Vanilla

Why estate planning matters

Proper estate planning ensures the preservation of your wealth – and its intended purpose. The best planning keeps your family secure and safe, long after you're gone. Poor (or no) planning can expose your family to years of struggling with legal proceedings, unnecessary taxes, probate fees, and more.

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Why estate planning matters

Simply put, it's about getting the right stuff to the right people at the right time in the right way.

Protecting your loved ones

Probate, the process of recognizing and administering a will, is often a long, costly, and emotionally exhausting process for your surviving family. Without a trust, it can take up to two years for assets to reach your beneficiaries. Probate can also cost your loved ones up to 7% of your taxable assets.

Protecting your assets

Proper estate planning safeguards your family's financial future. Your estate plan specifies how your assets should be distributed to your family, additional loved ones, and/or charities.

Minimizing estate tax

Certain households have enough assets to trigger estate taxes. Proper estate planning may help minimize federal and state taxes and ensure your loved ones or charities receive as much as possible.

Guardian appointment

An estate plan allows you to specify guardians for your minor children in the event of a catastrophe. Without an estate plan, minor children are appointed guardians by a court, and may enter foster care during the process.

Healthcare and financial wishes

Estate planning involves preparing for all of life's what ifs. In the event that you're unable to make decisions for yourself, your estate plan not only specifies who should make these choices, but it also directs them to do what you wish.

Decision-making for adult children

Once your child turns 18, you no longer have the legal authority to access their medical information, or assist with decision-making in the event of a medical emergency. Proper planning documents for your adult children help avoid potential nightmare scenarios.

What happens if you have an out-of-date plan? Or no plan at all?

Common outcomes from poor estate planning:

Your estate gets stuck in probate

If you die either with an inaccurate will or without a will (also known as dying intestate) your estate will end up in probate. Probate is often a long, costly, and emotionally exhausting process for your surviving family. Without a trust, it can take up to two years for assets to reach your beneficiaries and may even defaulting to local state laws over your wishes. Probate can also cost your loved ones up to 7% of your taxable assets. Even with a trust, if the assets are not titled correctly (i.e. they are in your name instead of the trust's name) they might be subject to probate.

You have the wrong beneficiaries or unfair allocations

Outdated beneficiary designations on retirement plans and life insurance policies are one of the most common pitfalls of outdated planning. Because these assets often represent the largest portion of an estate, passing to the wrong beneficiary can have devastating consequences. It’s also important to discuss with your advisor the different generations you might be solving for. Do you want to distribute the assets evenly between your children or evenly across your grandchildren?

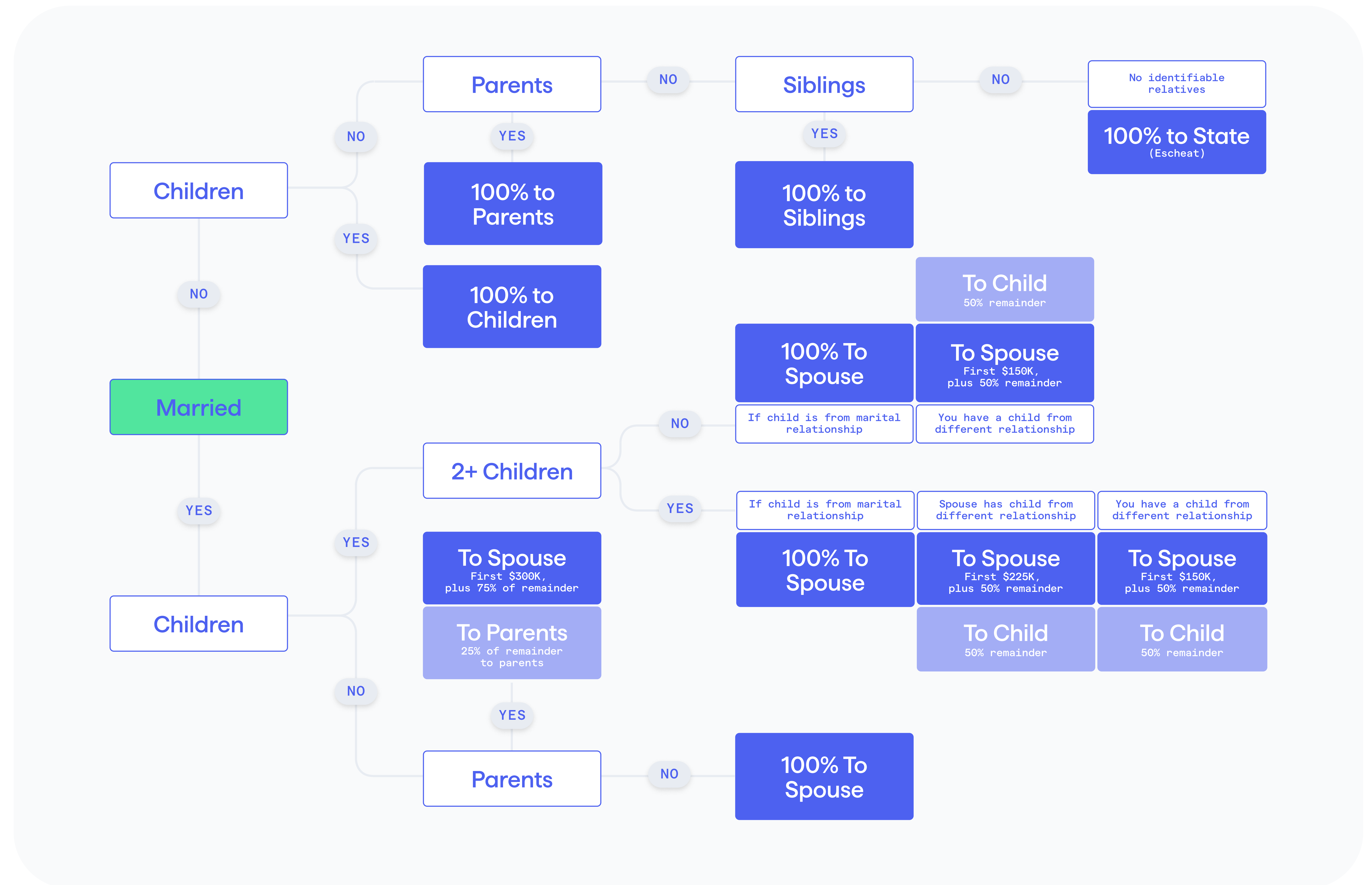
You have outdated fiduciaries

Fiduciaries (the people you appoint as your trustee, executor, healthcare agent, etc.) play the most important role in executing your estate plan. Changes in relationships, health, and/or location are a natural part of life, and outdated fiduciary appointments can leave the wrong people in charge of making critical decisions on your behalf.

Intestacy example

Dying without a will in place means dying "intestate". Without a will, the laws in the state of your primary residence at death determine how your assets pass. Each state's laws operate differently, but many are based (at least in part) on the provisions outlined in the Uniform Probate Code (the "UPC").

The UPC generally provides the following →



Case study #1

How an outdated plan can lead to unintended and sometimes catastrophic consequences

Take for example the case of Egelhoff v. Egelhoff.

David and Donna Rae Egelhoff were an unhappily married couple who decided to divorce. Two months after the divorce was finalized, David died in a car crash, leaving behind a life insurance policy and a pension plan. Although David had two children from a previous marriage, he had failed to designate them as beneficiaries after his divorce.

Despite suing for the money, the kids ultimately lost the case. Thus, the money went to his ex-wife, and David's children were left with nothing but legal costs.

How your financial advisor can help:

Regularly review beneficiary designations with you and discuss your goals.

Case study #2

When you forget to move assets into the the trust, you can forget the benefits of estate planning

Let's say that you do the right thing and set up a trust. Unless you keep your documents updated and make wise financial decisions, there's no guarantee your assets will transfer to the trust upon your death.

Borchers Trust Law Group shared this case study about some well-meaning clients who had set up a trust:

"We completed the transfer of [the clients'] real estate and the assignment of the LLC properly with them, but unfortunately their account ownership and beneficiary change forms were never completed."

When the clients died, the assets were in their names rather than in the trust, "making the estate vulnerable to probate, and leaving their son with an unfunded trust."

Not only did the son have to deal with the grief over the death of his parents, but he also had to contend with a lengthy, unanticipated probate process.

There's even more to this story:

"Their son may now also have to pay an estate tax, something which could have been reduced or avoided altogether if his parents' trust had been properly funded," reports Borchers.

How your financial advisor can help:

Your financial advisor should have a complete understanding of your financial picture. From there, they can help identify which assets need to be moved into your trust.

As you build wealth, they will collaborate with an estate planning attorney to ensure that the assets properly transfer to a trust.

They will also keep an eye out for changes in estate tax policy and let you know when its time to revisit your estate plan with an attorney to avoid a heavy tax burden that could impact your assets.

The need for simple core documents and letter of wishes

One of the common mistakes most people make in estate planning is to create a complex will or trust that is both hard to change and hard for trustees to understand.

A simple set of core documents should cover your base estate planning needs. The core documents you need are:

- Revocable Trust or Joint Revocable Trust
- Pour-over Will
- Durable Power of Attorney
- Heath Care Directive

An additional Letter of Wishes will give your executors your intent and desired goals for your trust. It also comes with the added benefit of being flexible and easy to change.

Revocable trust

A Revocable Trust (also known as a "living Trust" or "inter vivos Trust") is often intended as your primary estate planning document — it's a replacement for a Will. It is created during your lifetime and is put in place to manage your assets, both during life and after death.

Trust certification

A Trust Certification provides third parties with assurances of the existence and key terms of your Trust and the authority of your Trustee(s). It helps avoid the hassle of providing the full Trust document to verify this information.

Pour-over will

A Pour-Over Will directs any probate assets to your Revocable Trust after your death, ensuring that all of your assets pass by way of your Revocable Trust.

Health care power of attorney and advance health care directive

A Health Care Power of Attorney grants agents certain powers to act on your behalf and manage medical care in the event of your incapacity.

An Advance Health Care Directive (also known as a "Living Will" or "Medical Directive") specifically allows you to express your desires concerning life-prolonging and/or end-of-life care.

Durable power of attorney (POA)

A Power of Attorney grants agents certain powers to act on your behalf and manage your personal, financial, and business affairs. A Durable Power of Attorney is of particular value in the event of your temporary or permanent incapacity as it remains effective even if you become incapacitated.

A letter of wishes

A letter of wishes is simply a letter written by a trust settlor to the trustees outlining the settlor's intent and goals regarding the trust. While a lawyer can prepare a letter of wishes, it is not a legal document and is not legally binding, and so does not need to be prepared by a lawyer or in any special format – it can be as simple as a handwritten letter or a typed word document.

Questions every client should discuss with their advisor

1. Have our personal and financial circumstances changed since our last estate planning review?
2. Are our designated beneficiaries and fiduciaries still relevant and appropriate?
3. Have we ensured our beneficiary designations on retirement plans and life insurance policies are accurate?
4. Do we have updated and comprehensive legal documents, such as a will, trust, and powers of attorney, that reflect our current wishes?
5. Are our assets titled and owned in a way that aligns with our estate plan and objectives?
6. Have we designated guardians for our minor children in case of an emergency?
7. Have we prepared for potential incapacity or medical decision-making by creating an advance directive or health care power of attorney?
8. Have we considered potential estate tax implications and taken steps to minimize them?
9. Have we considered charitable giving as part of our estate plan?
10. Have we discussed our estate planning wishes and intentions with our family members and loved ones?

Remember that estate planning is an ongoing process, and reviewing your plan regularly can help ensure that your wishes are aligned to your goals.

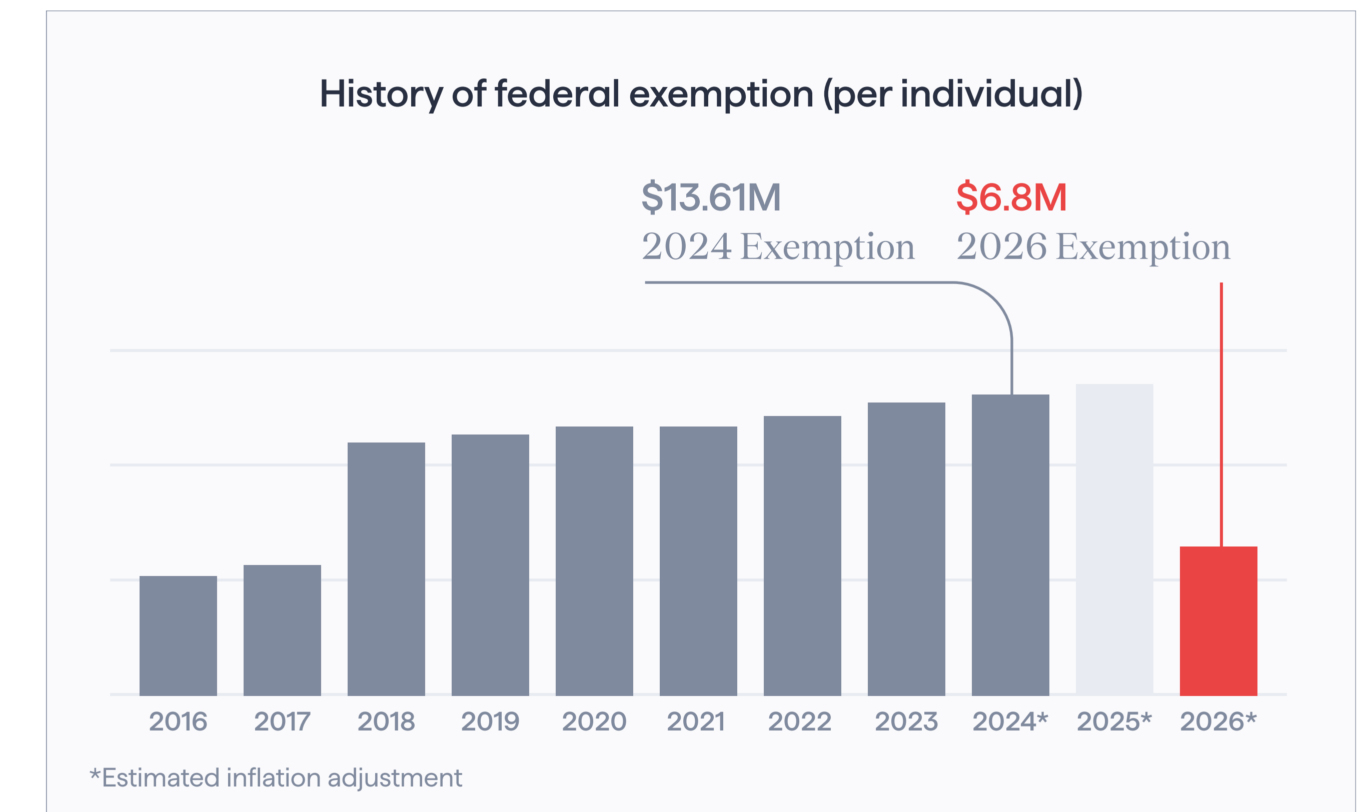
The 2026 exemption sunset

Explaining the sunset

The Federal Estate Tax exemption allows you to shield a portion of your estate from the Federal Estate Tax. There is a 40% federal estate tax on the amount that your estate exceeds the exemption at your death.

- Currently, the federal exemption amount is at a historical high of $12.92M per individual.
- Without legislative change, the increased exemption amount is scheduled to sunset to ~$6.8M per individual* in 2026.
- Implementing strategic estate planning before 2026 may allow the ability to capture significant tax savings.

*Estimated inflation adjustment



Where you live and die will impact your estate taxes

Estate and inheritance tax at the state level

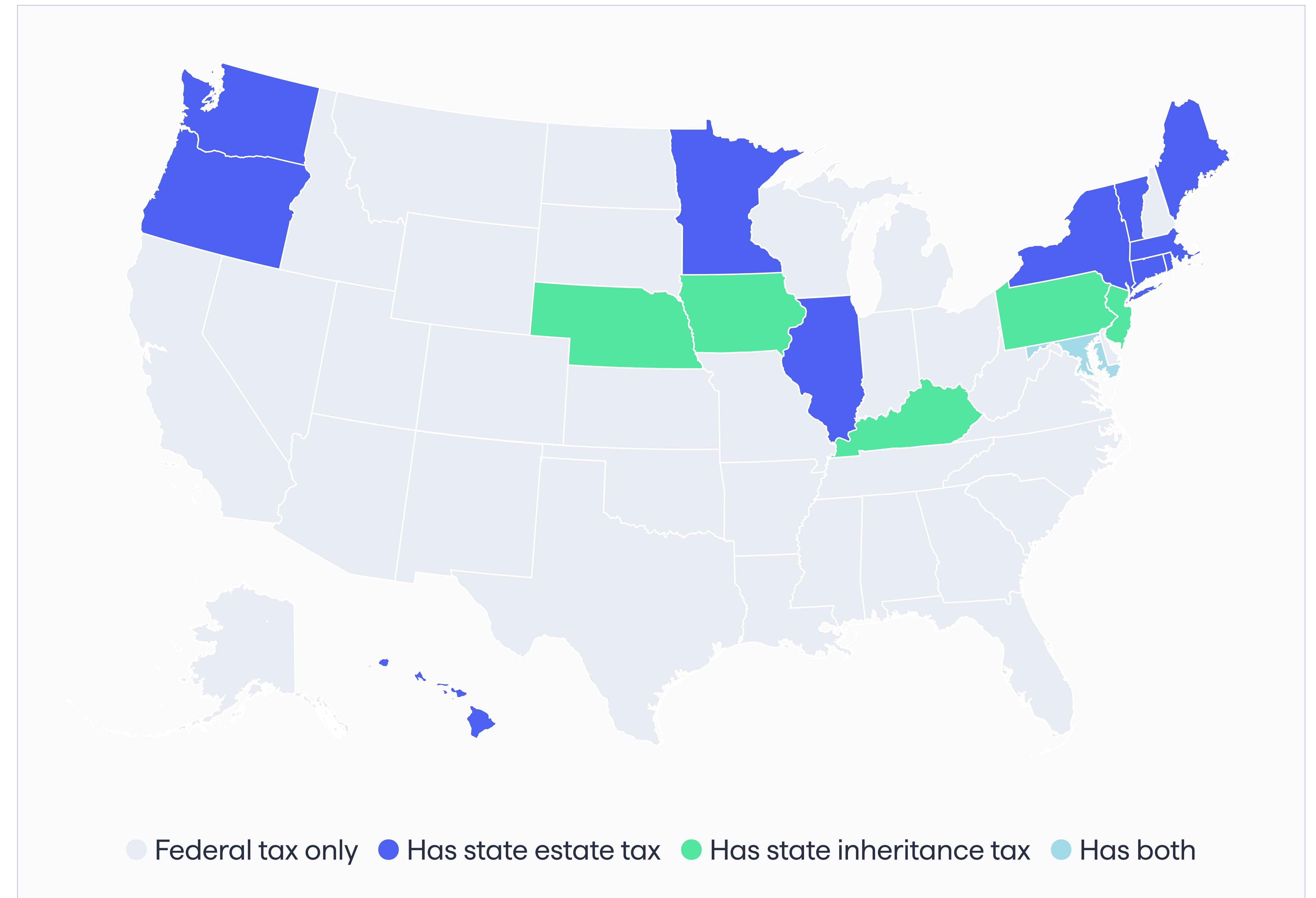
In addition to federal estate taxes, 17 states plus Washington D.C. have either an estate tax or an inheritance tax, with Hawaii and Washington both boasting a 20% top estate tax. And if you are in Maryland, you get both! Exemption levels in each state vary, with Massachusetts and Oregon having the lowest exemptions at $1 million.

12 states + D.C. have estate tax:

- Connecticut
- Hawaii
- Illinois
- Maine
- Maryland*
- Massachusetts
- Minnesota
- New York
- Oregon
- Rhode Island
- Vermont
- Washington
- Washington, D.C

States with only inheritance tax:

- Iowa
- Kentucky
- Nebraska
- New Jersey
- Pennsylvania



*Has both an estate and inheritance tax