



FISCHER STRALEM

*For Families Who Want to Grow and Protect Their Wealth to
Create a Multi-Generational and Philanthropic Legacy*



Estates & Trusts

A Guide to Planning

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LEVEL ONE

Must Haves

Goal: Plan for and document the transfer of assets per your wishes with minimized transfer costs.



A Last Will and Testament

A will specifically spells out how you want your assets distributed and appoints guardians for any minor.

A Living Trust

A living trust avoids probate, allows for privacy and designates how assets are to be divided upon your death.



A Healthcare Power of Attorney

Designate a healthcare agent to make decisions in the event you are unable to make them for yourself.

A Financial/Property Power of Attorney

Designate an agent to make financial decisions in the event you are unable to.



Review co-ownership provisions & account titling

It is important to review joint accounts that transfer to a designated person upon death.

Periodically review beneficiary designations

This is important as some assets (such as IRAs, Life Insurance, and Annuities) pass to your designated beneficiaries.



Upon life events (marriage, divorce, birth, adoption, etc.), review these aspects of your estate planning to ensure all information is up-to-date.

LEVEL TWO

Considerations

Goal: Further enhance the direction of assets, minimize estate taxes or increase asset protection.



Grantor Retained Annuity Trusts

Grantor Retained Annuity Trusts (GRAT) seek to pass assets to beneficiaries free of estate and gift tax that have appreciated over the IRS Section 7520 interest rate.

Explore Charitable Options

Explore Charitable Trust, Donor-Advised Fund and Foundation Options.

Irrevocable Life Insurance Trust

Because life insurance is not necessarily estate tax free, consider establishing an Irrevocable Life Insurance Trust.

Qualified Personal Residence Trust

A Qualified Personal Residence Trust (QPRT) is a type of trust that allows its creator to remove a personal home from his or her estate.

Spousal Lifetime Access Trusts

Spousal Lifetime Access Trusts (SLATs) allow spouses to pass assets to each other and other loved ones free of estate and gift tax while maintaining limited, indirect access to the assets.

Intra-Family Loans

Intra-Family Loans can provide family members lower borrowing rates than traditional financing options.



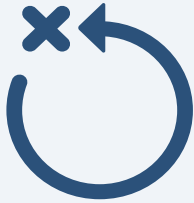
Special Needs Trusts

Ensure the proper passing of assets to ensure beneficiaries with special needs are not disqualified from entitled benefits.

LEVEL THREE

Advanced

Goal: Options for Complex Estate Tax Issues or Liability Concerns.



Self-Cancelling Notes

Self-Cancelling Notes allow the exchange of property for periodic payments based upon mortality.



Trust-Friendly Jurisdictions

Certain states, including Delaware, have favorable trusts statutes, offering the potential to pass assets across generations without incurring transfer taxes (Dynasty Trusts), delegate responsibilities to non-trustees (Directed Trusts), protect assets and more.



Family LLPs & LLCs

Family Limited Liability Partnerships and LLCs provide legal, financial and tax structure to family businesses.

What is portability?

Portability allows you to use your spouse's unused estate tax exclusion. While portability was made permanent for federal estate tax purposes, you should check if your resident state also allows for portability of a deceased spouse's unused estate exclusion. In the event your resident state does not allow for portability, it may make sense for both spouses to have assets in their respective name (or trust's name) up to the resident state's estate exclusion amount.

How Assets Pass Upon Death

Probate vs. Non-Probate Assets

Probate is a public-court process that helps settle legal and financial matters upon death according to a will, if written.

Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.

ASSETS THAT BYPASS PROBATE

PROBATE ASSETS

Jointly held assets

- Joint Accounts
- JTWROS
- Tenancy by the Entirety

Assets with beneficiaries

- Retirement Accounts
- IRA & Annuities
- Transfer on Death
- Life Insurance

Assets held in trust

- Trust Agreements

Individually-owned assets with no beneficiary

(ex. cars, home bank account and personal belongings)

Assets titled Tenancy in Common

Last Will and Testament



TO **JOINT OWNER**



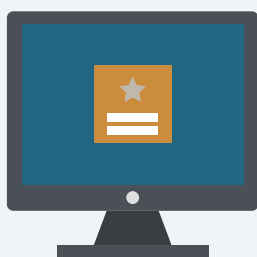
TO **NAMED BENEFICIARY**



TO **TRUST BENEFICIARY**



TO **WILL BENEFICIARY**



Digital Assets

Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc. to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor or trustee.

How Assets Pass Upon Divorce

Marital vs. Non-Marital Assets

Estate planning is not divorce planning. Without a pre- or post-nuptial agreement, marital assets are subject to equitable division in a divorce proceeding.

Effective for divorces finalized after January 1, 2019, alimony payments will no longer be tax-deductible by the paying spouse and will not be added to the taxable income of the receiving spouse.

MARITAL ASSETS

Property Acquired During Marriage

Any property, real or personal, the couple acquired during the course of the marriage, regardless of title or who paid for it.



Retirement & Investment Accounts



Pensions



Homes & Vacation Homes



**SUBJECT TO
EQUITABLE
DIVISION**

PROBATE ASSETS

Property Acquired Before Marriage

Any property, real or personal, acquired prior to the marriage, also including specific instances of property acquired during the course of the marriage by one spouse.



Inheritance



Gifts



Any property owned prior to marriage



**NOT SUBJECT TO
EQUITABLE DIVISION**

Tainting of Assets

Non-marital assets may be tainted during the course of a marriage and may be treated as marital assets in a divorce proceeding. For example, if a spouse deposits a personal inheritance into a joint account or uses income from an inheritance to support the couple's lifestyle, this non-marital asset may be treated as a marital asset.

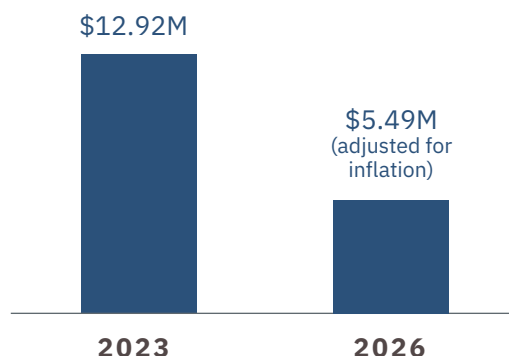


Estate Planning Updates

A Window of Opportunity

- The Tax Cuts and Jobs Act (TCJA) of 2017 significantly increased the estate exclusion amount (presently \$12.92 million for 2023), though there had been concern that individuals taking advantage of the higher exclusion amount might one day owe additional tax for prior gifts, should the estate exclusion decrease after 2025.
- The Treasury Department and IRS later issued final regulations that individuals utilizing the increased gift and estate tax exclusion amounts from 2018 to 2025 would not be adversely impacted after 2025, should the exclusion revert to pre-2018 levels.
- Key Takeaway: Individuals who have – or are likely to have – a taxable estate and who have sufficient assets to fund expenses during their lifetime may want to consider gifting additional assets to loved ones while the increased exclusion amount still stands.

INCREASED ESTATE EXCLUSION & LIFETIME GIFTING AMOUNT SCHEDULED TO SUNSET



	2023
Estate Exclusion / Lifetime Gifting Exemption	\$12.92M
Maximum Estate Tax Rate	40%
Maximum Gift Tax Rate	40%
Annual Exclusion Gift	\$17,000
Annual Gifting Limit to U.S. Citizen Spouse	Unlimited
Annual Gifting Limit to Non-U.S. Citizen Spouse	\$175,000

Irrevocable Trusts

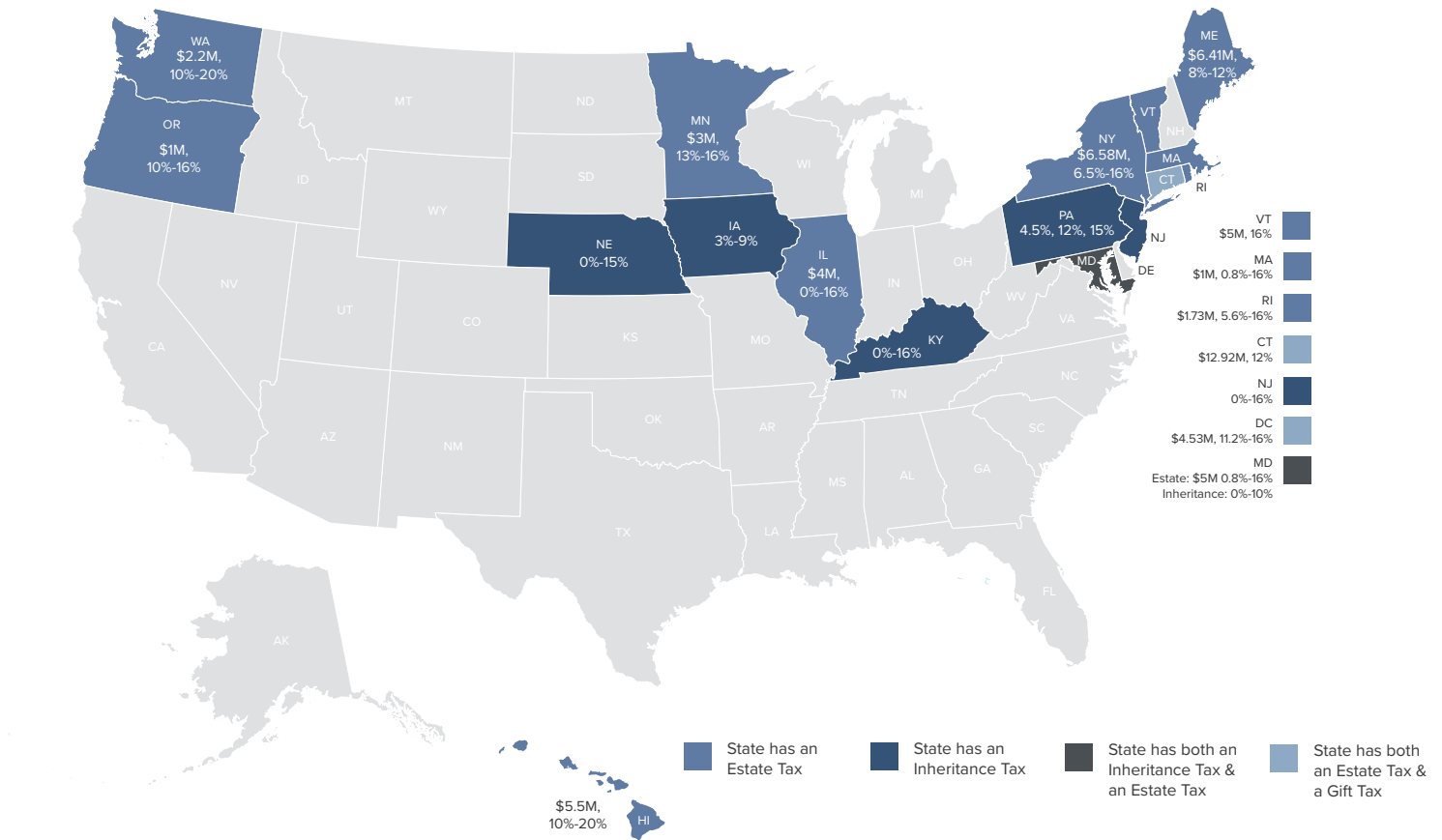
An irrevocable trust is a type of trust where its terms can't be modified, amended or terminated without the permission of the grantor's named beneficiary or beneficiaries. These types of trusts have many applications but are typically used in planning for the preservation and distribution of an estate. Some specific uses may include:

- To take advantage of the estate tax exemption and remove taxable assets from the estate. Property transferred to an irrevocable living trust does not count toward the gross value of an estate.
- To prevent beneficiaries from misusing assets, the grantor can set conditions for distribution.
- To remove appreciable assets from the estate while still providing beneficiaries with a step-up basis in valuing the assets for tax purposes.
- To gift a principal residence to children under more favorable tax rules.
- To house a life insurance policy that would effectively remove the death proceeds from the estate.

Keep in mind, an irrevocable trust is a more complex legal arrangement than a revocable trust, mainly because of the tax implications. Be sure to seek a professional's guidance when setting up an irrevocable trust.

Don't Forget Estate Tax at the State Level!

Many states have estate exclusions far below the federal level which may result in state estate taxes. Older estate plans should be reviewed to ensure trust provisions incorporate current federal and state estate tax limits.



Source: Waggoner, J. "17 States With Estate or Inheritance Taxes," AARP, March 11, 2022, <https://www.aarp.org/money/taxes/info-2020/states-with-estate-inheritance-taxes.html>. Accessed April 13, 2022.

Source: Because You Asked "State Estate Taxes," John Hancock, March 03, 2023 LIFE-5106 3/23

A Deeper Dive on Charitable Options

As you look to accomplish more with your wealth for the causes and people you care about, several different charitable options can help you build your legacy.

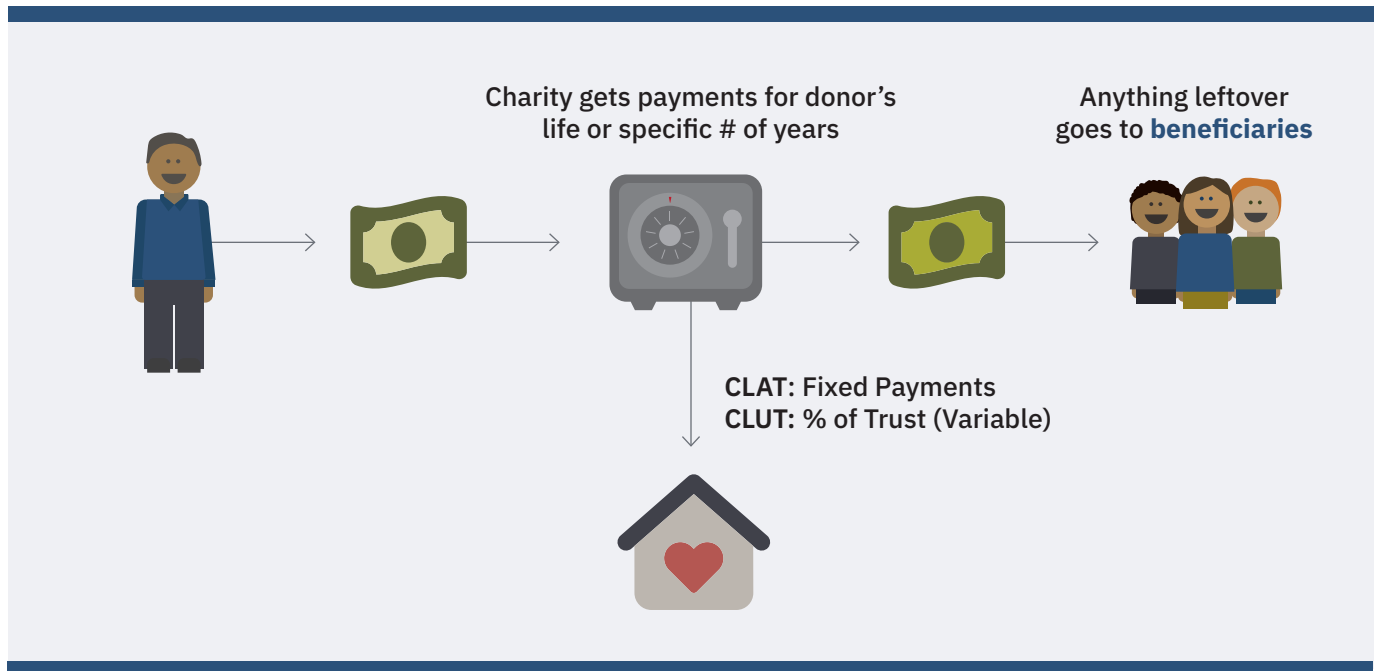
	PRIVATE FOUNDATION	DONOR ADVISED FUND	CHARITABLE TRUST	ANNUAL GIFTING
WHAT IS IT?	A permanent, independent legal entity subject to rules and regulations	Charitable fund created by a sponsoring organization to which you can donate and then advise on grants	Irrevocable Trust outside your estate that can provide income or capital to both beneficiaries and charitable organizations	Making gifts from your current assets
SUMMARY	Greatest freedom over donations, but comes with need to establish and run the foundation	Easy to set up, but can only advise sponsoring organization on desired donations to other charitable organizations	Some legal set up, but enables income distributions during life with remainder going to either beneficiaries or charities	No set up, but donations limited to \$15k per person per year
CONSIDER THIS WHEN	You're willing to operate a charitable organization and potentially employ a staff, hire investment managers and actively manage grant-making	You want a turnkey giving solution with low costs and the potential to grow tax-free over time	You want a trust that can generate income for, and eventually pass on a remainder interest to, heirs and charities	You want to make small gifts to several different people
GOVERNANCE	Board of directors required	Sponsoring organization handles	Trustee manages trust	N/A
AMOUNT PERMISSABLE	No minimum, but must have enough to sustain operations	Sponsor may require a minimum initial donation	Minimum initial contribution of \$100,000	Up to \$15,000 per year per recipient
DONATION RESTRICTIONS	None	Typically restricted to 501(c)(3)	Identified charities and beneficiaries	Up to \$15,000 per year per recipient

Source: IRS.Gov (December 2022)

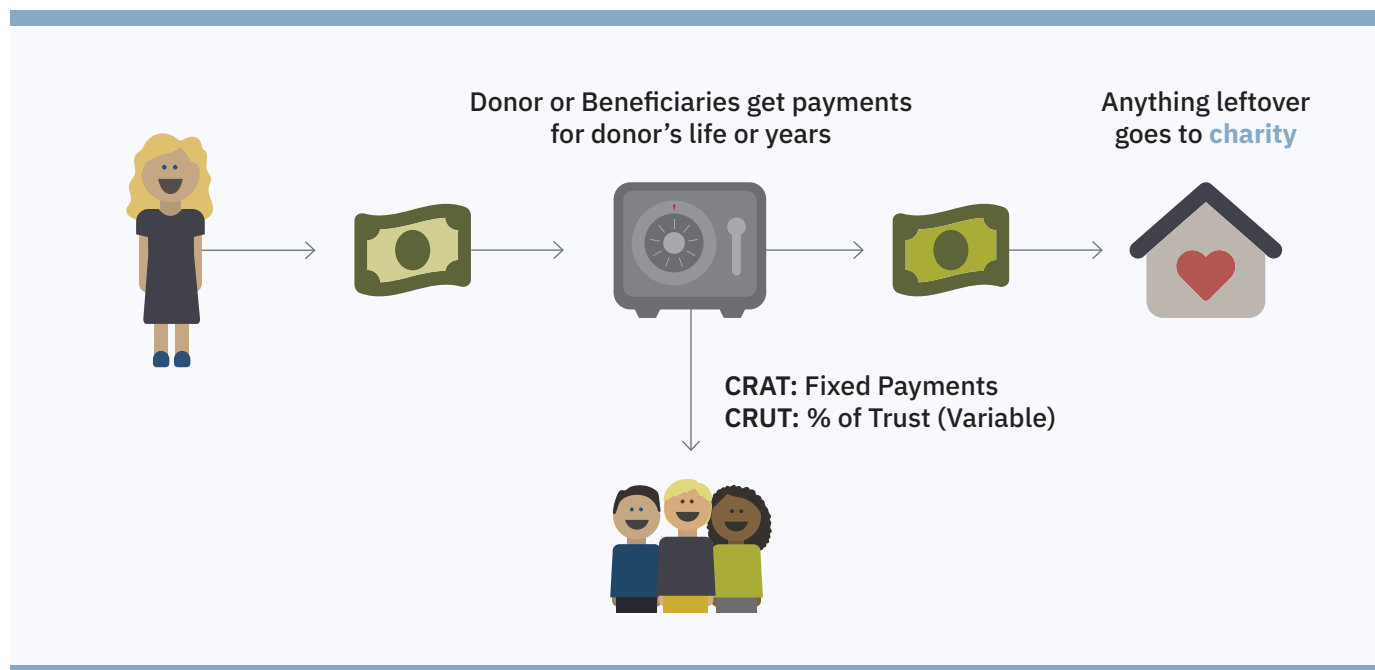
How Do Charitable Trusts Work?

A Charitable Trust holds a gift of cash or other property from a donor and then provides income to either the donor or to a charity for a set number of years or for the rest of the donor's life. At the end of this period, either the named charity (Remainder Trust) or specific beneficiaries (Lead Trust) receive the trust's remaining assets.

CHARITABLE LEAD TRUST



CHARITABLE REMAINDER TRUST





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