

ESTATE PLANNING

TRANSFERRING WEALTH

Estate planning is not just for the wealthy. While some people require more elaborate plans than others, everyone needs some level of estate planning.

You might think creating an estate plan is a daunting endeavor. While it takes time and careful consideration to establish a plan, it doesn't have to be an enormous chore — and the reward can be peace of mind about your future.

SECURE YOUR LEGACY

An estate plan can help protect you and your loved ones, especially as you age. Not having a plan in place can be costly and personally challenging. A plan can help you:

- Avoid probate
- Prevent additional stress for loved ones
- Ensure your assets go to those you choose

TRANSFERRING ASSETS

The primary purpose of any estate plan is cleanly transferring assets. Ensuring your wealth transfers smoothly is only part of the larger picture though. You should also consider whether it will be necessary to control how and when assets transfer.

From minors to special-needs beneficiaries, it's important to design a plan that:

- Caters to your unique situation
- Controls how beneficiaries handle the inheritance
- Governs the taxes associated with the transfer

COMMON WAYS TO TRANSFER WEALTH



WILLS

A will provides control through a simple set of instructions about how you wish to distribute your assets.

+ ADVANTAGES

- Easy to create
- Document final wishes for your assets

- DISADVANTAGES

- Assets listed are subject to probate
- Executor can face challenges if you desire to have your assets distributed on a future date
- The will no longer provides any control once your estate is closed (typically after nine months)



BENEFICIARY DESIGNATIONS

You can designate beneficiaries for checking and savings accounts, 401(k)s, IRAs, annuity contracts, and life insurance policies. In most instances, your assets will pass to your named beneficiary, regardless of what your will states.

+ ADVANTAGES

- Can help avoid unnecessary expenses, taxes, and delays
- Easy to set up and change

- DISADVANTAGES

- Designation is limited to a specific asset
- Limitations on controlling distributions to beneficiaries



TRUSTS

Trusts are typically used for more elaborate estate plans. Assets owned by a trust pass directly from the trust to the listed beneficiaries without going to probate.*

+ ADVANTAGES

- More customization and flexibility
- Trustees can be appointed to act at your discretion to carry out your wishes, provided applicable laws are followed

- DISADVANTAGES

- Costs to establish and administer the trust
- Terms are often irrevocable and cannot be changed

*Trusts created through a will as testamentary trusts are subject to probate when funded.



Log in to your account to review the beneficiary designations on your IRA. It's important to keep your designations current as life's circumstances change.

PREPARING FOR TAXES

Beneficiaries may not always realize the tax implications of inheriting assets. When tax-deferred accounts like IRAs, qualified retirement plans, or annuities have untaxed investment gains, a beneficiary is responsible for paying those taxes as ordinary income.

The tax liability can often be spread over a number of years to lessen the burden, but those taxes will need to eventually be paid. Talk with a tax professional about the options available to your beneficiaries and consider including them in the conversation.

ANNUAL REVIEWS

It's important to review the documents within your estate plan each year — or after you experience a life-changing event. The following illustration provides examples of major life events and the documents you should review:

Life Events



Marriage/Divorce



New job



Adoption



Birth of child/
grandchild



Child turning
18 or 21



Death of family
or beneficiary



Change in
retirement plan

Documents to review



Will



Trust



Power of attorney



Beneficiary forms

KEY TAKEAWAYS

The bottom line:

An effective estate plan can help save your loved ones time, stress, and money.

- Identify which asset transfer methods make the most sense for your situation
- If a trust is involved, ensure you understand its purpose
- Ensure your beneficiaries understand their distribution options
- Review your strategy with a financial professional, estate planning attorney, and tax professional

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