

Financial Fitness: Planning for Your Legacy

Live Seminar Q&A



Wills, Trusts, Estates, Beneficiaries

What is the difference between a will and a trust?

A will is a foundation where everyone should start, it's relatively simple and inexpensive. A will outlines your wishes and directs the courts on where your things should go and to whom upon your death. Trusts are more advanced and typically used for more complex and larger estates (think more assets). Trusts are also used for privacy and certain tax benefits.

Is it better to have a will or a trust? Can a will be within a trust? Or are they separate?

They are separate, and one is not necessarily better than the other. You can have both at the same time. It depends on your estate and personal situation as to which would be more suitable.

If you have a will, do you also need a trust?

This depends, but you can have both. As your estate grows and you accumulate more assets, it's best to evaluate and review your estate and will. Then, speak with your attorney to determine if and when a trust would be suitable.

Where is the best place to store a will?

Safety deposit box, fireproof safe, safe, filing cabinet and somewhere a significant other knows the location.

How are wills documented and filed, and what makes it an "official" and "viable" (to the courts) document? Does it need to be filed and recorded with the county to be considered legally binding? Assuming it cannot just be a typed out or handwritten note with a signature and that it must be notarized.

It needs to be executed (signed) and witnessed to be official and legitimate. Typically, it does not need to be filed with the county/state.

What is your recommendation for a single individual with no kids to leave as the beneficiary?

Start with ensuring you have beneficiaries labeled on your contracts: 401(k), life insurance, etc. Next, include both a primary and contingent beneficiary — this can be anyone you want. Many of us have wishes and know who we would want to pass things down to, such as a car, house,



condo, or even a cat or dog! This can all be included in a will and can outline where and whom should take care of your belongings.

What if you are single with one child and no will? Can this still go to probate?

This would fall into intestacy, and yes. This is state specific, but generally, yes. Even with a will most estates will go through probate. Having a will makes this probate process easier.

What will happen to my debt if I pass away? Will my beneficiary be responsible for paying this?

Your estate will need to clear your debts, thus reducing the estate's overall value to your beneficiaries.

If you have a will that names everything to your children but then get remarried, does the new spouse outweigh the existing will?

Not always. This is state specific, but it can continue to the children per the will. Make sure when remarried you are reviewing your will and reviewing your beneficiaries on your contracts (401(k), life insurance, pension, etc).

When creating a will and selecting guardians for a minor, do they need to be part of the process?

It would be best to make them aware and make sure they are comfortable taking on this responsibility.

Can any aged child/individual be the designated beneficiary regardless of age?

Yes. But if a minor is the designated beneficiary, it is important to have a will that outlines who their legal guardian will be.

When/how often do you recommend wills are updated? When changes are made, can you make the changes individually and have it notarized, or do you recommend going through an attorney to make the changes?

Review annually. Make changes upon major life events such as marriage, death, divorce, birth of a child, etc. It's best to consult with an attorney and have them officially update your will.

If moving from one state to another, does a will need to be revised?

No, not necessarily. If you plan to be there long-term, it's best to consult with a local attorney on any changes that need to be made.

What type of attorney do I need to search for when looking to complete a will? Who needs to be on my "team bench?"

An estate attorney, trust attorney, will attorney, and attorneys that specialize in probate law.

If my children are not US citizens and are living outside of the US, will they be able to inherit my US estate?

Yes, they can inherit your US estate.

If you are married, can you have separate wills with different beneficiaries?

Yes, this is best for blended families. If not blended, best to have a single, joint will together and outline your wishes as a married couple. You can also separate beneficiaries on your contracts: 401(k), life insurance, annuities, etc.

If my young adult children (older than 18) have ROTH IRA's, student loan debt and mutual fund investments, plus cash in bank accounts, should they also have a will? How do the courts deal with an intestate adult not yet married or with kids?

Yes, they should, or at least start the planning process. If they are like me, I'm sure they have wishes and desires to whom and where those accounts would go. For example, maybe a niece or nephew, uncle, etc. It's best to first ensure those accounts and contracts have properly labeled beneficiaries.

Roth and 401(k) / Retirement

What would you recommend when we hit the max 401(k) contributions?

Look to fund a taxable brokerage account, cash value life insurance or an annuity vehicle, to name a few. Depending on your upcoming liquidity need maybe, a high-yield savings account.

What is the income limit for a family on contributing to a Roth?

If it's a Roth 401(k), no income limit. There are limits on a Roth IRA, and best to consult a tax advisor as there is a phase out that starts at \$204,000 if married and filing jointly. For 2022, if you are married filing jointly and your modified adjusted gross income is \$214,000 and over, you cannot contribute to a Roth IRA.

Under a 401(k) plan, does the IRS still require the spouse to be the beneficiary?

No, you can name whomever you'd like, but typically the plan requires the spouse's signature to authorize this.

What happens if your spouse is older than you? Can the older spouse use the younger spouse's retirement, or does the younger spouse have to be retired first?

In theory, yes. Retirement accounts are tied to the individual and their social, so it will follow their age of 59 1/2 to begin penalty-free distributions. You do not technically have to "retire," just hit 59 1/2 to have no penalty from the IRS upon the withdrawal phase.

Is it better to have a savings account or a Roth if you are close to retirement?

A Roth account needs to be in place for five years before it takes effect with the tax-free nature for withdrawals. If you plan to withdraw prior to the five years, a savings account would be best or continue contributing to your pretax retirement account.

Was the cutoff age 50 and below, or 50 and above for the retirement threshold contribution amounts?

For 2022, if under the age of 50, you can contribute up to \$20,500 into a 401(k). If 50 and over, you can add \$6,500 for a total of \$27,000. For an IRA, you can contribute \$6,000 maximum if under 50 and \$7,000 if 50 and over, for 2022.



529 Plans

If you have 529 plans, but your kid(s) chooses not to go to college, who can you leave this to? Any blood relative?

A good rule of thumb is any blood relative. You, your spouse, another child, a niece, nephew, grandparent, etc., because it is extensive and with tons of flexibility. Typically you can only transfer the beneficiary once per year.

If you have more than one child, would you recommend one 529 plan that is transferred/split between children or separate 529 plans for each child?

I would recommend one for each child, but this also depends on if they would have overlapping years in college together. If there is a large age gap, I would still recommend one for each as your investment time horizon may differ with a different risk tolerance.

Should you contribute to 529s or retirement if you have student loans or pay those off first?

I would focus on your student loans first, but if you can, contribute even 1% into your retirement — especially if there is a match from your employer. Start the 529 now, as this is a great place for birthday gifts and holiday presents from family, even if you don't contribute at all!

Does a child need to be born already to be able to start contributing to a 529 plan?

Yes, and they must have a SSN.

Resources and Other/Combination Questions

Do you recommend programs like LegalZoom or other online will writing options? Or would you recommend completing the will in-person with an attorney? Is there the option to complete one online and then take it to an attorney to finalize?

Yes, there are many free online resources such as Cake, Lantern, FreeWill, etc. It does not need to be in person.



What are your recommendations for apps to help you save money? For example, Stash.

I'm unfamiliar with Stash, but there are many apps that can help with budgeting and saving, such as Mint. I'd recommend doing what works best for you! Whatever the platform is, ensure it's secure, insured, and protected and fits with your lifestyle to take the next steps towards savings, investing, etc.

What does CPA stand for?

Certified Public Accountant (CPA).