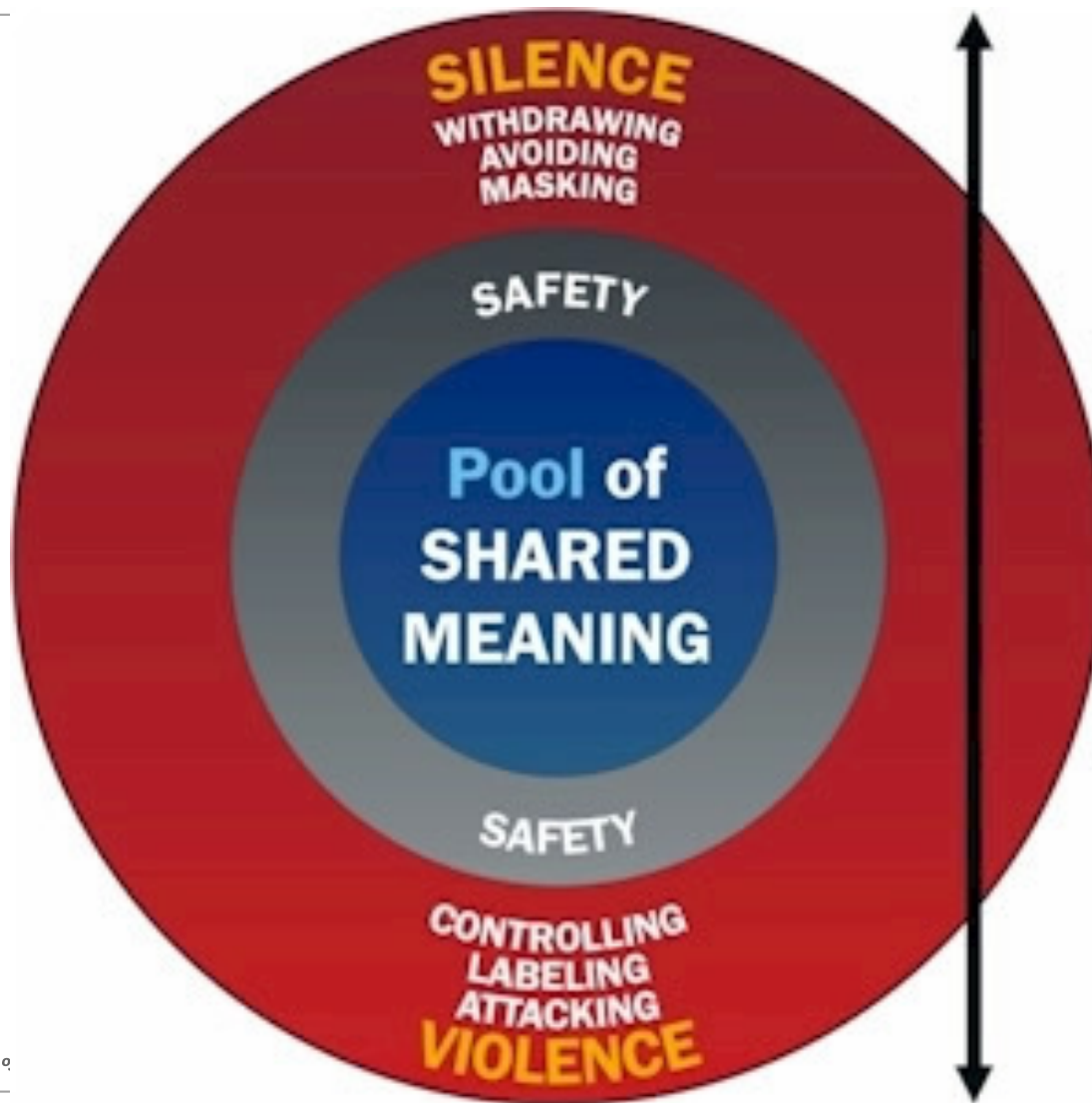
Oh, the comfort, the inexpressible comfort of feeling safe with a person; having neither to weigh thoughts nor measure words, but to pour them all out, just as they are, chaff and grain together, knowing that a faithful hand will take and sift them, keep what is worth keeping and then, with a breath of kindness, blow the rest away

George Elliot (Mary Anne Evans)

Barriers to Communication

- Not Easy to Discuss
- Noise & Stress
- Mixed Role
- Family Language
- Personalities
- Generational Differences
- Gender Differences





Where is the Resistance Coming From?

- **Head issues: need to find understanding**
"I get it now. I understand what this means."
- **Heart issues: need to feel good about the decision**
"I like it. It feels right. I can let go."
- **Gut issues: need to trust others with change**
"I trust the plan and the people involved."

The top 5 stressors for me with regards to my family are...

- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____

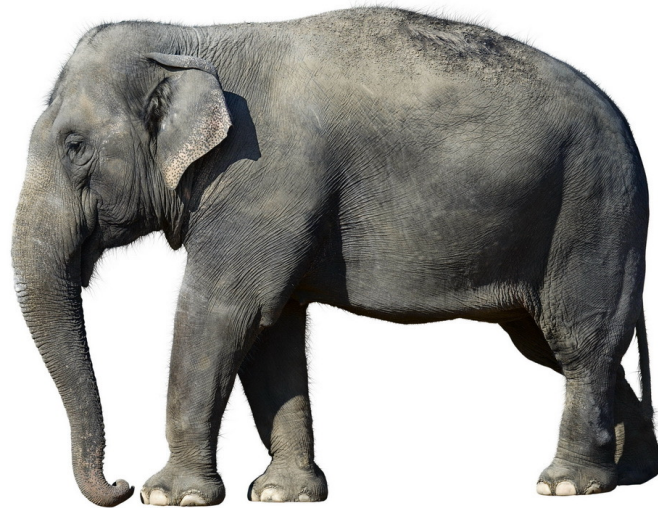


What stresses farm family relationships?

- Live and work together 24 hours/day in close proximity.
- Business taking priority over family.
- Stress of handling business and personal finances.
- Bringing spouses into a family business.
- Involvement of relatives not involved in the farm.
- Differing time commitments.
- Receiving criticism from family.
- Feeling like hired labor.

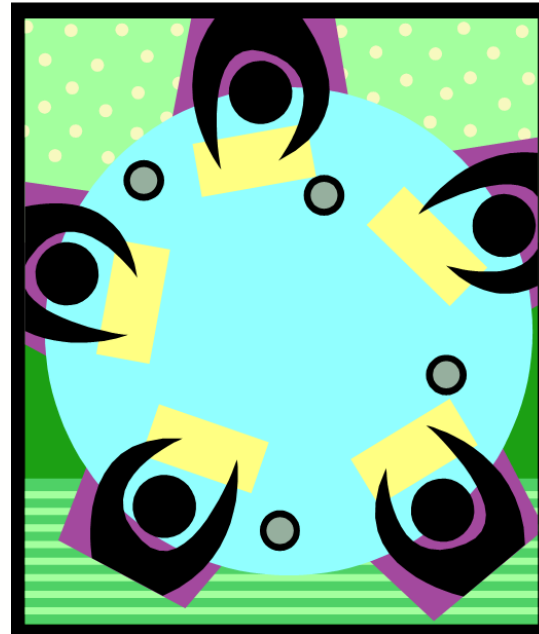


What are the elephants in the room?



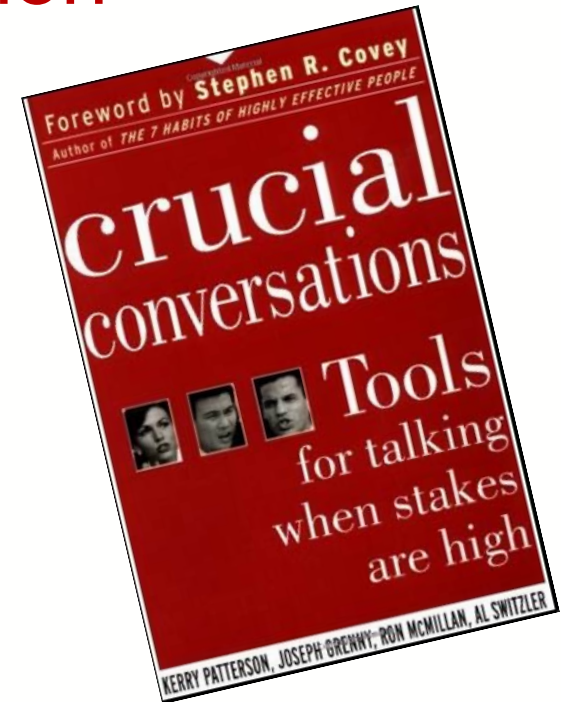
Hold Family Business Meetings

- Begin holding regular family business meetings.
- Work out an agreement to allow for consistent and productive meetings.



Improving Family Communication

- Identify Elephants in Room
 - Stressors
 - Communication Barriers
 - History
- Make time for crucial conversations
- Hold family meetings



Estate Planning Tools & Outcomes

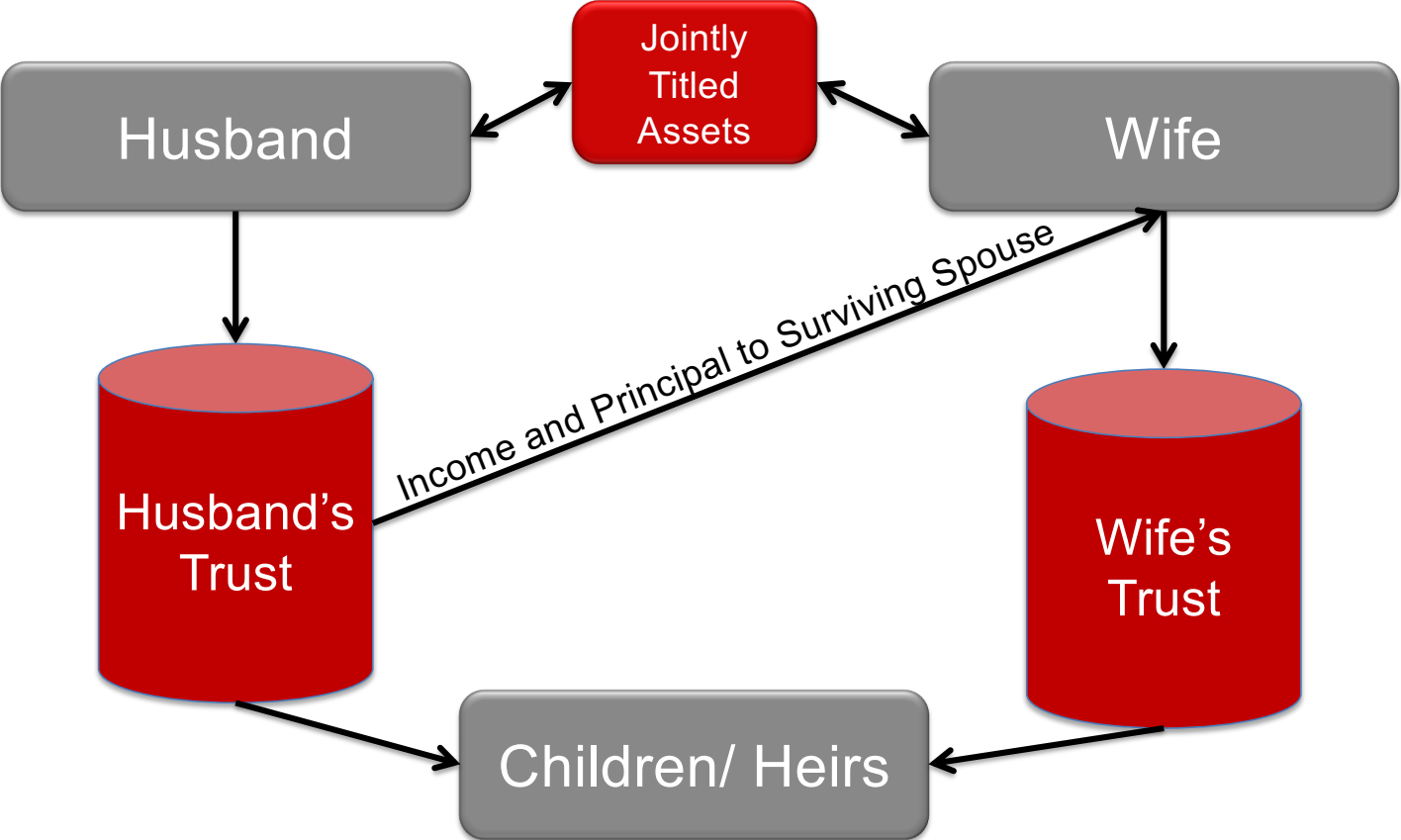
Intestate Succession – If There is No Will

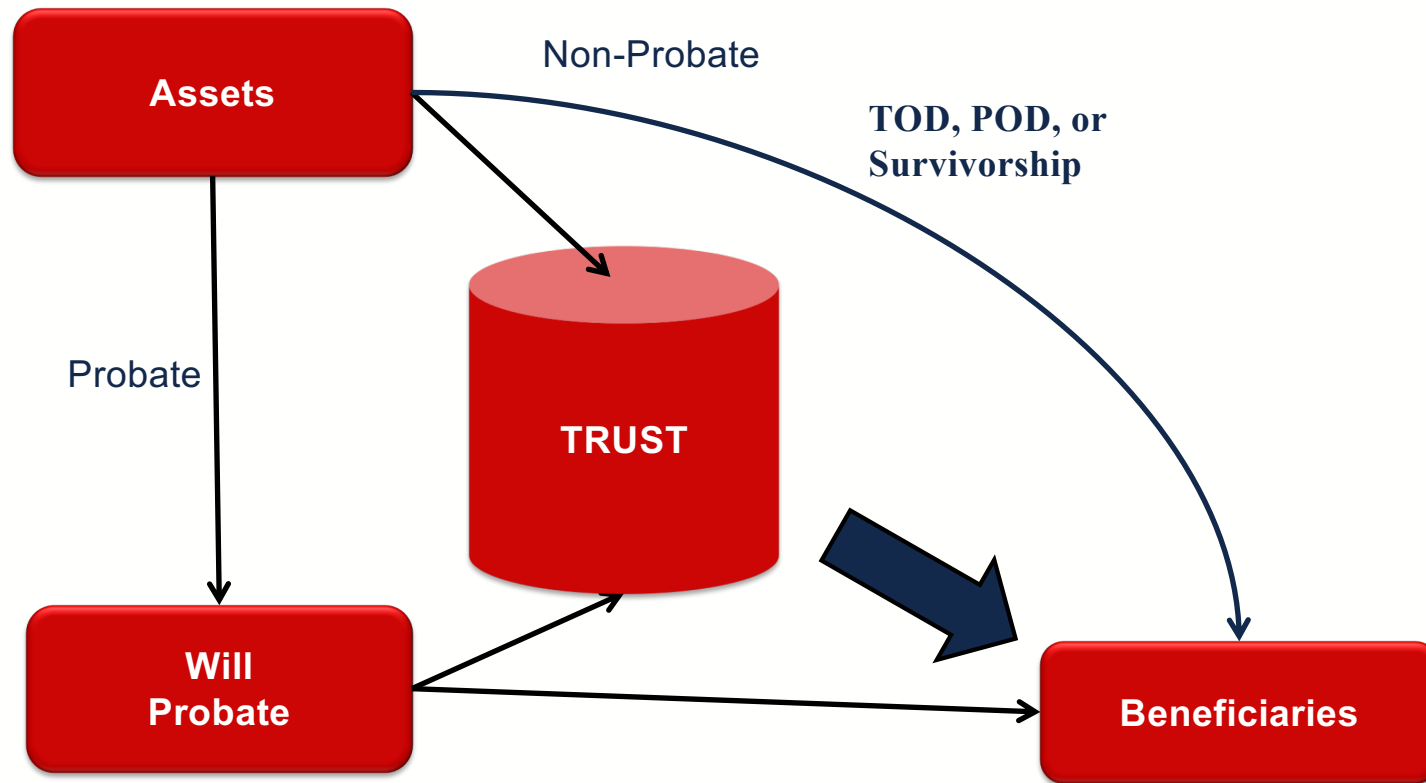
1. Surviving spouse of deceased
2. Children of deceased, or the offspring of children (grandchildren, if adults)
3. Parents of deceased
4. Siblings of deceased
5. Grandparents of deceased
6. Aunts and uncles of deceased and other extended family

Will or Trust Based Estate Plan

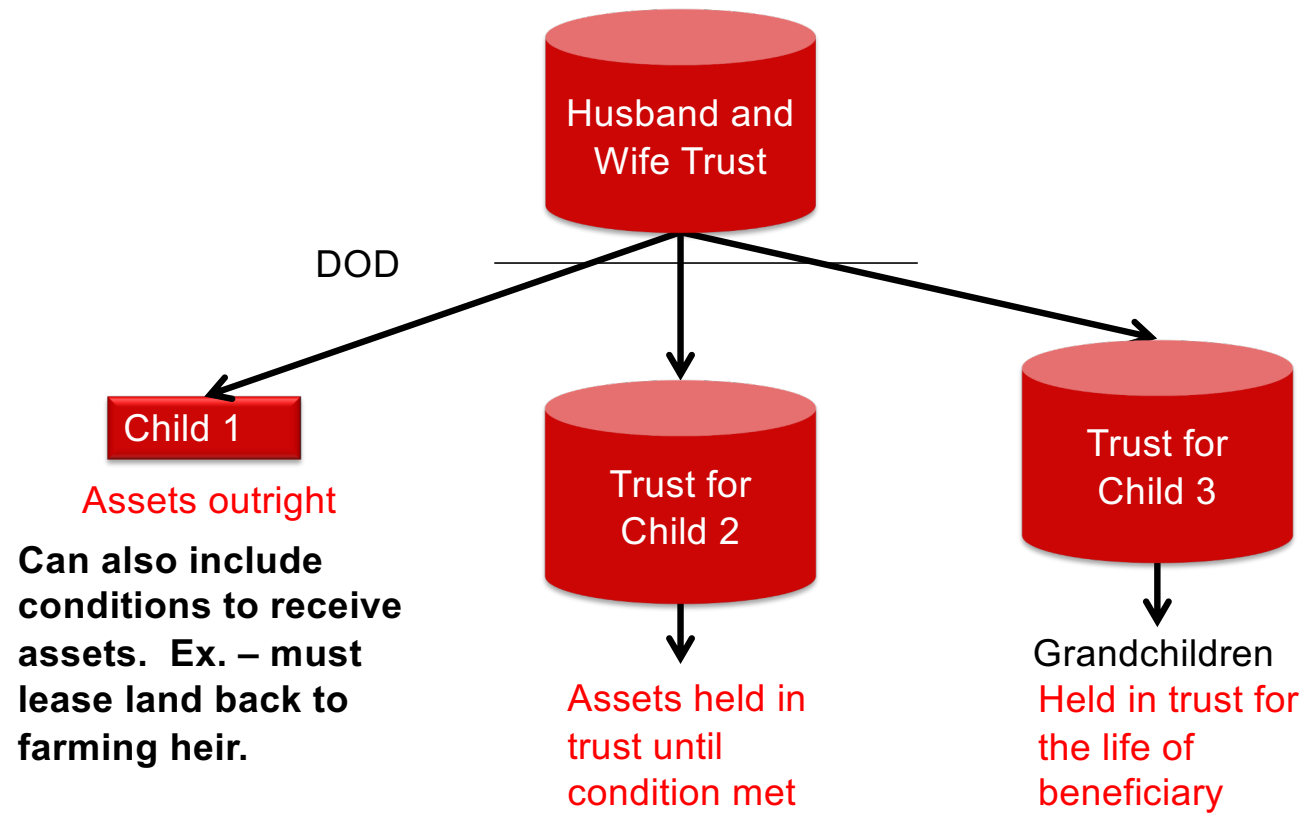
Will Plan	Issue	Trust Plan
Not Important	Privacy	Important
Simple	Complexity of Estate Plan	Complex
Little or None	Concerns about Heirs	Some or Significant
Little or None	Surviving Spouse Remarriage Concerns	Some or Significant
Keep to minimum	Legal Fees	Pay what it takes
Harder	Equitable Plan (not equal)	Easier
Little or None	Transition of Business Entity	Some or Significant
Do Not Mind Probate	Probate	Avoid Probate
Little or No Concern	Estate Taxes	Maximize Savings

Trust Based Plan





Trusts Can Provide Solutions to Family Issues



Gifts

- Two types of gift – annual exclusion and lifetime credit gift
- Annual Exclusion
 - You can gift up to \$15,000 to unlimited number of people, no tax implication
- Lifetime credit
 - You can gift more than \$15,000 in a year
 - No tax but federal estate tax exemption is reduced by the amount of the gift

Gifts

- The person receiving the gift receives the tax basis in the gift
 - Assets that are inherited receive a stepped-up tax basis
 - Can be re-depreciated or sold for no gain
- Unless you are over the estate tax exemption, no tax reason to make gifts
- May be other good reasons to gift

Life Insurance

- Can be a used in Estate planning
 - Final expenses
 - Estate taxes
 - Estate equalization
 - Business buyout
 - Special purposes
 - Scholarships
 - Philanthropic activities

Irrevocable Trusts

- Grantor (you) sets up a trust that mostly cannot be changed
 - May be able to change trustees and distribution plan
- You transfer assets to the trust
- You no longer own or control the assets, the trust is the owner
- The trustee manages the assets (you cannot retain control)
- Uses up estate tax exemption (gift)
- Assets are not available for collateral
- Best candidates are retired farmers/business owners who no longer need to operate the business, can rely on rent and retirement income

Irrevocable Trusts

- The concept is that if you cannot longer have access to the assets then neither can the nursing home or creditors
- Aggressive plan – be sure to explore other options
 - Business entities
 - Insurance
 - Self insured

Nursing Home Planning and Estate Planning are not the Same Thing

Your Probability of Nursing Home Stay?

- Longevity in family. You will likely live longer and are more likely to be in nursing home.
- Women live longer, less likely family will care for so more likely to be in nursing home.
- Personal or family history of diabetes or stroke
- Personal or family history of:
 - Senility
 - Alzheimer's

Long-Term Care - Who Should Pay the Bill?

- Fundamental issue that needs decided is self funded or government funded.
- This is an ethical decision.
 - A bit like being right to life or pro-abortion
- This decision affects your strategy

Protecting Wealth

- Give away assets
 - Through trust and now if given outright, 5 year reach back
- Buy Nursing Home Insurance

Average Annual Premium for Basic Long-Term Insurance, \$200 Daily Benefit

Age When Buy	With Inflation Protection 5% Compounded Per Year		
	<i>4 Years of Benefits</i>	<i>6 Years of Benefits</i>	<i>Lifetime Benefits</i>
50	\$4,349	\$5,083	\$7,347
60	\$5,331	\$6,269	\$8,927
70	\$9,206	\$10,549	\$15,070
75	\$13,500	\$15,157	\$20,930

Giving Away Assets:

- Not advisable for most
 - Employ trustee and/or beneficiary you can trust
- Must use irrevocable trust or outright gift
 - Can no longer control assets
 - Will never get the assets or control back
- Currently there is a five (5) year look back from time of application for Medicaid for gift or a trust

What about Medicaid

- Medicaid pays about ½ of US nursing home bills
- People qualify for Medicaid by:
 - Giving away assets 5 years prior to Medicaid application to become broke (\$2,000 assets individual/ \$3,000 couple)
 - Liquidating assets to pay nursing home bill and applying for Medicaid when broke.
- At some point in stay, about 2/3 of people in nursing home spent or gave away assets and are covered by Medicaid.

Medicaid

- Assets not included the \$2,000/\$3,000 net worth qualification:
 - Wedding ring
 - Household goods
 - One car
 - Home if:
 - It is deemed possible for you to return to it and safe for 6 months after deemed you won't be able to return home.
 - Your spouse or a dependent is living in it

Odds of Nursing Home Expense

Female (Male) Chance of in Nursing Home	Length of Stay	Cost at \$200 per day
50% chance for Female, 33% chance for male of going to home in lifetime		
Chance of both entering and following stay:		
33% (22%)	1 day to 3 mo.	Up to \$24,150
3.5% (2.3%)	1 year	\$85,800 for yr.
5% (1.6%)	3 yrs	\$257,400

Getting Yourself Ready

What will get you to take action?







What is on your bucket list?



Getting Your Farm & Family Affairs in Order David Marrison, Associate Professor

The emotional loss of a loved one is an extremely difficult time for families; especially for farm families. We can make it easier by having all our important information summarized in one document.

This planning document allows you to summarize your assets and how each is owned, valued, and titled. This information along with liabilities will be needed by your attorney or estate planning professional as you plan your estate.

The location of important documents and agreements can be listed as well as a summary of farm and personal advisors. Your personal wishes for your funeral can also be expressed. The information also will be helpful to your executor(s) as they settle your estate:

Inputting Data

The document has been designed in a writeable format. To complete the forms, simply click inside the boxes and type in the appropriate information. You may also print the forms off and fill them in by hand.

Saving the Document

To save your work, go to the **File** Menu and select **Save As**. Rename the file using a unique file name with the date the document was updated. By renaming the file, you will still have access to a blank copy for future recordings. Save the document to a secure location on your desktop or to a jump drive. It is recommended that you

save the file in two locations for backup purposes. It is also recommended that you password protect the document.

Safeguarding the Information:

When you are finished with your entries, print the completed document. Due to the confidential information contained in the document, it is recommended it be placed in a secure location such as your lawyer's office or a safe deposit box.

It is important that your spouse and ancestors know where the document is and have been given permission to access it in the case of an emergency or death.

Questions:

For questions on this document or to have an electronic copy mailed to you, contact your local OSU County Extension office or email David Marrison, OSU Extension at marrison.2@osu.edu or 740-622-2265.

Acknowledgements:

The author would like to thank the Wright & Moore Law Company, LPA in Delaware, Ohio for their technical assistance and review of this document.

References:

Estate Planning: Your Records and Personal Information. University of Kentucky: FCS5-422. Hunter, Jennifer. <http://www.ca.uky.edu/agc/pubs/fcs5/fcs5422/FCS5422.PDF>

Estate Planning Information. Wright & Moore Law Company.

Getting Your Affairs in Order

So, if passing on assets
and wealth to the next
generation is your goal,
when is a good time to
start the conversation?

Personal Observations

- Don't assume you will have time or feel well enough to complete your "bucket" list
- What knowledge has not been transferred?
- Don't leave the burden of making decisions to the surviving spouse or next generation
- Communicate! Be open about your wishes
- No time like today to start--What regrets can you eliminate today?
- Talk to your kids and spouse!

The Last Word

- Procrastination is not just avoiding a task. It is also avoiding the emotions that accompany an uncomfortable task.
- The measure of one's character is not what they get from their ancestors but what they leave their descendants.
- I still find the days too short for all the thoughts I want to think, all of the walks I want to take, all the books I want to read, and all the friends I want to see. (J. Burrows).



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Thank You!

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Proposed Estate Tax Changes

- Median US Family Net Worth = \$121,700
- Median US Farm Net Worth = \$1,042,885
- Median Commercial Farm Net Worth = 2.7M

Source 2019 USDA Economic Research Service

Tax Law Proposed Changes

- Current
 - \$11.7 M unified tax credit
 - Maximum tax rate 40%
 - Step-up in basis at transfer
 - Annual gifting \$15,000
 - Capital gains 20% max
- Proposed
 - \$6.02 M unified tax credit
 - Maximum tax rate 45%
 - No step-up in basis
 - gain over 1M taxed at transfer
 - 15 years to pay tax liability
 - Annual gifting unchanged
 - Capital gains 39.6% max



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