2026 ENHANCED PLANNING GUIDE

KEY LEGAL DOCUMENTS

o Last Will and Testament
- Indicates how a person wishes to distribute their assets when they pass away
- Allows a person to appoint a legal and financial guardian for their children
- Having a will in most situations will not avoid probate — there are some specific situations where wills in certain states can avoid probate
- Going through probate without a will is more time consuming and expensive
- If you die intestate (without a will), state law determines how your assets will be distributed

o Durable Financial Power of Attorney
- Allows appointed person/entity to act on your behalf, even if you lose mental capacity. This may include managing assets, paying bills, or buying/selling real estate.

o Durable Medical Power of Attorney
- Allows appointed person/entity to communicate with doctors and make healthcare decisions for you when you are unable to do it yourself

o Living Will
- Expresses your preferences for medical treatment if you become incapacitated. This may include topics such as life support, pain management or organ donation.

o Trust
- Defines how a person's assets should be managed during their lifetime or after their death. Assets in a trust avoid probate and remain private. Here are the parties to a trust:
  - Grantor/Trustor – Creates the trust
  - Trustee/Successor Trustee – Manages the trust
  - Beneficiary – Benefits from the trust

TYPES OF TRUSTS

o Revocable Trust (can be changed)
- Run by the person that set up the trust (Grantor)
- Assets can move in and out (Grantor maintains control)
- Assets can receive a step-up in basis

o Irrevocable Trust (cannot be changed)
- Run by a person or entity other than the person who set up the trust (not the Grantor)
- Assets gifted to the trust cannot be taken out (Grantor loses control)
- Removes assets from the estate (subject to 36-month lookback)
- Removes assets from the Medicaid spend down (subject to 60-month lookback, exceptions may apply)
- Helps those with disabilities qualify for government benefits
- Asset protection from creditors/lawsuits
- Assets do not receive a step-up in basis
- *Important Note* Some irrevocable trusts are "grantor" trusts where the "grantor" retains some control.

LIFETIME ESTATE/GIFT TAX EXEMPTION

o Federal Exemption Per Person
- $15 million (adjusted for inflation)

o State Exemption
- 13 states have state estate tax — Connecticut, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, Washington, District of Columbia

STATE INHERITANCE TAX

Five states have a state inheritance tax including Kentucky, Maryland, Nebraska, New Jersey and Pennsylvania

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GIFTING GUIDELINES

- Can gift $19,000 annually to an unlimited number of people without breaching the gift tax exemption
- When a gift exceeds the annual exclusion, a gift tax return (form 709) must be filed. No tax owed initially, however, will count against the Lifetime Gift Tax Exemption
- Unlimited gifting for education/medical expenses (direct gift only)
- When a gift is given, the recipient maintains the donor's cost basis
- Unlimited gifting among spouses
- Gift to qualified charity:
  - Cash gifts can be deducted up to 60% of AGI
  - Five-year deduction carry forward

GIFTING STRATEGIES

o Qualified Charitable Distribution (QCD)
- $111,000 maximum per person in 2026, must be 70 ½ years old, goes directly from IRA to charity, does not increase AGI, can satisfy RMD

o Donor Advised Funds
- Receive a tax deduction now, select and give to the specific charity later

o Charitable Remainder Trust (CRT)
- Receive tax deduction now; receive an income stream now; potentially reduce taxable estate; the "remainder" benefit goes to charity at death or specified timeframe, usually established with the help of an attorney

THE WAYS ASSETS CAN PASS TO HEIRS AT DEATH

o Probate
- Property in one person's name
- Personal property (non-titled assets)
- Tenants in Common
- Community property (nine states): Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin

o Contract
- Accounts/policies/documents with "built-in" beneficiaries
- IRAs, 401(k) plans, TOD, life insurance, annuities, trusts, etc.

o Joint Tenants with Rights of Survivorship (JTWROS)
- The deceased's share goes directly to the surviving owner

ROLE OF LIFE INSURANCE IN ENHANCED PLANNING

o Family Protection
- Provide ability to maintain lifestyle

o Estate Liquidity
- Quick access to funds to pay estate taxes and other immediate expenses

o Business Needs
- Buyout siblings or deceased partners family

o Estate Equalization
- One child may receive real estate while another child receives life insurance

o Fund a Trust
- Provide for an heir with special needs or meet other unique family situation

BENEFICIARY DESIGNATIONS

o Per Stirpes
- Each primary beneficiary "branch" will receive the specified portion, even if one or more of the primary beneficiaries passed away before the owner

o Per Capita
- Only the surviving primary beneficiaries will receive the inheritance. If a primary beneficiary passed away before the owner, this will disinherit their "branch"

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