

**T R O S T**  

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**F I N A N C I A L**

**Estate Planning**  
**A Crucial Part of**  
**Financial Planning**





## **What is Estate Planning?**

Estate planning is the process of organizing the management and distribution of one's assets and wealth during their lifetime and after their death. It involves creating a comprehensive plan that outlines the individual's wishes regarding the transfer of their assets to intended beneficiaries, the appointment of guardians for minor children, healthcare directives, and other important matters.

# What You'll Learn...

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## **The Role of Estate Planning in Financial Planning**

Estate planning is critical in an individual's preparation for his or her financial future. While it may be a tough topic to discuss, estate planning is an important step in helping decide who gets all the assets that you worked so hard for in your life.

Without a plan set in place, assets are usually allocated via a court's decision, which can cause unwanted stress and turmoil. An estate plan can also protect young children in unforeseen circumstances of a parent or parents passing with the inclusion of a will and guardianship paperwork.

Without proper estate planning, you may leave your beneficiaries with large taxes to be paid on the inheritance. A sound estate plan can manage this tax burden by efficiently transferring assets to others.

## Elements of Estate Planning

- **Living Trust:** A living trust is where an individual (the grantor) allocates assets to beneficiaries to be transferred after his or her death. This is done so by a trustee, who manages the trust and acts in the best interest of the trust's beneficiaries. Unlike a will, a living trust takes effect while the grantor is living. The trust does not have to go through probate for assets to reach the intended beneficiaries when the grantor dies. There are two types:
  - » Revocable living trust: Grantor has the power to amend any trust rules including changing beneficiaries and removing assets. A revocable trust becomes irrevocable after all grantors of the revocable trust have died.
  - » Irrevocable living trust: No changes can be made to an irrevocable trust after its creation.
- **Wills:** A will is a legal document that outlines your wishes for distributing your assets and property as well as care for your dependents after your death. It allows individuals to designate beneficiaries for their assets, name an executor to carry out their wishes, and designate guardianship plans for their minor children. Ensure you document any jewelry or art of significant value to confirm they are in your possession for purposes of the will.
- **Living Will:** A living will details an individual's wishes regarding medical care in the event they are unable to express their own medical decisions. This includes pain management, organ donations and treatments you would or would not like to receive.



## Elements of Estate Planning (continued)

- **Power of Attorney (POA):** A POA is another person you appoint as your “agent” to act in your place. This allows the agent(s) to make financial, medical, or other major life decisions should you become incapacitated and no longer able to make those decisions. You can have both a POA for medical (someone to make health-related decisions) and financial (someone to manage financial matters). Separate people can fill each role as we have found that people that can make financial decisions are not necessarily the best at making emotional decisions.
- **Advance Health Care Directive:** The Advance Health Care Directive is a written form that allows you to express your health care preferences. You can give instructions about your own health care and/or name someone else to make those decisions for you. Each state has its own form to be completed. It is recommended that you bring the completed form to your next doctor’s appointment for your physician’s office to keep it on file in the event it should be needed.
- **Guardianship:** In the case you have minor children, it is especially important to have a guardianship plan in the event you and your spouse are unable to care for them. Naming a guardian ensures that a plan is in place to care for any minor and avoids having the courts make that decision for you.
- **Pour Over Will:** This is a document that is used to leave non-financial or personal items such art, jewelry etc. that would not be listed in the living trust.

## Estate Tax Exemption and Its History

The 2023 federal estate tax exemption is \$12.92 million per individual or \$25.84 million per married couple. This means that anything above the exempted amount is subject to a 40% estate tax. Below are examples of how an estate would be taxed under current tax laws:

	Total Estate Value	Taxable Amount	Estimated Estate Taxes Owed
Individual	\$5,000,000	\$0	\$0
	\$17,500,000	\$4,580,000	\$1,832,000
Married Couple	\$10,000,000	\$0	\$0
	\$31,150,000	\$5,310,000	\$2,124,000





## Estate Tax Exemption and Its History (continued)

The most recent legislature that affected tax exemption limits, 2017 Tax Cuts and Jobs Act, expires at the end of 2025. Beginning on January 1, 2026, the exemption amount is set to revert to the pre-2018 level of only \$5.5 million, adjusted for inflation, unless new legislation is enacted. Below is how the previous example would be taxed under future estate tax exemptions:

	Total Estate Value	Taxable Amount	Estimated Estate Taxes Owed
Individual	\$5,000,000	\$0	\$0
	\$17,500,000	\$12,500,000	\$5,000,000
Married Couple	\$10,000,000	\$0	\$0
	\$31,150,000	\$20,150,000	\$8,060,000

While we cannot say with certainty what the future exemptions will be, it is important to understand the history to be prepared.



## When Do I Need to Start Estate Planning?

The best time to start planning, regardless of your net worth, is now. We recommend starting as soon as possible keeping in mind that it is never too late to start. Your estate plan should be revisited every three to five years thereafter or sooner if you encounter one of the triggering events below:



**Property  
ownership**



**Marriage  
or divorce**



**Travel**



**Childbirth**



**Business**



**Inheritance of money  
or other assets**

Many of these life occurrences and milestones necessitate a level of protection that only an estate plan can provide.

Securities and advisory services offered through LPL Financial, a registered investment advisor,  
Member FINRA / SIPC



## Let's Start the Process!

The team at Trost Financial specializes in working with business owners and families to navigate the complexities individuals face in their financial planning and estate planning.

### **Contact Us To Get Started**

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***From left to right:** Jim Watson (Director of Investments & Client Experience), Carrie Geist (Business Growth Coordinator), Michael Mora (Integrated Planning Coordinator), Nicole Reisberg (Marketing Director), Greg Trost (CEO & Succession Planning Strategist). [Get to know our team!](#)*

# Congratulations!

You've taken the first step in getting on the right financial track – educating yourself.

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**The next step is working with a financial advisor who knows the ins and outs of financial strategies for business owners.**

## Contact Us To Get Started

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