



TRANSFERRING WEALTH

THE IMPORTANCE OF ESTATE PLANNING

Did you know 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 your reward can be peace of mind about the future.

WHY DO I NEED A PLAN?

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

Estate planning is not only about preparing for what happens once you're gone. It can also help ensure your end-of-life wishes are fulfilled.

TRANSFERRING ASSETS

The fundamental purpose of any estate plan is the process of transferring assets. Ensuring your wealth transfers smoothly is only part of the larger picture. Another factor to consider is 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 individual circumstances
- Controls how beneficiaries handle the inheritance
- Governs the inevitable 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

You might assume this last control strategy refers to estate taxes. In many instances, the larger issue involves the income tax liability that beneficiaries must typically manage. Any untaxed gain in tax-deferred accounts, such as IRAs, qualified retirement plans, and annuities, are passed to the beneficiary. Generally, the individual is responsible for the taxes on distributions from the inherited account, and the gains are taxed as ordinary income.

Often, the tax liability can be spread over several years, potentially helping the beneficiary reduce taxes by inheriting the accounts more efficiently. Talk with a tax professional about the distribution options available to your beneficiaries and consider including them in the conversation.

ANNUAL REVIEWS

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

LIFE EVENTS	DOCUMENTS TO REVIEW
<ul style="list-style-type: none"> ▪ Marriage ▪ Divorce ▪ Adoption ▪ Birth of a child ▪ Birth of a grandchild ▪ Death of a beneficiary ▪ Death of a family member ▪ Child turning age 18 or 21 ▪ Change in retirement plan ▪ New job 	<ul style="list-style-type: none"> ▪ Will ▪ Trust documents ▪ Power of attorney ▪ Beneficiary forms

KEY TAKEAWAYS

No matter your age, income, or account balance, it's important to have an estate plan. When done properly, it can make a difference for your loved ones and potentially help them avoid unnecessary stress and expenses down the road.

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

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