



AAFMAA[®]

COMPASSION • TRUST • PROTECTION

AAFMAA Wealth Management & Trust LLC

Estate Planning 101: Military Edition

Presented by Sarah Bumgardner, Relationship Manager

Our Mission

Our Mission: to be the premier provider of financial planning, investment management, and trust services to the American Armed Forces community.

AAFMAA Wealth Management & Trust LLC

A Wholly Owned Subsidiary of the American Armed Forces Mutual Aid Association

- Proudly serving America's Armed Forces since 1879
- Non-profit, Tax Exempt (501[c](23)), Member Owned Mutual Aid Association offering Life Insurance
- Open to all branches of the U.S. Armed Forces and their families
- Two fully owned subsidiaries:
 - AAFMAA Wealth Management & Trust: Financial Planning, Investment Management, and Trust Services
 - AAFMAA Mortgage Services: Mortgages, Home Construction and Financing



DISCLAIMER

- Not specific investment or tax advice, we provide innovative, personalized, and lifestyle-appropriate financial services
- Bound by a **fiduciary standard** - any advice or service we offer must always be in the best interest of the client
- Exclusively serving the U.S. Armed Forces community



Agenda

Estate Planning 101: Military Edition

- Why You Need an Estate Plan
- Basic Estate Planning Documents
- What If You Die Without an Estate Plan?
- Gift and Estate Taxes
- Trusts
- Selecting Fiduciaries
- Key Military Documents
- Summary of Key Points

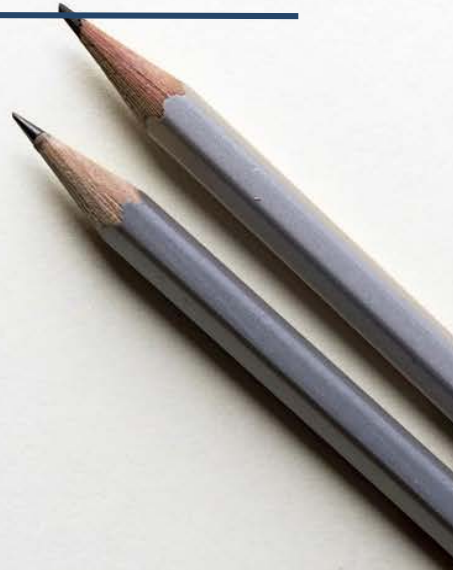
Why You Need An Estate Plan

Ongoing management of your finances and assets

- Debt
 - What will you leave behind and how will it be left?
- Asset management
 - Who is going to manage it?

Health Care

- Assist family and friends
 - Is there enough to cover the expense?
- Care and treatment during incapacity



Basic Estate Planning Documents

Will

- Legal document under state law that (1) appoints the executor of your estate, (2) directs the distribution of your estate, and (3) in situations with minor children, appoints a guardian
- May create Testamentary Trust(s)
- Does not become “active” until the testator’s death
- Becomes a matter of public record when filed with the probate court

Basic Estate Planning Documents

Living Will / Advanced Medical Directive

- Provides **instructions to your physician** on the types of life-sustaining treatment you do or do not want if you are unable to communicate those decisions yourself

Power of Attorney for Healthcare / Health Care Proxy

- Enables a **trusted family member or friend** that you select to make decisions about your medical care if you are not able to do so



Basic Estate Planning Documents

Durable Power of Attorney (POA)

- Enables a trusted family member or friend that you select to **act as your agent to handle your financial affairs** if you are no longer willing or able to do so
- Check with your financial institution(s) for any specific requirements they may have in accepting an attorney-drafted POA, as **some providers have their own authorization/standard forms** they require for their accounts

Basic Estate Planning Documents

Revocable Trust / Self-Declaration of Trust

- Created (and funded) **during the grantor's lifetime** and can be changed or revoked at any time while the grantor is living and has mental capacity
- Provides for **seamless management and administration of assets** in the event of grantor/trustee incapacity with a successor trustee named
- Trust documents are typically **not a matter of public record**
- Assets held in trust title avoid probate



What If I Die Without an Estate Plan?

State Intestacy Laws

- If you die without a valid will, intestacy laws determine how your estate will be distributed based upon what relatives are still living

Sample Intestate Flow Charts

Asset held at death:	Transferred to:
Spouse but no descendants	All to spouse
Children but no spouse	All to children
Spouse and children	1/2 to spouse and 1/2 to children
Parents but no spouse, descendants or siblings	All to parents
Siblings but no spouse, descendants or parents	All to siblings
Parents and siblings	Split between parents and siblings. If only one surviving parent, surviving parent inherits double amount.

<http://farmdocdaily.illinois.edu/2013/05/updating-estate-succession-plan.html>

What If I Die Without an Estate Plan?



Probate

- When you die, whether or not you have a will, your estate could go through a process called probate that manages, settles, and distributes your property according to the terms of your will or intestate law
- Governed by state law
- Matter of public record

Ancillary Probate

- If you die and own real estate in another state in your individual name, the asset must go through the probate process in the other state -- known as ancillary probate
- Incurs additional cost and work to settle your estate
- Potentially subjects your asset in the ancillary state to that state's estate or inheritance tax

Titling/Ownership of Assets

How your assets are owned/titled may also control what happens to the asset at your death.

Individual

Transfer by will or intestate laws

Joint Tenants
With Rights of
Survivorship

Transfers to surviving tenant

Tenants In
Common

Transfer by will or intestate laws

Titling/Ownership of Assets

Tenants by
the Entirety

Available for spouses and transfers to
surviving spouse

Transfer on
Death

Governed by state law, transfers to named
beneficiary and not available for all assets/accounts

Revocable/Living/
Self-Declaration of
Trust

Controlled by provisions of the trust

Irrevocable
Trust

Controlled by provisions of the trust

Beneficiary Designations

Beneficiary Designations are required on retirement accounts, life insurance policies and annuities

- The beneficiary designation on these assets govern who receives them at your death
- These assets are not controlled by a will or trust agreement
- Beneficiary designations need to be coordinated with the rest of your estate plan
- Beneficiary designations (and estate plans) should be reviewed whenever a major life event occurs – marriage, divorce, death or birth of a family member, etc.

Gift and Estate Taxes

Annual Exclusion Gifts

- 2020: \$15,000 per donee
- Exception for Medical and Education expenses paid directly to the service provider

Federal Gift and Estate Tax

- 2020 Exemption Amount is \$11,580,000.00 (can be used for lifetime gifts or estate transfers) per individual
- Maximum Federal Estate Tax Rate is 37%



Benefits of a Trust

- Provisions for Incapacity
- Control of Assets
- Protection of Assets
- Avoid Probate
- Privacy

TRUST

Trusts

Testamentary Trust

- Created in a will, becomes effective upon the testator's death
- Irrevocable

Revocable Trust

- Can be amended or revoked by the grantor
- Funded during grantor's life by changing title of assets to the trust
- Provides for seamless management of assets in the event of grantor's incapacity
- Ensures your estate plan is private
- Assets in trust title avoid probate
- Real estate in other states held in trust avoid ancillary probate
- Becomes irrevocable at the grantor's death

Trusts

Special Needs Trust

- Receives and holds assets in order to shelter the assets for financial eligibility criteria of government benefits
- Provides a secondary or supplemental source of funds to be used for the beneficiary's needs, care and quality of life

Selecting Fiduciaries

Estate Planning documents create various fiduciary roles:

- **Power of Attorney/Agent** – responsible for handling your affairs (financial or medical) and making decisions on your behalf when you are no longer able or willing
- **Executor / Personal Representative** – responsible for settling your estate which includes gathering and valuing all of your assets, managing and maintaining the assets through the estate process, paying creditors and final income and estate tax, and distributing your assets in accordance with your will

Selecting Fiduciaries

Estate Planning documents create various fiduciary roles:

- **Guardian** – responsible for the physical, day-to-day care of your minor children following your death, until they reach the age of majority/adult
- **Trustee** – responsible for investing and administering trust assets, distributing income and principal in accordance to the terms of the trust, keeping detailed records of transactions and filing all necessary tax information and returns



Consider a Corporate Fiduciary



Benefits of a Corporate Fiduciary

- Professional / Expertise
- Systems for record keeping / tax work
- Investment Management
- Impartial / Objective
- No risk of a corporate trustee failing to act due to illness, age, personal issues



Key Military Documents

- SBP Survivor Benefit Plan
- DD214
- Veterans Affairs Award Letter
- Veterans Affairs Educational Benefits Letter

Summary Points

- Select a **trusted individual** to enforce your personal health and medical decisions on your behalf
- Maintain control of your assets during your lifetime and after by **creating your own personal estate plans** vs. letting the state dictate who receives your assets
- Select fiduciaries with care and **consider a professional and impartial corporate fiduciary** to manage your estate and trust(s)



Summary Points

Review beneficiary designations and estate planning documents periodically

- Pending or after a life event
- Changes in family dynamics
- Meaningful change in your net worth
- When estate and tax law changes impact your plans



Questions?

Sarah Bumgardner
Relationship Manager
AAFMAA Wealth Management & Trust
LLC



(901) 471-9020



sbumgardner@aafmaa.com



www.aafmaa.com/wealth



Disclosures

- Information provided by AAFMAA Wealth Management & Trust LLC is not intended to be tax or legal advice. Nothing contained in this communication should be interpreted as such. We encourage you to seek guidance from your tax or legal advisor. Past performance does not guarantee future results.
- This presentation is educational. It is for general information only and is not specific investment, legal, or tax advice for any of you Individually. Do not rely on this presentation alone to guide your financial planning decisions. Since each individual situation is unique, your needs for financial services will differ. For individual advice, please contact us directly. We produce this webinar series material in house with our own professional staff as a service to our members and to help them better understand the resources that are available to them. We have highlighted here two distinct characteristics that separate AAFMAA Wealth Management & Trust from other service providers: Our fiduciary standard to what is in the best interest of the client and exclusively serving the US Armed Forces Community.
- The information presented herein was compiled from sources believed to be reliable. It is intended for illustrative purposes only and is furnished without responsibility for completeness or accuracy.
- Market views are as of the presentation date and are subject to change at any time or reason. Nothing in this presentation should be construed as a recommendation for any specific security or sector. Illustrative charts were obtained from multiple subscription based sources and are subject to provider terms and conditions.

Thank You!



AAFMAA[®]

COMPASSION • TRUST • PROTECTION

AAFMAA Wealth Management & Trust LLC