

PYKE'S PERIODICALS

"Helping people to be good stewards of all that has been entrusted to them."

Quarterly Newsletter

January 2024

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How Can I Leave My Estate to My Spouse Tax Free?

*Learn more at one of our upcoming
Estate Planning Seminars in your area!*

Taxes have been and seemingly always will be an issue, especially when developing an effective estate plan. Estate planning is essential since the largest tax bill often comes in the form of estate taxes after your death.

One of the biggest questions people have when setting up their estate plan is how to pass on the estate to their surviving spouse with the minimum tax burden. The first way to avoid taxes altogether is to take advantage of the marital deduction.

Use the Marital Deduction

The marital deduction allows one spouse to transfer an unlimited amount of property to their spouse upon death without incurring estate or gift taxes. Most gifts or transfers to a spouse, regardless of the amount, qualify for the marital deduction.

At first glance, the marital deduction may look like an IRS blunder or, at the very least, a tax giveaway! The truth is that it is neither. The advantage of the marital deduction is not complete avoidance of estate tax on the transferred property. Instead, it is merely a deferral of estate tax. The marital deduction requires that the transfer of your assets to your spouse be made in such a way that those assets are exposed to estate tax liability in the surviving spouse's estate.

If the marital deduction only defers the tax, then why do people use it at all? The obvious advantage of using the marital deduction is that your spouse will have the use of the tax dollars that would otherwise have been paid to satisfy the tax liability of your estate. This deferral may also postpone the potential need to sell off assets in order to satisfy the tax liability.

As with everything, there is a downside to the marital deduction. The disadvantage is that, although you can transfer any amount that you want to your spouse, if your spouse survives you (and does not remarry), there will be no marital deduction available to lessen the estate tax liability at his or her later death. For this reason, it's often a good idea not to give everything to your spouse outright, but to use a Trust.

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How Can I Leave My Estate to My Spouse Tax Free?

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Transferring Assets Through a Trust

The marital deduction law permits, with no loss of the deduction, the transfer of assets to the surviving spouse through a Trust. There are two basic types of Trusts that have become the standard means for taking advantage of this deduction.

The first type of Trust is known as a "Power of Appointment" Trust. The property is placed in Trust, and your spouse is given a life interest in the income generated by the Trust and the power to give the assets in question to anyone, including to himself or herself or to his or her estate. This power can be restricted so as to be exercisable by your spouse only by a Will and still qualify for the marital deduction.

The second type of Trust, rather than giving your spouse the power to ultimately dispose of the assets, permits you to designate the ultimate recipients of the property qualifying for the marital deduction. This Trust is known as the Qualified Terminable Interest in Property (QTIP) Trust. Your spouse must receive a lifetime income interest in the property. No one other than your spouse may have any claim to the Trust assets during your spouse's lifetime. Your personal representative must elect QTIP treatment on the estate tax return. The crucial feature of the QTIP Trust is that you retain the ability to control who eventually gets the assets qualifying for the marital deduction after your spouse's death.

Coordinating the Unified Credit and the Marital Deduction

It has become standard estate planning practice to coordinate the estate tax marital deduction with the applicable exclusion amount. The applicable exclusion amount allows an individual to pass a certain amount of assets free from estate tax liability regardless of the identity of the recipients. For people who die beginning in 2024, the amount that can pass tax-free will be over \$13 million (estimated \$13,610,000). The amount allowed to pass tax-free is normally transferred under what is known as a "Credit Shelter," "Family," or "By-Pass" Trust. Then, the transfer under the marital deduction rules is made so as to prevent the taxation of the remaining assets.

Clearly, in the case of a married couple owning sufficient assets to make estate taxation an issue, estate planning must take into account the marital deduction rules and the associated tax savings. Given the complex nature of the many rules involved, you should always seek the guidance of a qualified estate planning attorney.

Inspirational Quotes

"There are only two ways to live your life. One is as though nothing is a miracle. The other is as though everything is a miracle."

"Be the reason someone smiles. Be the reason someone feels loved and believes in the goodness in people."

"Fantasy is hardly an escape from reality. It's a way of understanding it."

Who Is Your Financial Ally?



In 2022, more than 2.4 million people became the victims of financial fraud, losing a total of nearly \$8.8 billion, according to the Federal Trade Commission. People of all ages lost money, but the amount was highest for people over 50, and it increased in correlation with the victims' ages. In other words—and not surprisingly—as we age, we are more likely to be taken advantage of financially.

This is a problem that Marti DeLiema, a University of Minnesota researcher, has spent years trying to solve. In her research, DeLiema surveyed and interviewed thousands of older adults and heard stories about losses ranging from \$50 to millions of dollars in scams perpetrated over the phone, through email and social media, and on the internet.

Enlisting a financial ally could be the best defense against these attacks and other fiscal missteps, says DeLiema, an interdisciplinary gerontologist and an assistant professor in the School of Social Work at the University of Minnesota, Twin Cities.

A financial ally, sometimes called a financial advocate, is someone who assists you in managing your financial responsibilities, like paying bills and taxes, filing insurance claims, monitoring retirement accounts, and applying for government benefits. Financial allies can run interference on other potential problems – such as suspected scams – as well.

An ally could be a spouse or partner, an adult child or family member, a close friend, or a paid professional, such as a trust officer, attorney, or accountant. Generally, this should be someone you have known for a long time and are sure you can rely on to make good decisions.

“Your ally is someone you can depend on to have your best interest at heart,” says John Keeton, a CAPTRUST financial advisor in San Antonio, Texas. “You can lean on them to help you make well-informed decisions. This sets the groundwork for your ally to take on more responsibilities if you start to lose interest in decision-making or experience some cognitive decline.”

Cathy Seeber, a CAPTRUST financial advisor in Lewes, Delaware, agrees. She says many advisors will ask clients to name a trusted contact in case questions arise and the client is unreachable or seems to need financial intervention. Similar to a financial ally, a trusted contact is someone your financial institution is authorized to communicate with if you're unavailable.

Selecting the Right Person

Although some people remain financially sharp as they age, many will experience some cognitive decline, dementia, or an illness that impacts their ability to make critical choices. And those who don't are still at risk of financial mistreatment. To help people navigate these issues, DeLiema recommends identifying a financial ally by the time you retire, or sooner.

When it comes to selecting the best candidate, people often automatically select their spouse or partner as a first choice because they believe that person understands their finances and will put their needs first. But because of the likelihood of serious health issues or the loss of a partner, DeLiema recommends that everyone choose a backup ally as well—someone who is organized and reliable. This should be someone you're comfortable being honest with and who will listen to you.

At first, the person might play a consulting role and offer guidance only when asked. Your ally can then assume additional responsibilities over time as their competence grows and as they become more familiar with your financial situation.

However, unless you give them legal authority via a financial power of attorney (POA), they will not have the power to act on your behalf. A financial POA is a legal document that gives someone the right to make decisions about your money and property. DeLiema suggests preparing a POA document early on but

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Who Is Your Financial Ally?

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signing it only when you think you need regular assistance with daily tasks, such as paying bills and taxes and monitoring investments.

It's a lot of responsibility, so you want to select the right person to take the driver's seat at the right time, instead of leaving things to chance. "If you don't make a decision, you may be manipulated into giving power of attorney to a child who should never be trusted with money," DeLiema says.

POTENTIAL MISSTEPS

Sometimes people choose financial allies in a way that seems logical to them but it doesn't always lead to the best results. For example, you might run into problems if you choose:

- The oldest of your adult children instead of the best qualified;
- The child who lives closest instead of the one best suited for the work;
- Everyone in the family to avoid hurt feelings while leaving it unclear whom you want to be in charge; or
- A spouse or partner who is close to your age without also naming a younger person who can step in when needed.

Navigating Family Dynamics

Instead of choosing just one contact, some people choose to enlist two or more people as their financial allies, Seeber says. "It's almost like having a personal financial board of directors." A small group of people working together can also reassure other family members and friends that decisions are being made in the individual's best interest, she says.

When one adult child is given the authority to supervise a parent's finances, it can cause hard feelings between siblings. But there are ways to navigate these dynamics by giving everyone separate responsibilities, says Keeton.

DeLiema recommends bringing your family together to tell them about their potential roles in a single group discussion. This way, everyone will know the plan comes straight from you, reducing the risk of future disagreements about how you want your money managed and by whom. She also advises walking your allies through your current accounts, assets, income, expenses, liabilities, and long-term goals.

Building the Foundation for Success

Throughout the process, communication is key. Your ally will need guidance to understand and accomplish what you're trying to achieve, says Keeton. "Think of the ally as the family's chief financial officer. You may want to consider coaching your children to manage the family finances. And ideally, you would phase them into that role, not just give them the keys overnight."

Keeton recommends people introduce their financial ally to their financial advisor. Adult children can be included in financial planning sessions and tax meetings to show them what you're trying to accomplish and how you think through big decisions, he says.

Some people are uncomfortable sharing financial information with others, including their children. Utilizing the services of a corporate trustee is an alternative option if you feel that your family members aren't well-equipped to manage your estate. "This trustee will have a fiduciary responsibility to ensure that decision-making is aligned with your overall estate plan," says Keeton. Eventually, your ally could become well-positioned to be the executor of your will, he says.

To make things easier for your ally, DeLiema recommends simplifying your finances as much as possible and creating an inventory of your income, debt, and other money needs. Keep this information in one place to make it easier for this person to assist you in the future.



CAPTRUST

Review Your Investments! Get A Second Opinion!

Is your Annual Maintenance Plan coming up for renewal? Here is some important information you should know:

We launched the Annual Maintenance Program (AMP) in 2009. Up until 2023, we never increased the price for this concierge client service program. Our loyalty is to you - our valued clients - and we want to ensure that your estate plan is always meeting your needs by proactively reviewing your plan and notifying you of necessary changes.

On August 1st, 2023, AMP pricing for new members increased to \$445.00/year. However, existing AMP members who keep their membership current will continue to enjoy this service at the original rate of \$395.00/year.

As a loyal AMP member, your membership will continue at the rate of \$395.00/year for as long as you continue to renew your membership each year, you do not cancel your membership, and you do not let your membership lapse. If you cancel your AMP membership and decide to reactivate it at a later date, you will then be billed at the new \$445.00/year threshold.

If you have any questions about AMP membership or these price changes, please contact Brittany Douglas at 678-902-0824 or bdouglas@cpyke.com.

Baby Pyke due on December 23!

Charles and Lane are so excited for a special Christmas blessing this year!

"We are over the moon excited for Chad and Tori! Can't wait to meet this little blessing! Just call us Lolli and Pop!! #lollipop"



For a Laugh

"All you need in this life is ignorance and confidence; then success is sure."

"The older I grow, the more I distrust the familiar doctrine that age brings wisdom."

"A clear conscience is the sure sign of a bad memory."

"Inside every old person is a young person wondering what happened."

"Who was the guy who first looked at a cow and said 'I think I'll drink whatever comes out of these when I squeeze 'em?'"

"The whole of life is just like watching a film. Only it's as though you always get in ten minutes after the big picture has started, and no-one will tell you the plot, so you have to work it out all yourself from the clues."



HELPING PEOPLE TO BE GOOD STEWARDS
OF ALL THAT HAS BEEN ENTRUSTED TO THEM

GREAT Opportunities for LEARNING!



Estate Planning Seminars

Newnan:

January 23rd, February 13th, March 14th

Peachtree City:

January 25th, February 15th, March 19th

To register, visit cpyke.com/seminars or call 770.507.2500

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We would love to help your family members in the same ways that we have helped you! If you have a loved one who needs help with estate planning, financial planning or other elements of their life plan, we would love to send you or your loved ones information about how to get started with holistic life planning.

Refer a friend or loved one to us at
cpyke.com/referral.



For more information, contact Traci: traci.carver@captrust.com or 678.902.0848 (voice or text).



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The Pyke & Associates app enables our estate planning clients to manage their premium services from anywhere and at any time:

Annual Maintenance Program (AMP)

Membership in this client concierge program entitles you to more than just our internal review of your estate plan. As an AMP member, you are entitled to an annual meeting with an estate planning analyst as well as annual updates to your estate plan for changes you request, or we recommend, at no additional cost. With the Pyke & Associates app, you can fully manage your AMP membership and complete the following all from your cell phone:

- Sign up for or renew your AMP membership.
- Schedule your annual meeting with an estate planning analyst.
- View your existing estate plan documents.
- Contact our firm directly with questions or concerns.
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If you have any questions about the app, or if you have any issues with downloading or using the app, please contact Joanna Burns at 678-902-0838 or jburns@cpyke.com.

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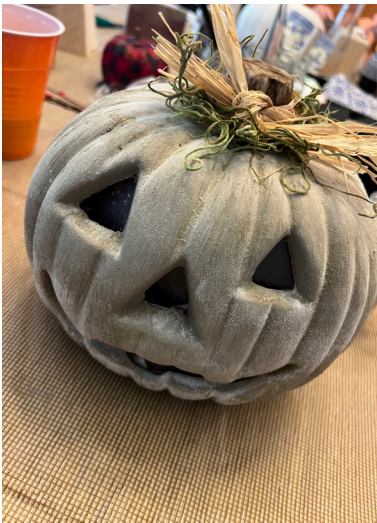
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Download the app today for iPhone or Android.

Just search “Pyke & Associates” in your app store.

We are always here to help, and we want to make this transition as smooth and beneficial as possible for you!



The end of the year was very busy for the Pyke team! We had multiple events to celebrate the Thanksgiving and Christmas seasons (including a staff outing to make fall crafts), and Suzanne was blessed with the chance to celebrate her father Olin Presley's 85th birthday with a once in a lifetime European cruise! We hope you all had a blessed Christmas season with your loved ones!



It's Time to Review Your Estate Plan!