



# Essentials of Estate Planning

These materials are not intended to be used to avoid tax penalties and were prepared to support the promotion or marketing of the matter addressed in this document. You should consult with your tax and legal advisors regarding your individual situation.



# What is Estate Planning

Estate planning can be a challenging topic. It is much more than just writing a will or designating a beneficiary for your life insurance (though both of those steps are important). It also includes strategizing for the transfer of your wealth.

Planning for the future is not easy, especially planning for your family's financial well being and planning for your estate. Estate planning includes a wide range of activities that fall into three broad categories:

- Strategies to potentially **build** your wealth and to maximize the value of what you leave behind for your heirs.
- Strategies to **protect** your wealth to ensure that what you've spent a lifetime building isn't eaten away by taxes, inflation or the cost of a catastrophic illness.
- Strategies to **distribute** your wealth so that those you love may be taken care of and your assets and possessions go where you want them to go and in the time frame you want it to happen.

Estate planning is also an ongoing process. You should review your wills and trusts at least every three years (as often as every year if you're retired), and you should also review your beneficiary designations after major life events such as marriage, the birth of a child, divorce or death of a spouse or child.

## Building Your Estate Planning Team

Preparing a good estate plan is a cooperative endeavor involving a number of professionals. You'll need an experienced estate planning attorney to help you draw up a will, a living will or trusts. Accountants or financial professionals can help you structure your estate to help protect it from taxes and inflation. Stockbrokers and other financial professionals can help you make investments to potentially grow the value of your estate. Insurance professionals can help you determine and obtain an adequate amount of life insurance – a key element in an estate plan – and make sure you have catastrophic health coverage. And a funeral director can help you decide on your final arrangements and explain pre-payment options for funeral expenses.

An ING representative can offer many services that will help you get started with estate planning.

## **Living Wills**

With a living will, you can determine how you will be cared for in the event that you become incapacitated, including whether you will be kept alive on life support. Otherwise, family members or courts may make those decisions.

## **Family Businesses**

If you own a business and want to hand it down to your children or other heirs, your advance planning in the event of your death may determine whether your business survives intact. Passing along a business can have significant tax implications. An ING representative can help you through the complex issues surrounding business succession.



Life takes careful planning.  
So does planning for the lives  
of your loved ones when you  
are gone.

# Aspects of Good Estate Planning

The ingredients of an estate plan vary widely, depending on the value of your estate and your particular circumstances. But while the details differ, a comprehensive estate plan will often aim to:

- Reduce or defer taxes
- Establish your chosen heirs
- Decide when your heirs receive your property
- Make your burial wishes known
- Make your health care wishes known
- Protect your family business

## **Reducing Taxes**

Under federal law, estates with a total gross value of more than \$2 million are subject to the estate tax. Some states also have inheritance taxes.

You can reduce the gross value of your estate through various deductions and credits. The value of any property left to a surviving spouse is deducted, as long as the spouse is a U.S. citizen, and any money left to charity is also subtracted. The charitable deduction has no limit.

Any debts you leave behind and expenses related to your funeral, burial and the settling of your estate are also deducted from the gross value. You can also give away money and property before you die. However, any gifts to a single person of more than \$12,000 per year may be subject to gift taxes and special rules apply to gifts made within three years of your death.

## **Distributing Assets**

Through wills and trusts, you can distribute your property, money, personal possessions and other assets, making sure they go to the people you choose. You can make sure survivors are cared for, and you can designate guardians for any minor children or dependents.

## **Burial**

Do you want to be cremated or buried? Where do you want your ashes scattered or coffin interred? Do you want your organs to be donated? Open casket or closed? Where should the funeral be held? What information should be in your obituary? What kind of funeral service do you want?

You can set out answers to all of these questions in advance, in as much detail as you like, so that your loved ones will be aware of your wishes. You can also pay for funeral and burial expenses in advance, to relieve your family of the burden of making potentially costly decisions at a difficult time. Be sure that someone you trust has this information so that it can be located quickly after your death.

# Estate Planning Now Can Save Your Family Grief Later

Death is the ultimate fact of life. And that's true for everyone, not just wealthy people. Even if your estate is more modest—for example a home, some personal possessions, and some cash in a bank account—it will still have to be settled after you die. The degree to which you plan for that certainty beforehand will dictate how smoothly the process goes and how much of your assets go to the people you love, rather than to lawyers or the government.

Here are some key reasons why you should have an estate plan:

- Both the federal and some state governments tax estates. Careful planning may reduce the amount of taxes your estate will pay, leaving more money to be passed to your heirs.
- Making your wishes clear before your death—through wills, trusts and other estate planning tools—can greatly reduce the possibility that your heirs will get into disputes over your assets and possessions.
- You can make sure your spouse and other family members will be taken care of, particularly those for whom you might have special concerns, such as a child with special needs or a minor child.
- Custody of your minor children or other dependents may be decided by a judge if you die without making your wishes known.
- Proper planning may reduce delays in settling your estate and speed distribution of your assets to your heirs.
- The costs of estate settlement, including fees for lawyers, appraisers, accountants and court proceedings are paid from the value of your assets. Careful planning can help minimize those costs.
- Planning your funeral arrangements in advance of your death, or even pre-paying them, will make it more likely that your wishes are carried out. It will also relieve your family of this task during this difficult time.

# Estate Planning Tools and Strategies

There are a number of useful tools and strategies that may maximize your assets, minimize your liabilities and make the estate settlement process go as smoothly as possible for your heirs. They include:

- Wills
- Trusts
- Life insurance
- Lifetime gifts
- Appropriate real estate ownership designations
- Appropriate beneficiary designations

## Wills

One of the most common mistakes that people make is not having a valid will. According to a study by Rutgers University in 2000, two out of three Americans die without a valid will. If you die without a will (this is called dying "intestate"), the law of your state of residence will determine how your estate is distributed. A will allows you to make your wishes known and to determine who gets your property. A will that makes your wishes clear can keep your loved ones from getting into disputes over your assets or possessions.

If you have minor children, your will is your opportunity to designate your choice of guardian. If you don't have a will, a judge, who doesn't know you or your children, could decide who raises them.

## Trusts

A trust is a legal arrangement that involves a grantor (the person who creates the trust and who names the trustee), a trustee (who holds legal title to and manages the trust assets) and beneficiaries. A transfer of assets to a trust can take place while you are alive, after your disability or after your death. A trust can be revocable, which allows you to make changes during your lifetime. It can also be irrevocable, which means it can't be changed or revoked once established. Assets properly placed in a trust aren't subject to probate.

A common misconception is that a revocable trust avoids estate taxes at your death. In fact, a revocable trust doesn't avoid estate taxes because you are still treated as the owner of the property. Assets you transfer into an irrevocable trust are not usually subject to estate taxes at your death, but may be subject to gift taxes at the time the assets are transferred into the irrevocable trust.

Although they can be very beneficial, trusts can be more costly and time-consuming to establish than a will. They may also involve complicated legal and financial issues, so you should get advice from an estate planning attorney and a financial professional before setting them up.

## **Life Insurance**

Life insurance may be an important part of estate planning because it may provide your beneficiaries an immediate source of cash after your death. The proceeds don't have to go through probate, allowing the money to be used to pay bills and taxes following your death. Life insurance that you own personally may be subject to estate taxes. Life insurance properly owned by an irrevocable trust can provide cash flow to pay bills and taxes following your death without being subject to estate taxes.

## **Lifetime Gifts**

You can reduce the value of your estate by making gifts of money, property or other assets during your lifetime. You can make gifts valued up to \$12,000 per person every year, without paying gift taxes on the money, and you can make those gifts to as many people as you choose for as many years as you wish. In addition, you can also gift up to a total of \$1 million dollars during your lifetime without incurring gift taxes. This is the amount of your lifetime gift tax exemption. You can utilize the entire \$1 million dollar exemption amount during your lifetime, but then that amount will not be available at your death as an exemption amount against the estate tax.

## **Real Estate Ownership Designations**

The method of holding title to real estate is an important consideration in estate planning. For example, a common method of holding title is as joint tenants with right of survivorship. This is an agreement by which you co-own property with another person. When you die, that property automatically becomes their property without going through probate. This is the ownership designation commonly used by spouses to insure that if one of them dies, the survivor can stay in the family home. However, joint tenants don't have to be spouses. Any two or more people can own property in joint tenancy.

Another common method of holding title is as tenants in common. This designation permits two or more persons to own real estate in designated percentage portions. When one owner dies, their percentage interest is passed to their heirs or estate as designated in their will.

## **Beneficiary Designations**

You can designate beneficiaries not only for your life insurance policies, but also for annuity contracts, retirement plans, government securities, bank accounts, and, in some states, cars, stocks and bonds.

However, you should periodically review these designations to make sure they are current, especially after major life events such as marriage, the birth of a child, divorce or death of a spouse or child. Once you die, they can't be changed.

# Understanding Probate

Probate is a legal process for distributing your estate that takes place after your death. The process involves:

- Determining the validity of your will
- Identifying your assets
- Locating your heirs
- Distribution of your estate after your debts, taxes and fees are paid

If you've named an executor in your will, he or she will distribute your estate according to your will under supervision of the court. If you don't have a will, the court will appoint someone to oversee the distribution of your assets according to the laws in your state of residence.

Assets that you own in joint tenancy with right of survivorship or those distributed by a beneficiary designation, such as a life insurance policy or retirement accounts, are not part of the probate process, although they may still be subject to estate taxes.

Probate costs vary by state and the size of the estate. Small estates usually go through probate in about one year, with six months generally being a minimum time if everything proceeds according to schedule and depending on your state's court system. But estates that are taxable – that exceed \$2 million in value – may take more than a year to probate because of greater complexity and stringent requirements.

## How Much is Your Estate Worth

The value of your estate is essentially everything that you own of value – from your house, to your 401(k) account, to your doll collection – minus anything that you owe. These are known, respectively, as assets and liabilities.

A good way to determine the value of your estate is to sit down and make a list of your assets and liabilities. This should also give you a good overview of your net worth as you begin the estate planning process. You might be surprised by just how much is in your estate.

### Assets include:

- Personal property, such as your car, furniture, jewelry, clothes and collectibles.
- Savings and investments, including bank accounts, certificates of deposit, annuities, life insurance, stocks, bonds and mutual funds.
- Real property, such as your home or income real estate.
- Retirement savings, including your pension, IRA, 401(k) and other retirement plans.

### Liabilities include:

- Personal debts, such as home and car loans, credit card debt, tax bills, unpaid bills and personal loans.
- Investment debt, including business and investment loans and loans taken out against your retirement plans or life insurance.

It's a good idea to make sure that someone you trust has access to information about your assets and liabilities, and be sure to update the list regularly. But don't keep this list in your safe-deposit box, which requires a court order to open in the event of your death.

Once you've determined how much your estate is worth, you can begin planning how to maximize what you have, limit your tax liability and distribute the wealth you've created in the event of your death.

## Start Preparing Today

Estate planning is a difficult subject for many families to discuss. But as hard as it might be to talk or think about now, the benefits of planning for this inevitable event far exceed the difficulties in taking those few initial steps. And estate planning is not a one-time process; you must constantly review your current plan to ensure that it fits your present situation. Complete the Estate Planning Checklist at the end of this booklet to see where you stand. For more information or support in planning your estate, please contact your ING representative in conjunction with your tax and legal advisors.

# Estate Planning Checklist

	Yes	No
1. Do you have a will?	<input type="checkbox"/>	<input type="checkbox"/>
2. Does your will name a guardian for your children if both you and your spouse are deceased?	<input type="checkbox"/>	<input type="checkbox"/>
3. Are you comfortable with the executor(s) and trustee(s) you have selected?	<input type="checkbox"/>	<input type="checkbox"/>
4. Have you considered a revocable trust in order to avoid probate?	<input type="checkbox"/>	<input type="checkbox"/>
5. If you have a revocable trust, have you titled your assets in the name of the trust?	<input type="checkbox"/>	<input type="checkbox"/>
6. Are you taking full advantage of the marital deduction?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you want to limit your spouse's flexibility over his or her inheritance?	<input type="checkbox"/>	<input type="checkbox"/>
8. Have you utilized an irrevocable life insurance trust to exclude life insurance proceeds from being taxed in your estate?	<input type="checkbox"/>	<input type="checkbox"/>
9. Are you taking maximum advantage of the \$12,000 annual gift tax exclusion?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you created trusts that qualify for the annual gift tax exclusion?	<input type="checkbox"/>	<input type="checkbox"/>
11. Have you gifted assets that have a strong probability of future appreciation?	<input type="checkbox"/>	<input type="checkbox"/>
12. Do you have a management succession plan for your business?	<input type="checkbox"/>	<input type="checkbox"/>
13. Do you have a buy-sell agreement for your family business interests?	<input type="checkbox"/>	<input type="checkbox"/>
14. Are you sure you have the right amount and type of life insurance?	<input type="checkbox"/>	<input type="checkbox"/>
15. Are you sure your estate plan is up-to-date and takes into account all potential tax-savings strategies?	<input type="checkbox"/>	<input type="checkbox"/>

Seek advice for any "No" answer.



For more information, please call  
**your financial professional today.**

**ReliaStar Life Insurance Company**  
20 Washington Avenue South  
Minneapolis, MN 55401

**ReliaStar Life Insurance  
Company of New York**  
1000 Woodbury Road, Suite 208  
Woodbury, NY 11797

**Security Life of Denver  
Insurance Company**  
1290 Broadway  
Denver, CO 80203

Neither ING nor its affiliated companies or its representatives give tax or legal advice. The strategies suggested may not be suitable for everyone, and each individual should consult with his or her own tax advisor and legal counsel before implementing any of the strategies discussed here.

Life insurance products are issued by ReliaStar Life Insurance Company, ReliaStar Life Insurance Company of New York, and Security Life of Denver Insurance Company. Variable life products are distributed by ING America Equities, Inc., 1290 Broadway, Denver, CO 80203. Only ReliaStar Life Insurance Company of New York is admitted, and its products issued, within the state of New York. All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies. All are members of the ING family of companies.



INSURANCE MARKETPLACE  
STANDARDS ASSOCIATION

