

PROTECT AND PLAN YOUR LEGACY: THE BASICS OF ESTATE PLANNING

NISHA NARIYA
PERKINS COIE LLP

NICOLE SCHILLING
PERKINS COIE LLP



MEDIC ONE FOUNDATION

PERKINScoie
COUNSEL TO GREAT COMPANIES

Estate Planning: Why

- **Decisions During Life:**

- If I can't make my own financial decisions, who should make them for me?
 - What guidance should I give this person?
- If I can't make my own healthcare decisions, who should make them for me?
 - What medical directives should I leave if I am in a near-death condition?
 - Who should receive my private medical information?

- **Decisions For After Death:**

- Who should administer my estate?
- Who should receive my assets after I die?
- How should those assets be managed and who should manage them?
- Who should be the guardian of my minor children?

Estate Planning: When

- **When updates may be needed:**
 - Before a birth
 - After a death
 - Before a marriage or divorce
 - After a change in your financial situation
 - After a change in the financial or health situation of anyone named in your documents
 - When a child becomes a responsible adult
- *Tip: Read your documents every 5 years to make sure they still reflect your intentions.*

Estate Planning: How

- **How should I update my documents?**
 - Contact an attorney
 - Online Services/Form Documents

Core Estate Planning Documents

- Durable Powers of Attorney
- Health Care Directive/Living Will
- Authorization for Release of Protected Health Information
- Instructions Regarding Disposition of Remains
- Beneficiary Designations
- Will
 - Codicil
- Revocable Living Trust

Durable Powers of Attorney

- Designate an agent (attorney-in-fact) and successor
- May be effective immediately or upon incapacity
- Broad range of powers permitted
- Health care and financial powers may be one document or two separate documents
- Some forms available online
- Formalities vary by state

Health Care Directive/Living Will

- Gives guidance to your Health Care Power of Attorney
- Individuals may direct withholding or withdrawal of life-sustaining treatment (medication, feeding tubes, or IVs)
- Directives may also express preference for pain management
- Statutory forms and forms developed by other organizations
- Important to discuss with agent

Authorization for Release of Protected Health Information

- Enables health care providers to share information about your health or condition

Instructions Regarding Disposition of Remains

- Washington law permits execution of legally binding instructions
- **Options:**
 - Cremation
 - Burial
 - Aquamation
 - Body Donation
 - Cryonics
 - Composting

Beneficiary Designations

- Retirement accounts, life insurance, and accounts titled as Payable-on-Death accounts are non-probate assets and do not pass according to the terms of your Will
- Contact administrators of accounts to update your beneficiary designations (ex. spouse, children, trust, charity)

Designating a Charity as a Beneficiary of Tax-Deferred Accounts

Why?

- Estate and income taxes may be due when tax-deferred retirement accounts (such as an IRA or a 401(k) plan) are distributed to descendants.
- Payments from tax-deferred accounts to charities at death are free from any taxes, the full amount of your retirement account will directly benefit the charity of your choice.

How?

- Identify the charity by its legal name, the city and state of its headquarters, and its tax identification number on your beneficiary designation document.

Will

- Disposes of probate assets at death
 - Outright gifts
 - Gifts in trusts
 - Trustee manages assets
 - Trust beneficiaries enjoy trust distributions
- Nominates guardians for minor children
- Selects personal representative to execute will and trustees to administer trusts
- Needs to be executed with certain formalities
- Becomes part of public record

Additional Considerations

- Trusts may in certain circumstances provide tax advantages
 - Marital Trusts
 - Washington allows the preservation of WA estate tax exemption at deceased spouse's death
 - *For example, in Washington, if a married couple owns \$4M in community property, the deceased spouse could pass his/her \$2M interest to the surviving spouse in trust and can apply WA estate tax exemption and make certain elections. This prevents the trust assets from being included in the surviving spouse's estate at the surviving spouses death.*
 - Trusts for Children
 - Protect children
 - May be structured to avoid estate taxation at child's death
 - Children may be given wide latitude and control over trusts

Revocable Living Trust

- Option for disposing of assets at death
- Popular alternative to Wills
 - Probate avoidance (requires retitling assets)
 - Privacy
- Common in jurisdictions with onerous and costly probate procedures
- Commonly used with pour-over wills

Federal Estate/Gift Taxes

- \$11.7M lifetime/death exemption per person (indexed for inflation)
 - Increased exemption to sunset at end of 2025 (to revert back to ~\$5M in 2026)
- Lifetime taxable gifts reduce exemption available at death
- 40% tax rate on gifts/assets in excess of exemption
- Many gifts are not subject to tax and do not reduce your exemption:
 - Annual exclusion: \$15,000 per person per year
 - Education exclusion: tuition for schooling paid directly to schools
 - Medical exclusion: health care expenses paid directly to health care provider

State Estate Taxes

- \$2,193,000 per person exemption (indexed for inflation)
- Up to 20% tax rate (graduated scale based on amount over exemption)
- Lifetime gifts are not subject to tax and reduce amount included in Washington taxable estate

Contact Information

Nisha Nariya
Perkins Coie LLP
nnariya@perkinscoie.com
206.359.8353

Nicole Schilling
Perkins Coie LLP
nschilling@perkinscoie.com
206.359.3859