

# Wills, Trusts, and Asset Protection

Today is a Massachusetts-friendly overview of **Wills, Trusts, and Asset Protection** — and we're going to frame it around three essentials:

**The right legal documents**

**A financial and retirement plan while you're alive**

**A legacy plan when you're gone**

Most people know they should plan. The challenge is that it feels **overwhelming**, it can seem **expensive**, and many people end up doing only one piece — or getting stuck in the **revolving circle** of conflicting input from a CPA, attorney, and financial advisor.

We're going to simplify it, show how the pieces fit, and highlight the common pitfalls so you can move forward with clarity.

And just to be clear: this is **general educational information**, not legal or tax advice.

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### 3 Components to EFFECTIVE PLANNING

- 1.) The Right Legal Documents
- 2.) A Financial/Retirement Plan (While You're Alive)
- 3.) A Legacy Plan (When You are Gone)

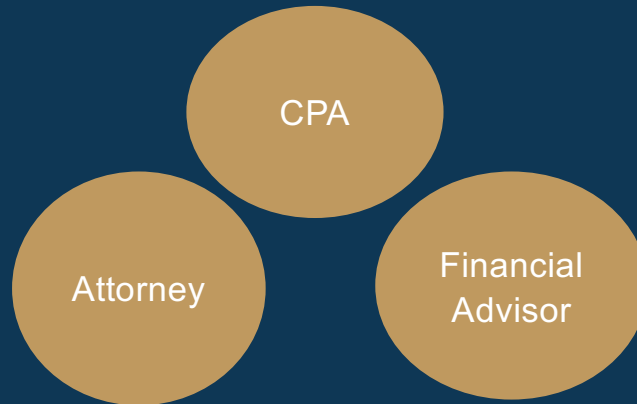
- 1.) I Promise you will get good information in the next 40 minutes on The Estate Planning Process
- 2.) This is **informational**
- 3.) I will encourage you to schedule a 15-minute **no cost** phone call or in-office meeting.
- 4.) We can help you, **in coordination with your tax and legal advisors**

## Reasons why some people FAIL at Estate Planning

- 1.) It's Complex (Overwhelming)
- 2.) DO-IT-THEMSELVES
- 3.) Expensive
- 4.) Only Complete 1 Component
- 5.) The Revolving Circle (Conflicting Advice)

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## The Revolving Circle



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A little bit about me.....

Let your Guard Down

You are going to get good information. I don't have a fixed agenda here.

It's ok if you have an existing plan, it's also ok if you don't have an existing plan.....I help Both people.

Everything we are going to review is going to be good information, but not specific to you, so there is an opportunity for everyone who attends to schedule a 15-minute phone call or 30-minute meeting at the office. My Office is in Hingham and either myself or Raj will be emailing you a calendar link. Take Advantage.

## Why I do what I do

1. **91%** of wealthy clients want estate planning help from their advisor — yet only **72%** confirm they're receiving it.
2. **55%** of Americans have no estate plan at all.
3. Even when documents exist, they're often not updated after major life events — regular reviews matter.

[https://publications.investmentsandwealth.org/publications/may\\_june\\_2023/A/mobilePage?article\\_action?articleid=198868](https://publications.investmentsandwealth.org/publications/may_june_2023/A/mobilePage?article_action?articleid=198868)  
<https://investandpill.com/learn/2023-report-estate-planning-demographic-breakdown>  
<https://www.kiplinger.com/personal-finance/the-basics-of-estate-planning>

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## Having the Right Documents

- Having Nothing = Public Record
- Time, Probate, and Attorney Fees
- Potential for Estate Taxes
- Avoiding Family Dispute (Blended Families)
- Protecting Beneficiaries
- Healthcare Wishes and LTC



Which is why attorneys, accountants, and financial professionals have been pressing their clients for years to do estate planning. The benefits of Estate Planning are very real:

- Spells out health care wishes
- Possessions go to heirs you choose without wrangling or dispute
- Avoids additional, unplanned legal expenses
- Provides for loved ones not otherwise protected

But traditional estate planning often doesn't capture the fullness of our lives and our values.



## What Documents Should I Consider?

### The Estate Plan Basics

- Will (Living Will, Pour Over Will)
- Healthcare Proxy/Advanced Directive
- Durable Powers of Attorney
- Revocable Living Trust
- Homestead, 62

Common problems that arise when no one thinks about estate planning include:

- No will or trust
- Overlooked provisions such as guardianship for minors
- No tax planning
- Financial strains; Cash shortage for survivors

Also, sometimes:

- Decisions are not communicated to next generation
- Details not revealed until after death
- Family tension arises after will is read
- Reluctance to make plan or update a plan

It's really not a good picture, right?

# Planning While You Are Alive

Up to this point, we've been talking about the legal side – the documents that control decisions and distribution.

Now we shift to **Planning While You're Alive**. This is the part most people *skip* even though it's the part you actually live inside every day: cash flow, taxes, retirement income, beneficiary choices, and making sure your plan works in real time – not just on paper.

Think of it this way: the legal documents are the **instructions**. This section is the **operating system** that keeps your lifestyle protected and your options open.

Let's Talk Trusts.....

# Revocable & Irrevocable



## Protect and Preserve Your Nest Egg

- 1.) How much money will you need in Retirement?  
(Taxes, Inflation, Longevity, Long Term Care)
- 2.) Where is your income going to come from? (SS, Pension, 401k)
- 3.) Are you taking too much Risk? (Fixed Rates)

This section is about **protecting and preserving your nest egg** while you're alive, so your plan doesn't just look good on paper, it works in real life.

**First:** how much will you actually need in retirement?

Most people underestimate the four silent drivers—**taxes, inflation, longevity, and long-term care**. If we don't account for those, the number on paper can feel comforting but still fall short.

**Second:** where is your income going to come from?

We want to map your income sources—**Social Security, pensions, and retirement accounts like 401(k)s**—and understand the timing, tax treatment, and how reliable each stream is.

**Third:** are you taking too much risk?

This isn't about 'no risk.' It's about the *right* risk. As you get closer to or into retirement, protecting principal and having **stable, fixed-rate options** for part of the portfolio can reduce the chance that a bad market sequence derails the plan. The goal here is simple: **keep your lifestyle funded, protect your flexibility, and reduce the chance that one surprise forces a major change later.**

# Protect Your Retirement

- Mismanagement of Retirement Accounts
- Your Investment goals change!
- 63% Worry About Running Out of Money
- Required Minimum Distributions



<https://www.allianzlife.com/about/newsroom/2024-Press-Releases/Nearly-2-in-3-Americans-Worry-More-about-Running-Out-of-Money-than-Death>

## Mismanagement of Retirement Accounts

- Emphasize the importance of aligning retirement accounts with overall estate plans.
- Common issues include incorrect beneficiary designations, neglecting account performance, or failing to diversify.
- Mismanagement can lead to unintended tax burdens or reduced inheritance for beneficiaries.
- Suggest periodic reviews with a financial advisor or estate planner.

## •Your Investment Goals Change!

- Highlight how life stages and financial priorities can shift over time.Mention examples, such as a shift from growth-focused investments to income generation during retirement.Stress the importance of reevaluating investment strategies to align with evolving estate plans.Encourage revisiting goals annually or during major life events.

## 63% Worry About Running Out of Money

Use this statistic to underscore the importance of proactive financial planning.Discuss how estate planning tools, such as trusts or annuities, can help nsure financial stability.Mention strategies to address this concern, such as building diversified income streams and managing withdrawal rates effectively.Tie in the emotional relief that comes from a comprehensive plan.

## RMDs:

Define RMDs: withdrawals mandated by the IRS from retirement accounts starting at age 73 (as of SECURE 2.0 Act updates).Explain the risks of non-compliance, such as significant penalties.Discuss strategies to incorporate RMDs into estate planning, like converting traditional IRAs to Roth IRAs or charitable giving.Encourage planning to minimize the tax impact on heirs.

# PORTFOLIO MANAGEMENT



- Moderate Growth
- Balanced Income and Growth
- Conservative

Portfolio Management is not a Financial Plan

Investing involves risk, including loss of principal. No investment can ensure a profit or guarantee against losses.

## Portfolio Management – Moderate Growth

- Define a moderate growth portfolio as one focused on achieving long-term capital appreciation with a balanced level of risk.
- Typically, it combines **60%-70% stocks** and **30%-40% bonds**.
- Emphasize the importance of regularly rebalancing this portfolio to maintain the target allocation and minimize risk over time.

**Balanced Income and Growth** A balanced income and growth strategy focuses on achieving steady income (from dividends and bonds) while maintaining moderate growth through equity investments.

### •Typical Allocation:

- **40%-60% stocks** (for growth potential).
- **40%-60% bonds or fixed-income instruments** (for stability and income).

### •Best Suited For:

- Investors nearing retirement or those with a moderate risk tolerance.
- Individuals seeking a mix of capital appreciation and regular income.

### •Key Benefits:

- Smoother returns compared to all-equity portfolios, making it easier to stick to the plan during market volatility.

- Regular income streams can help fund retirement or other ongoing expenses.

•**Actionable Tip:** Periodically review allocations to ensure the portfolio remains aligned with the investor's goals and market conditions.

### **Conservative**

A conservative portfolio prioritizes capital preservation and income generation over growth. It is designed to minimize risk.

•**Typical Allocation:**

- **20%-40% stocks** (or lower, depending on the risk profile).
- **60%-80% bonds, cash equivalents, or other low-risk assets.**

•**Best Suited For:**

- Retirees or those nearing retirement who prioritize stability and protecting their savings.
- Risk-averse investors who prefer minimal exposure to market volatility.

•**Key Benefits:**

- Provides steady, predictable income while safeguarding the principal.
- Reduced exposure to stock market fluctuations.

•**Cautionary Note:**

- While safer, a conservative portfolio may struggle to outpace inflation over the long term.

•**Actionable Tip:** Consider including inflation-protected securities (like TIPS) to mitigate the impact of rising costs.

### **Portfolio Management is Not a Financial Plan**

•Explain the distinction between portfolio management and financial planning:

- **Portfolio management** focuses on investment strategies, risk tolerance, and asset allocation to meet financial goals.
- **Financial planning** is holistic, addressing broader aspects of a person's financial life, including cash flow, insurance, retirement, taxes, and estate planning.

•Highlight why relying solely on portfolio management can be risky:

- It overlooks critical areas like emergency funds, long-term healthcare planning, or debt management.
- Portfolios are just one part of achieving financial security; comprehensive planning ensures everything works together.

•Provide an example:

- A well-managed portfolio won't protect someone without life insurance or a retirement withdrawal strategy.

•End with an actionable takeaway:

- Stress the importance of working with a financial planner to integrate portfolio management into a broader financial plan.

# Sequence of Returns

## FACTORS AFFECTING PORTFOLIO RESULTS BEFORE RETIREMENT

### The Accumulation Phase

- Average Annualized Returns
- Asset Allocation
- Staying Invested

### In This Example:

#### Annual Income Withdrawals:

- None

#### Starting Values (one-time lump sum)

- Portfolio A = \$100,000
- Portfolio B = \$100,000

#### Value at Age 65 - NO DIFFERENCE

- Portfolio A = \$684,848
- Portfolio B = \$684,848

AGE	ANNUAL RETURN (Portfolio A)	PORTFOLIO A (Year-End-Value)	ANNUAL RETURN (Portfolio B)	PORTFOLIO B (Year-End-Value)
41	-12%	\$87,695	29%	\$129,491
42	-21%	\$69,426	18%	\$152,281
43	-14%	\$59,707	25%	\$189,590
44	22%	\$72,984	-6%	\$178,404
45	10%	\$80,136	15%	\$204,272
46	4%	\$83,595	8%	\$221,183
47	11%	\$92,707	27%	\$281,124
48	3%	\$95,210	-2%	\$274,939
49	-3%	\$92,155	15%	\$315,355
50	21%	\$111,507	19%	\$375,272
51	17%	\$130,129	33%	\$498,737
52	5%	\$137,026	11%	\$554,097
53	-10%	\$123,597	-10%	\$499,795
54	11%	\$137,316	5%	\$526,284
55	33%	\$182,493	17%	\$614,174
56	19%	\$217,167	21%	\$743,150
57	15%	\$249,091	-3%	\$719,305
58	-2%	\$243,611	3%	\$738,726
59	27%	\$309,629	11%	\$819,247
60	8%	\$335,262	4%	\$854,602
61	15%	\$383,875	10%	\$938,354
62	-6%	\$361,226	22%	\$1,147,022
63	25%	\$449,727	-14%	\$986,439
64	18%	\$528,878	-21%	\$780,941
65	29%	\$684,848	-12%	\$684,848
	8%	\$684,848	8%	\$684,848

Hypothetical example shown for illustrative purposes only, are not guaranteed and do not represent any specific product or investment. Figures do not reflect the deduction of investment fees or taxes, which will reduce the figures shown here.

- Why is sequence of returns such a big deal in retirement? Well, that's because when you start withdrawing money in retirement, there is a whole different set of rules in place.

We are going to look at a portfolio starting with 100k at age 40 during the accumulation phase of someone's portfolio, On this slide, the ONLY difference is the Sequence of the annual returns in their portfolio. Both Portfolios have starting values of \$100,000 (one time lump sum), and both average the same 8% overall annual return, the series is just inverted.

Notice how NO annual income withdrawals are made by either portfolio in this example, and the result is an identical total of \$684,848 at the age of 65 (even though the annual returns were inverted)

When saving for Retirement, the order in which the rates of returns are realized does not affect the amount the portfolio accumulates. It's the total return over time that matters.

# Sequence of Returns

## FACTORS AFFECTING PORTFOLIO RESULTS BEFORE RETIREMENT

### The Accumulation Phase

- Sequence of Returns
- Product Allocation
- Portfolio Protection

### In This Example:

#### Annual Income Withdrawals:

- 5% of first year value  
(adjusted thereafter for inflation)

#### Starting Values (one-time lump sum)

- Portfolio A = \$ \$684,848
- Portfolio B = \$ \$684,848

#### Average Annual Return:

- Portfolio A = 8%
- Portfolio B = 8%

#### Value at Age 65 - BIG DIFFERENCE

- Portfolio A = \$0
- Portfolio B = \$ \$2,622,984

AGE	ANNUAL RETURN (Portfolio A)	PORTFOLIO A (Year-End-Value)	ANNUAL RETURN (Portfolio B)	PORTFOLIO B (Year-End-Value)
66	-12%	\$566,337	29%	\$852,571
67	-21%	\$413,086	18%	\$967,355
68	-14%	\$318,927	25%	\$1,168,029
69	22%	\$352,432	-6%	\$1,061,698
70	10%	\$348,431	15%	\$1,177,105
71	4%	\$323,772	8%	\$1,234,855
72	11%	\$318,176	27%	\$1,528,614
73	3%	\$284,653	-2%	\$1,452,871
74	-3%	\$232,143	15%	\$1,623,066
75	21%	\$236,215	19%	\$1,886,771
76	17%	\$229,644	33%	\$2,461,500
77	5%	\$194,417	11%	\$2,687,327
78	-10%	\$126,543	-10%	\$2,375,148
79	11%	\$90,304	5%	\$2,450,746
80	33%	\$68,219	17%	\$2,808,226
81	19%	\$27,833	21%	\$3,344,606
82	15%	\$0	-3%	\$3,182,338
83	-2%	\$0	3%	\$3,211,664
84	27%	\$0	11%	\$3,503,440
85	8%	\$0	4%	\$3,594,592
86	15%	\$0	10%	\$3,885,017
87	-6%	\$0	22%	\$4,685,257
88	25%	\$0	-14%	\$3,963,710
89	18%	\$0	-21%	\$3,070,398
90	29%	\$0	-12%	\$2,622,984
	8%	\$0	8%	\$2,622,984

Hypothetical example shown for illustrative purposes only, are not guaranteed and do not represent any specific product or investment. Figures do not reflect the deduction of investment fees or taxes, which will reduce the figures shown here.

This next slides highlights the same portfolio, but now we ENTER THE DISTRIBUTION PHASE of the persons life and are taking a 5% Withdrawal out of it .The key is averaging an 8% doesn't mean steadily receiving 8% per year of interest and earnings every year. They had some good years and some bad years of investment returns. They both take annual withdrawals of 5% of the first year value and adjust it for inflation.

Again, the ONLY difference is the Sequence of the annual returns in their portfolio. The annual returns are exactly the same for the two retirees, the sequence is just inverted. One had the bad years in the beginning , while the other had the bad years at the end of retirement. Investor A runs out of money at age 80 and Investor B has over 2 Million Dollars when he is 90.

Since nobody can accurately and consistently predict when their stock market investments will have good years or bad years, steady and predictable income from Social Security, or Pensions or similar income sources are what may separate the successful retiree vs the one who runs out of money too early.

Or there is a solution. PROTECT PROTECT PROTECT

## What About Nursing Home Costs?

Long-Term Care Insurance  
vs.  
Life Insurance with LTC Benefits

LTC riders on insurance and annuity products are NOT a replacement for long-term care insurance. They involve medical and perhaps financial underwriting to qualify and may not be available in all states

### Introduce the Issue:

- Nursing home care is one of the largest potential expenses in retirement.
- The national average cost for a private room in a nursing home exceeds **\$100,000 annually**, with costs rising every year (depending on location and facility type).
- Most health insurance policies and Medicare **do not cover long-term nursing home care**, leaving many families unprepared.

### Importance of Planning:

- Without a plan, these costs can quickly deplete retirement savings and estates.
- Introduce options to address these costs, such as Long-Term Care Insurance and Life Insurance with LTC benefits.

### LTC:

- Definition:** A standalone policy specifically designed to cover long-term care expenses, including nursing homes, assisted living, and in-home care.**Key Benefits:**Offers dedicated coverage for care costs.
- Premiums are typically lower if purchased earlier in life.
- Challenges:**Premiums can be expensive and often increase with age.
- Policies can be complex, and benefits may only kick in under specific conditions

(e.g., inability to perform certain activities of daily living).

•**Who It's Best For:** Individuals who want a specialized plan for long-term care and are able to budget for rising premiums over time.

### **Life Insurance with LTC Benefits**

#### **Speaker Notes:**

•**Definition:** A life insurance policy with an optional rider that allows policyholders to access part of their death benefit to pay for long-term care expenses.

#### •**Key Benefits:**

- Dual-purpose: Provides both life insurance coverage and long-term care benefits.
- If LTC isn't needed, the death benefit remains intact for heirs.
- Predictable costs with hybrid policies compared to traditional LTCL.

#### •**Challenges:**

- Typically more expensive than traditional life insurance without LTC benefits.
- May offer lower LTC coverage compared to a standalone LTCL policy.

#### •**Who It's Best For:**

- Individuals who want flexibility and prefer coverage that can benefit them or their heirs, regardless of care needs.
- Highlight the importance of assessing personal financial situations and long-term care needs. Encourage consulting a financial planner or insurance specialist to evaluate which option—LTCL or life insurance with LTC benefits—works best for their unique goals. Emphasize the potential burden on families if no plan is in place.

## Medicaid Planning for Couples



- Medicaid Annuity - Single Premium Immediate Annuity (SPIA)
- Not Assignable, Irrevocable, Not Transferrable
- Pays out Income to Life Expectancy or 5 Years

## Giftg To Lower Gross Estate



- There is no Massachusetts gift tax
- Federal annual gift exclusion (2026): **\$19,000 per recipient**
- Gifts above \$19,000 per recipient are reported (Form 709) and reduce your federal lifetime estate & gift exemption
- 2026 federal estate & gift exemption: **\$15,000,000 per person**
- Massachusetts estate tax filing considers your “gross estate” plus adjusted taxable gifts (per MA rules)
- Making gifts to an irrevocable trust

[https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill-2/utm\\_source=chatgpt.com](https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill-2/utm_source=chatgpt.com)  
[https://www.irs.gov/businesses/small-businesses-self-employment/whats-new-estate-and-gift-tax-2/utm\\_source=chatgpt.com](https://www.irs.gov/businesses/small-businesses-self-employment/whats-new-estate-and-gift-tax-2/utm_source=chatgpt.com)  
[https://www.mass.gov/info-details/massachusetts-estate-tax-guide-2/utm\\_source=chatgpt.com](https://www.mass.gov/info-details/massachusetts-estate-tax-guide-2/utm_source=chatgpt.com)

- There is no Massachusetts gift tax
- Reporting it, means it's deducted from your \$12.06M Federal Exemption
- Massachusetts estate tax is calculated only on the gross estate itself

## WHEN YOU ARE GONE

Now we move into the third phase — **When You Are Gone.**

This is where we shift from protecting your lifestyle to protecting your legacy: **who gets what, how it transfers, how efficiently it transfers, and how smoothly your family can carry it out.**

The goal isn't just to pass assets — it's to pass them with **clarity, control, and as little friction as possible.**

## Controlling Assets After Death



### Benefits of Using a Trust

- Protect Beneficiaries
- Avoid Probate
- Eliminate Family Conflict
- Assets Go to the Right Beneficiaries
- Son in Law, Daughter in Law
- A/B Provision **Reduces Estate Taxes**

- Provide legal protection for the trustor's assets
- The assets are distributed according to the wishes of the trustor
- Saves time, reduce paperwork and, in some cases, avoid or reduce inheritance or estate taxes



## What is my gross estate?

What About Estate Taxes?

Life Insurance and ROTH

Roth distributions are tax free after age 59-1/2 and the account has been open for at least 5 years. Life insurance involves medical and often financial underwriting to qualify, and involves fees, charges and potential surrender penalties. Death benefits are generally tax free to a properly named beneficiary.

- The **gross estate** refers to the total value of an individual's estate at the time of death, before any deductions like debts, administrative costs, or funeral expenses.
- It includes **all assets**, such as real estate, cash, investments, retirement accounts, life insurance proceeds, and personal property (jewelry, vehicles, etc.).

### •What's Included:

- **Real estate:** Primary residence, rental properties, or vacation homes.
- **Financial assets:** Bank accounts, stocks, bonds, and mutual funds.
- **Retirement accounts:** 401(k)s, IRAs, and pensions.
- **Life insurance:** The death benefit from policies that are payable to the estate or named beneficiaries.
- **Gifts:** Any gifts made in the last three years may also be included if they were large enough to trigger gift tax considerations.

### •Why It Matters:

- The gross estate is important because it forms the basis for calculating potential estate taxes, which can affect how much is passed on to heirs.
- Knowing the value of your gross estate can help guide estate planning

and tax minimization strategies.

### What About Estate Taxes?

- **Estate taxes** are taxes levied on the transfer of the estate's value from the decedent to their heirs. They apply only to estates that exceed a certain threshold.
- **Estate Tax Exemption:**
  - The **federal estate tax exemption FOR 2026** is **\$15 million per individual** (subject to change annually with inflation). This means only estates exceeding this threshold are subject to federal estate tax.
  - **State estate taxes:** Many states have their own estate or inheritance taxes with lower exemption amounts. States like New York, Massachusetts, and Oregon have exemption limits significantly lower than the federal threshold.
- **Estate Tax Rate:**
  - The federal tax rate starts at **18%** and can go up to **40%** for estates over the exemption limit. State taxes can vary and often range from **1% to 16%**.
- **Planning to Minimize Estate Taxes:**
  - **Gifting:** Use annual gift exclusions (\$19,000 per individual in 2026) or larger lifetime gifts under the exemption to reduce the size of your taxable estate.
  - **Trusts:** Consider setting up irrevocable trusts to remove assets from the taxable estate.
  - **Charitable donations:** Charitable bequests are generally exempt from estate taxes.
  - **Specialized Strategies:** Work with an estate planner to utilize tools like GRATs (Grantor Retained Annuity Trusts) or family limited partnerships.

### Life Insurance and Roth IRAs

- **Life Insurance in Estate Planning:**
  - **Life insurance** can be a powerful estate planning tool for covering estate taxes or providing liquidity for heirs to pay debts and expenses without liquidating assets.
  - Proceeds from a **life insurance policy** are generally **not taxable** to the beneficiary, but if the policy is included in the decedent's gross estate, it may be subject to estate taxes.
  - To avoid estate taxes, the policy should be owned by someone other than the insured, such as a trust or another individual.
- **Roth IRAs:**
  - Roth IRAs are unique because they allow for **tax-free growth** and **tax-free withdrawals** in retirement.

- Contributions to a Roth IRA are made with after-tax dollars, and withdrawals in retirement do not incur income taxes.
- **Estate Planning Advantage:** Roth IRAs can pass to heirs tax-free, which is a huge benefit when planning for the future. However, any earnings in the Roth IRA may still be subject to estate taxes if they are part of the gross estate.
- The **Roth IRA** can also be a strategic way to reduce tax burdens for beneficiaries since they do not have to pay income tax on distributions.

•**Combination Strategy:**

- Using **life insurance** and **Roth IRAs** together allows for creating a tax-efficient legacy. Life insurance can provide immediate cash to beneficiaries to help with estate tax payments, while Roth IRAs grow without tax implications for the heirs.
- An estate planner may recommend a combination of both to meet specific goals, such as funding a charity or passing wealth to heirs in a tax-efficient manner.

**Final Takeaway**

- Estate planning isn't just about creating a will—it's about creating a comprehensive strategy to minimize taxes, maximize asset transfer to heirs, and ensure your wishes are honored.
- Consider **life insurance** and **Roth IRAs** as powerful tools in your overall plan.
- Always consult with an estate planner or financial advisor to tailor strategies to your specific situation.

## ESTATE TAXES IN MASSACHUSETTS

- Massachusetts has a **\$2,000,000 estate tax exemption**
- Estates at **\$2,000,000 or less** owe **\$0 MA estate tax**
- Estates over **\$2,000,000** are taxed **only on the amount above \$2,000,000** (the “cliff” was eliminated)



<https://www.mass.gov/info-details/how-massachusetts-changed-its-estate-tax-law>  
<https://www.mass.gov/info-details/understanding-the-recent-changes-to-the-massachusetts-estate-tax-law>  
<https://www.mass.gov/info-details>



## \$2 Million MA Estate Tax Exemption Is **Not Portable**

### Hypothetical Example:

- Assets: \$1.5M House, \$1.3M in IRAs, \$200k Bank
- \$3.0M Gross Estate
- First spouse passes → second spouse now has \$3.0M
- Second spouse passes 5 years later → \$3.0M to beneficiaries
- Beneficiaries/estate may have MA estate tax liability because only one \$2.0M exemption was used
- A/B (credit shelter) trust provisions can help preserve both spouses' MA exemptions

Hypothetical example shown for illustrative purposes only.  
<https://www.mass.gov/info-details/ma-new-estate-tax-changes>  
<https://www.esecoffice.com/resources/2022-changes-massachusetts-estate-tax>

Federal- \$15 M Per Person

MA- \$ 2M Per Person



## TAXES TO NEXT GEN

1. FEDERAL ESTATE TAX – \$15,000,000 per individual (2026)  
Portable between spouses (via a portability election on a timely filed Form 706).
2. MA ESTATE TAX – \$2,000,000 exemption  
Not portable between spouses (planning is needed to use both exemptions).
3. ORDINARY INCOME TAX – pre-tax retirement accounts 401(k), Traditional IRA, 403(b), etc. are generally taxed as ordinary income when distributed to heirs/beneficiaries (and required distributions may apply)

<https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2026-including-amendments-from-the-one-big-beautiful-bill>  
<https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax>  
<https://www.mass.gov/info-details/fans-new-estate-tax-changes>

- Non- Qualified Retirement Accounts (After Tax)
- Property/ House
- Brokerage Accounts, Mutual Funds
- Stocks, Savings Accounts
- ALL INCLUDED IN THE GROSS ESTATE

## Inheriting Pre-Tax Assets



- This matters for spend-down and tax planning
- Pre-tax retirement accounts: Traditional IRA, 401(k), 403(b), 457, etc.
- “Stretch IRA” is largely gone for most non-spouse beneficiaries
- Most non-spouse beneficiaries must empty the account by the end of the 10th year after death
- Distributions from pre-tax accounts are generally taxable as ordinary income
- Important nuance: In some cases, annual RMDs may also be required during years 1–9 (not just a lump sum by year 10)

<https://www.irs.gov/publications/p590b>  
<https://www.irs.gov/pub/irs-pdf/p590b.pdf>  
<https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs>

-Use to be able to stretch out distributions through ought lifetime

- Non - Spouse must spend down 401k/IRAs/Pre-Tax retirement Accounts over 10 years

-More Changes May Come

## Inheriting After Tax Assets Stepped-up Basis



- At death, many inherited assets receive a step-up (or step-down) in cost basis to fair market value
- This can reduce (or eliminate) capital gains if the beneficiary sells soon after inheriting
- Often applies to real estate and taxable brokerage assets (stocks, ETFs, mutual funds)
- Not generally applicable to pre-tax retirement accounts (Traditional IRA/401(k), etc.)
- Note: Some assets may have special rules (e.g., certain trusts, or community property nuances by state)

<https://www.irs.gov/taxtopics/tc-703>  
<https://www.irs.gov/publications/p551>  
<https://www.irs.gov/publications/p559>

- Non- Qualified Retirement Accounts (After Tax)

-Property/ House

-Brokerage Accounts, Mutual Funds

-Stocks, Savings Accounts

- ALL INCLUDED IN THE GROSS ESTATE

Controlling Assets When you  
are gone.....

# TRUSTS



## What is the cost for using EstateDocs.com?

Flat Fee - \$2000-\$3000

- 1.) Wills, Living Wills
- 2.) Health Care Proxy
- 3.) Durable Powers of Attorney
- 4.) Revocable Living Trust
- 5.) Actionable Retirement Plan

Now we get to the traditional part of estate planning. All those decisions you made in Part Three about who should get what will need to be legalized. That is, there will need to be a mechanism to transfer those assets to your loved ones in a legal manner. So, let's look at that.

"If there are no further questions, we can wrap this up. But, please remember, Estate Planning shouldn't be scary, it shouldn't be overly complex, and it shouldn't be left too late. You have the control, and you have choices. Let's turn Estate Planning into LEGACY PLANNING . . . and where possible, CHOOSE to see that LEGACY play out in front of you - you deserve it! Until next time, bye for now."

## We covered a lot of information – What are the next steps?

Schedule a complimentary meeting with me to get started.

- Email
- Phone
- Address

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