

# ON COURSE

## Estate Planning Isn't Just About the Future

**BROOKS SLAUGHTER**



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# Estate Planning Isn't Just About the Future



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> **Like us, we know everyone gets excited when discussions turn toward the implementation of estate planning – right!** OK, that's likely far from reality but let's look at estate planning through a different lens and ask ourselves a few very important questions.

Can I lessen the burden on loved ones in stressful times?

Is it possible to avoid or lessen estate or income taxes?

Are there steps I can take to protect my family members from creditors and lawsuits?

Can I take measures to better help charities and myself now?

The answer to each is, "yes," and show some of the benefits gained from good estate planning. And, with possible changes coming from Washington, action

today may save you and your family money down the road.

People often think about estate planning as a financial tool triggered by a person's passing. However, some of its benefits bear fruit while you are still living. A comprehensive estate plan, for instance, includes many vital documents for you and your family during the living years.

When a family member is unable to carry out his or her affairs, Power of Attorney forms allow others to step in and make financial and medical decisions quickly and smoothly. This is a very stressful and overwhelming time for your family, so anything that can help ease legal or logistical burdens will be greatly appreciated.

You may think that simply sharing usernames and passwords will allow

your family members to take care of any needed business. However, that practice is unwise, illegal, and often contrary to many account agreements – especially for accounts involving money. A proper general power of attorney (or digital power of attorney) needs to be in place to designate an assistant who can set up proper credentials and act on your behalf.

A proper estate planning process will also help you create a list of all financial and digital assets. Digital accounts often mean paper statements are no longer included. Therefore, the old method of sifting through files of printed statements no longer works. Items like airline miles, domain name ownership, electronic deposits, and cryptocurrency have value but only if they can be identified and transferred.

Furthermore, health directives and Medical Power of Attorney allow family members to assist in care decisions and obtain information that privacy laws have otherwise made off-limits – including to a spouse.

For high-net-worth individuals, some steps can be taken during the living years that benefit both yourself and others. Such plans can save on taxes through the creation of various entities like Charitable Remainder Trusts (CRTs), Charitable Retained Annuity Trusts (CRATs), Charitable Remainder Unified Trusts (CRUTs), and Family Limited Partnerships, just to name a few. Each of these is an article all to itself, so ask us or your estate attorney how these instruments might be beneficial for your unique situation.

We are often asked about the difference between a will

and a trust, and which one is better. As you might expect, the answer is, “it depends.” In a nutshell, both trusts and wills direct how and when your beneficiaries get assets. If trusts are used during the living years, the primary task is to retitle assets right away so that there is no need for probate. In case things

probate in most states. However, a trust can bypass the probate process altogether in many cases (exact rules and costs can vary by state).

A variation of these themes is to have a will create a trust after death. This allows you to avoid the time and cost of creating and administering a

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are forgotten, a “Pour-Over” will is still in place, but the hope is that it is never used.

Generally, the benefits of trusts include less work for loved ones after your passing, quicker access to assets after death, and more privacy versus assets channeling through the probate process. However, they usually include more administrative costs and require more personal time than using a will. Wills are generally cheaper to write, change, and ultimately

trust during your living years and, instead, shifts that work to an executor and a trustee. While there still may be costs for their services, it allows your advisors to delay decisions until your passing, when all estate exclusion limits and applicable tax laws are known. Essentially, this strategy allows the estate attorney and executor to make their best calls at that moment in time with direction from a well-written will.

Many people have not

#### **ABOUT RICHARD P. SLAUGHTER ASSOCIATES, INC.**

**Richard P. Slaughter Associates is a leading wealth-management firm specializing in delivering tailored strategies as a fiduciary for high net worth individuals, families, and businesses.**

Slaughter Associates constructs a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management while coordinating with tax, insurance and estate professionals. The result is a holistic approach—unique in the financial industry—that generates a clear path to the individual financial goals of the client. Founded in 1991 in Austin, Texas, Slaughter Associates was among the first fee-only firms in the nation, a fiduciary status that allows it the freedom to provide advice that is always in the best interests of the client. Slaughter Associates is a NABCAP Premier Advisor, recognized for its commitment to maintaining top business standards, first-class financial-management capabilities and dedication to preserving transparency in the financial services industry.

#### **EXPERTISE**

##### **Areas of Expertise**

Specialization in comprehensive wealth-management services for families with over \$1 million in net worth

##### **Other Interesting Fact**

One of the first fee-only advisor firms in the United States

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had to worry about estate tax in recent years, but this may change soon. Currently, the exemption from estate taxes is \$11.7 million for each individual and \$23.4 million for a married couple with portability elections. That means there are no estate taxes for people with assets below these amounts. These are historic highs for estate tax exemptions. Please note that this refers to the Federal level and some states have imposed lower exemptions for their State Inheritance tax. Also, many states are looking at this issue as a source to raise revenue.

At the Federal level, the exemption is slated to move automatically back to \$5 million per person in 2026 plus adjustments for inflation. The Biden Administration is calling for it to decrease to \$3.5 million per person. If you think your estate

will exceed either of these limits, now is the time to act. Even if you are not there presently, a 7% return on your current assets will double your assets every decade. Going ahead and using up your credit now may be a wise strategy and worth discussing with your advisor.

Another huge item in estate planning involves income taxes and what is often called "Step Up in Basis." Under current law, assets owned by an individual are moved to the current market value at death eliminating the capital gain on the assets. This also provides relief to the family from trying to ascertain the purchase price or cost basis of items from relatives when documentation may be non-existent.

The conundrum in estate planning is that moving assets to an irrevocable trust removes them from an individual's estate.

For those approaching the estate tax exclusion limits, this may be a great strategy to avoid estate taxes. However, once moved they are no longer owned by someone who has died, thus there will never be a step up in basis to reduce capital gains taxes for the heir. In this case, moving highly appreciated assets may not be the best strategy.

The proposed changes in tax and estate law appear to create great incentives for high-net-worth individuals to quickly move assets this year. However, the reality is that these are just proposals, which means they may change, never be pushed forward, or fail to pass. Virtually every situation is unique for those with sizeable net worth, and a thorough discussion with a good estate attorney, CPA, or financial planner is warranted. 🦋



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