

Introduction to Estate Planning

Estate planning is the process of determining how your property will be managed and distributed during your lifetime and after your death. It involves creating and coordinating legal, financial, and insurance strategies to ensure your wishes are carried out, your loved ones are protected, and unnecessary taxes and expenses are minimized.

Without proper planning, state law—not you—determines who receives your assets, who manages your estate, and who cares for minor children. As a result, more of your estate may be lost to taxes, court costs, and administrative delays, reducing what ultimately passes to your family or chosen beneficiaries.

Although planning for death can feel uncomfortable, approaching estate planning in a straightforward and thoughtful manner often leads to greater peace of mind and more effective results.

Who Needs Estate Planning?

Estate Planning Is Not Just for the Wealthy

Estate planning is important for individuals and families across all income and asset levels. In fact, those with more modest estates may feel the financial impact of poor planning more acutely, as final expenses, taxes, and legal costs can consume a significant portion of available assets.

Many effective estate planning strategies—such as wills, beneficiary designations, and life insurance—are relatively simple and cost-effective to implement. As estates grow in size or complexity, planning strategies may also become more sophisticated and require professional guidance.

Situations That Increase the Need for Planning

- Estate planning is especially important if any of the following apply:
- Your estate may be subject to federal or state estate or inheritance taxes
- You have minor children or dependents with special needs
- Your spouse or partner may be uncomfortable managing finances alone
- You own a business or professional practice • You own property in more than one state
- You intend to make charitable gifts
- You own unique or illiquid assets (such as real estate, artwork, or collectibles)
- You have strong preferences regarding health care or end-of-life decisions
- You value privacy or want to avoid probate

The Estate Planning Process

Estate planning is a step-by-step process tailored to your individual circumstances. Even complex plans can be developed successfully by working through each stage methodically.

Step 1: Understand Your Personal Circumstances

Begin by reviewing factors such as your age, health, family structure, income, assets, and liabilities. These details form the foundation of an effective plan.

Step 2: Identify Key Planning Factors

Several issues commonly affect how an estate is settled, including:

- Taxes
- Probate
- Liquidity needs
- Incapacity

Understanding how these factors apply to your situation helps shape appropriate strategies.

Step 3: Clarify Your Goals and Objectives

Clearly defining your personal goals allows planning strategies to align with what matters most to you—whether that is family security, tax efficiency, charitable giving, or business succession.

Step 4: Evaluate Available Strategies

With your goals defined, you can explore planning tools such as wills, trusts, gifting strategies, insurance, and beneficiary designations.

Step 5: Seek Professional Guidance

Estate planning often involves legal, tax, and financial considerations. Attorneys, financial advisors, insurance professionals, and accountants can help design and implement a coordinated plan.

Step 6: Implement and Review the Plan

Once implemented, your estate plan should be reviewed periodically and updated as laws change or life events occur.

Gathering Necessary Information

Effective planning begins with gathering accurate information. Consider the following:

Financial Information

- Current and projected income n-
Current and anticipated expenses
- Assets and liabilities
- Ownership structure of assets
(individual, joint, trust)
- Existing estate planning strategies
already in place

Family Information

- Who are your intended
beneficiaries?
- What are their financial needs and
capabilities?
- Are any beneficiaries minors or have
special needs?

Key Factors Affecting and Estate

Taxes

Taxes can be one of the largest expenses an estate faces. These may include:

- Federal gift and estate taxes
- Generation-skipping transfer (GST) tax
- State estate or inheritance taxes
- Federal income taxes on trusts, estates, or final individual returns

Federal estate and gift tax exemptions are indexed for inflation and may change over time. Estate tax rates, deductions, and credits also vary based on circumstances and applicable law.

Probate

Probate is the court-supervised process used to validate a will and distribute assets. Probate can be time-consuming, costly, and public. Many estate plans aim to reduce or avoid probate through beneficiary designations, trusts, and other planning techniques.

Liquidity

Liquidity refers to the availability of cash or cash-equivalent assets to pay expenses such as taxes, debts, and administrative costs. Estates with significant illiquid assets may be forced to sell property under unfavorable conditions if liquidity is not properly planned.

Incapacity

Estate planning is not only about death. Planning for incapacity ensures that someone you trust can manage your finances and make health-care decisions if you are unable to do so yourself. Powers of attorney and health-care directives are critical components of this planning.

Defining Your Goals and Objectives

Common estate planning goals include:

- Providing financial security for family members
- Preserving and transferring wealth efficiently
- Avoiding family disputes and administrative delays
- Funding education for children or grandchildren
- Supporting charitable causes
- Ensuring proper management of assets during incapacity
- Minimizing taxes and settlement costs
- Providing liquidity to settle the estate
- Transferring a business to the next generation or partners



Your plan should reflect both your financial priorities and personal values.

Common Estate Planning Strategies

Intestate Succession

If no plan is in place, state law governs how assets are distributed, who administers the estate, and who cares for minor children. Intestate succession often produces results that differ from personal intentions.

Wills

A will allows you to direct asset distribution, appoint an executor, and name guardians for minor children. It is a foundational estate planning document for most individuals.

Will Substitutes

Certain assets—such as payable-on-death accounts, transfer-on-death registrations, and beneficiary-designated assets—can pass directly to beneficiaries without probate.

Trusts

Trusts can provide control, flexibility, tax planning, asset protection, and probate avoidance. Different types of trusts serve different purposes and require legal assistance to establish.

Joint Ownership

Property held jointly may pass automatically to surviving owners, depending on the form of ownership. Each form has different legal and tax implications.

Life Insurance

Life insurance can provide liquidity, income replacement, estate equalization, and funding for taxes or debts.

Lifetime Gifts

Gifts during life can reduce the size of an estate, provide immediate benefits to recipients, and support charitable goals.

Tax Exclusions and Deductions

Planning tools include annual gift exclusions, marital deductions, charitable deductions, and applicable exclusion amounts provided under federal law.

Final Thoughts

Estate planning is an ongoing process—not a one-time event. As laws, finances, and family circumstances evolve, your plan should evolve as well. A well-designed estate plan provides clarity, control, and peace of mind for you and those you care about most.

IMPORTANT DISCLOSURES

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