



A University of Hawai'i Cooperative Extension Service Project

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Course Objectives



- Increase your knowledge about financial planning
- Improve your ability to make informed decisions



Estate Planning Considerations

Presenter



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Lesson Objectives

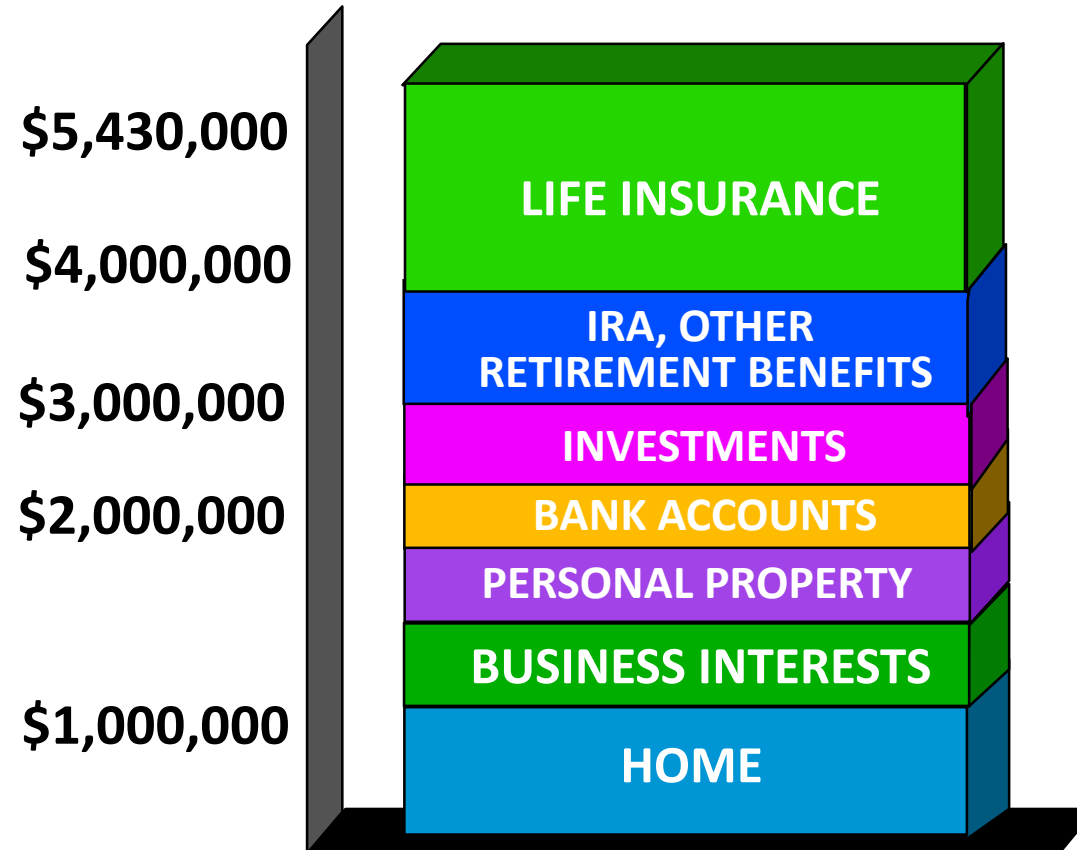


- Understand how your retirement plans fit into your estate plan
- Learn how to effectively transfer your retirement assets

Retirement Accounts



Included when determining the taxable estate at death



Individual Estate & Gift Tax Exemption



2002 & 2003	.....	\$1,000,000
2004 & 2005	.....	\$1,500,000
2006, 2007 & 2008	.....	\$2,000,000
2009	.....	\$3,500,000
2010	.....	\$5,000,000 (or opt out)
2011	.....	\$5,000,000
2012	.....	\$5,120,000
2013	.....	\$5,250,000 (with portability)
2014	.....	\$5,340,000
2015	.....	\$5,430,000

Inheriting an IRA



- Different rules apply depending on:
 - Whether the IRA owner died before or after their Required Beginning Date
 - Who the beneficiary is

Payout Rules for Recipient (Non-Roth)



- Beneficiaries are determined as of the participant's death
- Non-individual beneficiaries may limit payout options
 - Can be eliminated by disclaimer or distribution by Sept 30 following the year of IRA holder death
- Multiple beneficiaries can create separate accounts by Dec 31 following the year of IRA holder death

Best Practices for Designating Beneficiaries



- Name individuals
- Don't name charities on the same policy with individuals (split the account to name the charity by itself)
- If you name a minor, name a custodian on the same form:
 - e.g., Susan Smith, as Custodian for Suzie Smith

Revocable Living Trust Tips



- If possible, don't name a revocable trust as the beneficiary
- If a trust is named, identify a specific sub-trust
 - e.g., Trust for the benefit of Child, created under Article 1-9 of the Parent's Revocable Living Trust

Revocable Living Trust Tips



- Get your attorney's advice first
- The trust must be valid under state law and irrevocable upon the participant's death
- The beneficiaries must be clearly identifiable from the instrument
 - No accumulation for remainder beneficiaries
 - No charities or non-profit organizations named

Converting from IRA to Roth IRA



- Anyone can convert IRA assets to a Roth
- No income limitations
- Converted amount will be taxed as income
- When earnings are low, systematically convert regular IRAs into ROTH IRAs



Estate Planning with a Roth IRA



- No minimum withdrawal rules
- Paying the tax on conversion
- Inheriting a ROTH IRA

Estate Planning with a Roth IRA Example



- Husband is 65, converts his traditional IRA to a Roth and lives for 8 years never withdrawing any funds
- Wife inherits the Roth at age 70 and treats the IRA as her own, and does not withdraw any funds
- Wife dies at 87 and leaves the Roth IRA to her daughter who is 55. Daughter needs to start withdrawing over her life expectancy of 30 years
- Account "lives" 55 years in all

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Credits



We would like to thank the following groups for their support:

- University of Hawai'i at Mānoa
 - College of Tropical Agriculture & Human Resources, Cooperative Extension Service, Department of Family & Consumer Sciences
 - Information Technology Services-Academic Technologies
- Central Pacific Bank