The Filbrandt Report

No Attorney Needed: Your Estate Plan in Two Simple Steps

By Michael Filbrandt, CLU®, ChFC®
CEO and Chairman of the Board

Feeling guilty because the last time your estate plan was touched was when you first had children, but now you have grandchildren? You can't remember who your attorney was at the time, but that was two jobs ago and now you live on the other side of the country. Maybe a Zoom meeting with a new attorney, you think, but who? Your to-do list grows, and the tasks feel overwhelming.

Fear not! In one afternoon, you can update your estate plan and be certain the important people and charitable organizations in your life receive exactly the predetermined amount of money at your death. No need to hire an attorney or pay more than your fair share of taxes.

Estate Assets with "Preferred Status"

Uncle Sam gives "preferred status" to some of your assets allowing them to pass income tax-free at death, which is helpful in an environment where income taxes are sure to rise. You can reduce or eliminate the amount of money going to Uncle Sam and get more to your family by knowing which of your assets will not be subject to income tax. While retirement plans are a great way to accumulate money, they are

not a great way to transfer wealth at death because of the income taxes. Alternatively, life insurance is not a wealth-builder, but is a great way to transfer wealth because death benefit proceeds are income tax-free.

You may also be aware of something called “probate.” Probate is the legal process of validating a will. Avoid the unpredictable time and legal expense of probate, when possible, by completely filling out the beneficiary form on your two greatest university benefit plan assets.

A Professor’s Two Greatest Financial Assets

First, two of a university professional’s largest assets are often the University Retirement Plan and the University Life Insurance Program. At the owner’s death, both assets are transferred to their designated beneficiaries. This beneficiary designation supersedes any directive in the decedent’s last will; they pass outside of and independently from the will.

Second, because the University Retirement Program and University Life Insurance Program are transferred by beneficiary designation and not through the will there is no probate and its associated time and legal cost.

Third, retirement plan proceeds, when paid out at death to an individual, are subject to income tax, as opposed to charities that are not. However, life insurance proceeds, when paid out at death to an individual, are generally income tax-free. With a 32% income tax rate, an individual would need to receive about $150,000 from a retirement plan to equate receiving $100,000 from a life insurance payout.

Go online to your employee benefit website and check your current primary and contingent beneficiaries. Make certain all the people you want to receive funds are listed. Consider listing your preferred charitable organizations on your retirement plan. These normally taxable distributions, when left to a charity, are tax-free. While there are other factors in creating a comprehensive estate plan, these are some of the most impactful. Solidify where some of your most important assets go today.

Complexity Does Exist

Selecting beneficiaries is vital, but it is also important to acknowledge when to involve experts. If your wishes include things like leaving assets to minors, endowing a fund, or multi-state property ownership, partnering with a financial professional and an attorney is best. A CERTIFIED FINANCIAL PLANNER™ can ensure your estate plan is aligned with your goals.