Dwayne M. Dills, CPA, PC
Financial Advisor and Certified Public Accountant

18-D Regent Park Blvd. • Asheville, NC 28806
Phone: 828-398-0258 • Fax: 828-225-3900

Financial Briefs

JULY/AUGUST 2017

Estate-Planning Tips for Baby Boomers

As the baby boomer generation gradually makes the transition from their working years to retirement, it's time for them to get serious about estate planning. But for a variety of reasons, many boomers have put off this essential task, putting them and their families at risk. These tips can help this generation get back on track with estate planning.

1. Know what your children expect — and what you plan to give them. By and large, boomers' parents were conservative savers. They came of age in the Great Depression, and that formative experience often led them to be cautious with their money. Many of them accumulated far more than they ever spent, and they passed that wealth on to their boomer children. But many baby boomers aren't taking the same approach to money.

For one, the world has changed. Even boomers who've saved a lot may end up spending much of what they've accumulated, since retirements are likely to be longer and healthcare costs expensive. But there's also an attitude difference. Active boomers may be planning on spending much of their hard-earned money on themselves. They believe they've done a lot for their children already and don't feel the need to leave substantial assets to them. That's fine — it's your money, after all — but if you plan on spending down most of your assets, you may want to let your children know. It's one thing to not leave money to the next generation, but if they are blindsided by your decisions after your death, they may end up feeling resentful.

2. Have a plan for the end of your life. Many, if not most, boomers are still leading busy lifestyles, and they plan to keep doing so for some time. Boomers who value staying fit and healthy may not really be thinking about what will happen to them when the inevitabilities of aging finally do catch up.

But while taking steps to live a healthy lifestyle is important to enjoying a great retirement, boomers shouldn't stick their heads in the sand and assume they'll be healthy forever. Sickness and disability can happen, and it will be easier for you and your family to deal with if you have a plan. Not only should you think about long-term care and how you'll pay for it, you should also make sure you have end-of-life planning documents in place, like a healthcare power of attorney and a living will.

3. Make sure your estate plan is

Continued on page 2

Talking to Your Family about Your Estate Plan

It is essential to have this conversation with your family so they know what to expect, understand why you made certain decisions, and have time to absorb and accept your decisions. Having this conversation before your death when things can be explained will help avoid the potential relationship damage that can happen if no one understands your decisions.

Choose the right person for the right job — Try to take the emotion out of your decisions when selecting the people who will be best at certain tasks. Once people understand the various roles and what they entail, they tend to understand why a particular person was selected.

The roles can range from being the executor of the estate, to the guardian of your children, to making medical decisions on your behalf. For example, you should select a very strong person to be your healthcare proxy, because this person may have to remove you from life support during a medical crisis.

Prepare the appropriate documents — Once you have determined who will handle the key roles

Continued on page 3

FR2017-0315-0091

Estate-Planning Tips

Continued from page 1

up to date. Many boomers have estate plans they created decades ago. The primary goal of those estate plans may have been to ensure their children and surviving spouse were protected in the event of unexpected death.

But as you get older, your estate-planning needs change. If your children are independent adults, providing for them is no longer as critical. Plus, if it's been two or three decades since you created your will, your life has likely changed in other ways, too. You may have grandchildren who you want to receive part of your estate or new property that should be incorporated into your will. Or your family composition may have changed — you may have been divorced or widowed, for example. You may even have received a health diagnosis that is affecting your estate planning goals. For all these reasons and more, boomers need to sit down and review their estate plans to make sure they are properly conveying all their wishes.

4. Decide if, and how, you want to leave a legacy. Successful boomers often want to find a way to leave a lasting impact on the world and support causes and organizations closest to their hearts. If you count yourself among those for whom leaving a legacy is important, now is the time to start thinking seriously about how you want to turn those legacy dreams into reality. If your goals are ambitious — like starting a foundation or a charity or endowing a scholarship — you should start planning now. The more lofty your goals, the more important it is you take clear, concrete steps to turn your dreams into reality — like meeting with the leaders of an organization you support and finding out how you can best help them. After all, you won't be able to do this after you are gone.

Not sure how to put these estate-planning tips into action? Please call if you'd like to discuss this topic in more detail.

Estate Planning for Blended Families

In a blended family, it can be difficult to determine what's yours, mine, and ours, but it's an issue that needs to be addressed.

Discovery

The first step is for you and your spouse to have a very open conversation to discover:

- **Plans you may have from previous marriages —** You will need to review any plans you have in place from previous marriages, including wills, trusts, beneficiary designations, guardianships, etc.
- **Goals and wishes —** Each of you needs to clearly define your goals for upholding previous obligations, how guardianship will be handled for both biological and step-children, and how you want your separate or combined assets distributed. This is extremely important, because ownership of assets determines how they will be distributed in the future.
- **Together or separate —** Commingling or keeping assets separate can depend on several factors that a couple needs to decide. If one party brought in significant assets, you may decide to keep those separate, while commingling assets you build together. Children also play a major role in this decision. You may already have college accounts or trusts established for your children from a previous marriage and want those assets to remain separate. Many parents feel strongly about setting aside assets specifically for their children from a previous marriage. Again, forthright communication is key.
- **Review the marital property laws in your state —** Make sure you understand how your state laws govern the way you hold assets. For example, if you live in a community property state, any assets that aren't identified as separate will be considered equally owned as community property of the couple, even if you intended to keep those assets separate because they were acquired prior to the marriage.

Documentation

While you may feel it's overkill, you need to document every detail of your estate plan to avoid potential issues down the line, especially if you have children and former spouses. Also, this legal documentation will help avoid the expensive and potentially emotional issues involved with probate court.

- **Wills —** You should create a will that provides clear instructions on how all of your assets are to be distributed, guardianship for minor biological and step-children, healthcare directives, and any other wishes to be carried out should either of you become incapacitated or die.
- **Trusts —** Blended families should consider developing a trust, which holds assets on behalf of the beneficiaries and defines how and when assets pass to the beneficiaries. A trust can also last for years, through the lifetimes of a surviving spouse, children, and even future generations. For blended families, certain types of properly established trusts can provide financial support for your spouse and still ensure something is left for your children.
- **Account titles —** Even if you have a will or trust, you will also want to make sure that accounts such as a retirement account have defined beneficiaries. Additionally, other accounts can be owned as joint tenants with right of survivorship or transfer on death, making the owner's intentions clear that in both cases, the assets go directly to the party named on the account.

Please call if you'd like to discuss this in more detail.

Talking to Your Family

Continued from page 1

for your estate, you will want to get the proper paperwork drafted and notarized. These documents may include: your will, trust, durable power of attorney, healthcare power of attorney, and guardianship designations.

Before you have the conversation, you should have the proper paperwork with copies for all involved individuals, so there is no room for misinterpretation and everyone understands the parameters of your decisions.

Prepare for the conversation — You'll want to take the time to think through this conversation and anticipate the questions people will have. You will want them to understand what your goals are for the estate plan, what the various roles are and what they entail, and why certain people were chosen for certain roles.

It is important to think through your family dynamic in approaching this conversation. Should it be a more formal conversation that includes an attorney or financial advisor to help explain the roles and your choices? Should it be more casual discussion around the dinner table with only family?

Either way, you will want to make sure you set ground rules to avoid confrontation. You will want people to express their thoughts. But if it becomes argumentative, let them know the meeting will be canceled until it can be discussed rationally.

Keep the conversation going — Let your family know this will be an ongoing discussion as circumstances change, such as new marriages, new children, divorce, etc. By having regular conversations, you can avoid the "Mom would have wanted this" argument. Setting this expectation can help prevent future family tension based on perceptions versus what you want carried out.

Please call if you'd like to discuss this topic in more detail.

Should You Consider Incentive Trusts?

You're looking for an effective way to get your heirs to do what you think is best for them, for the family, and for the world. Is an incentive trust the right vehicle to accomplish that?

An incentive trust is much like a traditional irrevocable trust, except it sets specific conditions on trust distributions. Some people establish incentive trusts to make sure beneficiaries stay in the family business.

Others want to encourage higher education or public service. Some want to discourage behavior — laziness, reckless spending, or drug use. Still others want to encourage beneficiaries to get married and raise a family.

What to Think About

There are a number of issues that could affect the design and implementation of an incentive trust. Consider these points carefully:

- **Goals —** What behaviors do you want to promote? Incentive trusts are often created to encourage beneficiaries to pursue higher-education degrees. Discouraging reckless consumption and unproductive behavior are other common reasons behind incentive trusts. Think about what matters to you and your beneficiaries. What goals are fair and reasonable for you to expect your beneficiaries to achieve?
- **Coordination with your estate plan —** Incentive trusts are just one component of an estate plan. Decide whether you want to create a separate incentive trust or build incentive clauses into a trust designed for another purpose. Make sure the incentive trust doesn't conflict with or detract from other components of your estate plan.
- **Duration —** How long do you want the incentive trust to last? For grantors with substantial wealth, a trust may span many generations. Can you realistically set expectations for beneficiaries who aren't even born yet?
- **Beneficiaries —** Who will benefit from the monies disbursed from the incentive trust? Considerations here are similar to those for any kind of trust: who do you include and exclude?
- **Trustee designation —** The trustee of an incentive trust typically has a more difficult job than the trustee of a simple traditional trust, since he/she must decide when beneficiaries have met the conditions you specified. Make that job easier by writing conditions that are objective and easily measured.

How to Prepare an Incentive Trust

If you decide an incentive trust may be right for you, you should:

- Sit down with your beneficiaries and trustee to discuss your goals for the trust. The likelihood your beneficiaries will later resent the incentives is greater without this discussion.
- Build flexibility into the trust to accommodate changes in circumstances. This will mitigate unintended and undesirable consequences.
- Ensure the conditions you want to include comply with state and federal laws.

If you don't want to establish an incentive trust, you can limit each beneficiary's inheritance to an amount that isn't likely to encourage reckless consumption and unproductive behavior.

If your interest lies in philanthropy, another alternative is to establish a private foundation and name your beneficiaries as board members. That way, your money is still controlled by your beneficiaries, but it is put to charitable use.

Please call if you'd like to discuss incentive trusts in more detail.

Business Data

Indicator	Month-end Apr-17	May-17	Jun-17	Dec-16	Jun-16
Prime rate	4.00	4.00	4.25	3.75	3.50
3-month T-bill yield	0.82	0.96	1.02	0.56	0.26
10-year T-note yield	2.23	2.27	2.16	2.55	1.61
20-year T-bond yield	2.60	2.68	2.49	2.86	1.99
Dow Jones Corp.	3.09	3.04	2.99	3.17	2.78
GDP (adj. annual rate)#	+3.50	+2.10	+1.40	+2.10	+0.80

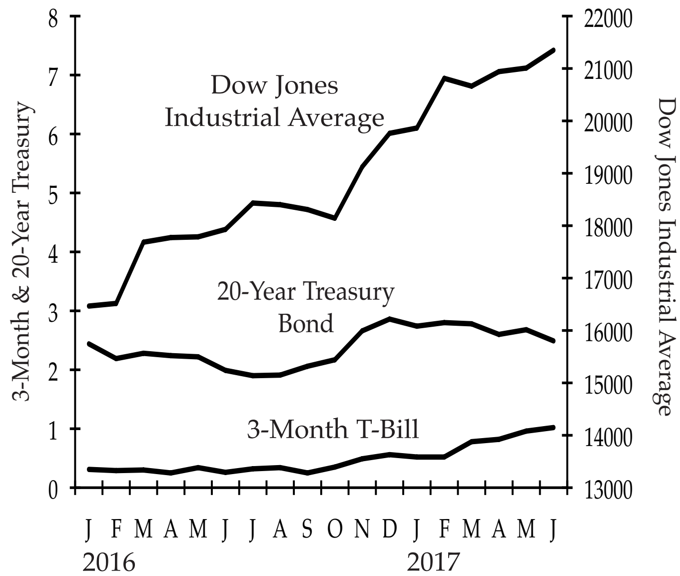
Indicator	Month-end Apr-17	May-17	Jun-17	% Change YTD	12-Mon.
Dow Jones Industrials	20940.51	21008.65	21349.63	8.0%	19.1%
Standard & Poor's 500	2384.20	2411.80	2423.41	8.2%	15.5%
Nasdaq Composite	6047.61	6198.52	6140.42	14.1%	26.8%
Gold	1266.45	1266.20	1242.25	7.2%	-5.9%
Unemployment rate@	4.50	4.40	4.30	-6.5%	-8.5%
Consumer price index@	243.80	244.50	244.70	1.4%	1.9%
Index of leading ind.@	126.50	126.60	127.00	2.4%	3.0%

— 3rd, 4th, 1st quarter @ — Mar, Apr, May Sources: *Barron's, Wall Street Journal*

Past performance is not a guarantee of future results.

18-Month Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

January 2016 to June 2017



News and Announcements

Higher Exclusion Limits and Trusts

Now that the federal estate-tax exemption is $5.49 million for individuals in 2017, it's estimated that 99% of all estates can gift all assets to heirs free of federal estate taxes without the use of trusts. But the value of many kinds of trusts lies not only in their capacity for sheltering you from estate taxes, but also from other kinds of taxes and helping you control how your assets are distributed and spent by beneficiaries. Here is a short list of some of these purposes:

Income and capital gains tax advantages. While shielding your heirs from estate taxes is the principal benefit of trusts, charitable trusts can also reduce your income and capital gains tax liability. Trusts can also help you or your heirs avoid being subject to capital gains taxes on the sale of highly appreciated assets.

Who gets what and when? Some trusts are designed chiefly to give you control over who receives what portion of your assets after you die. For example, a Qualified Terminal Interest Trust (QTIP) is useful for people who have children from a first marriage and step-children from a subsequent marriage. The owner of a QTIP can provide for the income needs of the second spouse for as long as he/she lives and then transfer trust assets on his/her death to his/her children.

Similarly, charitable trusts give you the choice of donating the income from assets you transfer to the fund but keeping those assets in your family, or using the income for your own benefit, then donating the principal or property after you die.

Spending for specific purposes or at specific ages. Do you want your children to be supported after you die, but want them to only spend the money for their educations? Do you want them to have limited access to the funds until they're 30 or in five-year intervals? Various trusts can help accomplish these objectives.

FR2017-0315-0091