Who Will Care For Me When I Am Old?

by

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http://www.unf.edu/~cfrohlic

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Retirement and estate planning are important and dynamic processes of an individual’s financial plan. Laws and regulations pertaining to the estate and retirement planning processes (i.e. taxes, distributions, etc.) are always changing.

Therefore, it is important that an expert in the area is consulted when an individual is developing a plan. The following presentation will familiarize you with some basic estate and retirement planning concepts enabling you to begin to making that very important selection of your estate planner.
1. What is a will?

A will is a written document that directs the disposition of your assets at death.

   The major functions of a will is:
   - Transfer your assets to particular people
   - Choose the executor, trustees, and others who administer the estate
   - Reduce the tax liability on the estate of the deceased
2. What is a letter of last instructions?

Signed letter by the deceased that describes:

- personal preferences about the transfers of personal property (valuable and sentimental—i.e. your mother’s ring)
- provides information about the location of all one’s assets (insurance polices, brokerage accounts, lockboxes, etc.),
- organ donations instructions,
- burial instructions, and
- a list of names, addresses, and telephone numbers of people to notify.

This letter should not be placed in a safety deposit box.
<table>
<thead>
<tr>
<th>3. What is the terminology in wills that I might expect?</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Testator — Person who makes the will (decedent)</td>
</tr>
<tr>
<td>- Testate — A person, who dies with a valid will, dies</td>
</tr>
<tr>
<td>testate.</td>
</tr>
<tr>
<td>- Intestate — A person who dies with no or an invalid</td>
</tr>
<tr>
<td>will.</td>
</tr>
<tr>
<td>- Beneficiary — A person receiving property identified</td>
</tr>
<tr>
<td>in the will</td>
</tr>
<tr>
<td>- Executor (executrix) (personal representative) –</td>
</tr>
<tr>
<td>individual named in a will to carry out the</td>
</tr>
<tr>
<td>directions and requests of the will.</td>
</tr>
</tbody>
</table>
### 4. What types of wills are there?

<table>
<thead>
<tr>
<th>Informal Wills:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Holographic Wills</strong></td>
</tr>
<tr>
<td>- Handwritten will by the person signing it</td>
</tr>
<tr>
<td>- Two-three witnesses’ signatures</td>
</tr>
<tr>
<td>- Frequently not honored in courts</td>
</tr>
<tr>
<td><strong>Nuncupative Wills</strong></td>
</tr>
<tr>
<td>- Oral will spoken by a dying person to another person</td>
</tr>
<tr>
<td>- Legal in a few states</td>
</tr>
<tr>
<td>- Difficult to verify</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Formal Wills:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Lawyer-prepared will</td>
</tr>
<tr>
<td>- Statutory wills</td>
</tr>
<tr>
<td>- Preprinted blank forms that people fill out themselves</td>
</tr>
<tr>
<td>- May not address tax planning considerations</td>
</tr>
</tbody>
</table>
What types of wills are there?

Living Will:
- Document that direct the medical measures desired or not desired to prolong life

Codicils
- Legal amendment to a will that adds or deletes a bequest or other provision
5. What if I am marrying and I have certain assets that I wish to remain with my family and not shared with my new spouse?

Prenuptial Agreements

- Agreement between spouses before marriage
- Often consists of the waiving of rights to receive property
6. **What is probate and how can I transfer my assets without probate?**


- Probate is the legal procedure of proving a valid or invalid will.
- Probate ties property up for months.
- Probate costs may run as high as 8-10% of the assets value in the estate.
- If the estate consists of entirely nonprobate assets, probate is generally not required.
  - Probate property is property controlled by the deceased (held in his/her name)
  - Nonprobate property is property not controlled by the will but transferred to survivors by contract or by law.
7. What should I do, if I no longer can make decisions?

http://www.mtpalermo.com/SEC-8.HTM#I2

- A Power of Attorney (POA) is a document in which one person, the "principal" gives authority to his "attorney in fact" (who need not be a lawyer) to act on his/her behalf. The scope of the power can be quite limited - e.g., the purchase of a single real estate investment - or almost unlimited. The principal can even grant the power to make gifts of his/her property, but not to make a Will. Note that ALL Powers of Attorney - even the "durable" variety - end at the death of the principal.
What should I do, if I no longer can make decisions?

- POAs can allow one to delegate broad authority over personal financial affairs *even - and especially - in case of disability or incompetence*. For this, a *Durable POA* is necessary. It is a very broad and detailed document that also states: "This POA shall not be affected by my subsequent disability or incapacity, or by the passage of time."

  - **This kind of durable POA** takes effect immediately

- The *Springing POA*, *durable POA*, is worded differently - it *does* wait until disability, and only then "springs" into action.

  - This can pose a big problem: There must be a formal determination of disability before the POA will be considered operative and be accepted.
8. What happens if I don’t have a will?

In most states if you die without a will (intestate), an administrator is appointed by the court to liquidate your estate in accordance with the statues of that state. A commission in the range of 3-5% of the value of the estate is charged to cover the administrator’s fee. If you have minor children, a guardian must be appointed for each, representing additional cost to the estate.
What happens if I don’t have a will?

- Administrator’s have very limited powers and as a result must frequently petition the court for permission relative to their actions; all of which costs money.

- In many states, if a person who has no surviving relatives except a spouse dies without a will, the spouse receives the entire estate. If the deceased also had children, the spouse takes one-half and the other half is divided equally by the children. If there is a spouse and no children, but there are other relatives, the situation becomes more complicated.
In Florida, if there were no surviving lineal descendants of the decedent (children), the surviving spouse would receive the entire estate after legal costs. If there are surviving lineal descendants of the decedent, all of whom are lineal descendants of the surviving spouse also, the first $20,000 of the intestate estate, plus one-half of the balance of the intestate estate. Property allocated hereunder to the surviving spouse to satisfy the $20,000 shall be valued at the fair market value on the date of the decedent's death. If there are surviving lineal descendants, one or more of whom are not lineal descendants of the surviving spouse, the spouse receives one-half of the intestate estate.
9. What other documents should I know about?

You should consider establishing a durable power of attorney for health care. The durable power of attorney for health care appoints a person as attorney-in-fact to make medical decisions on your behalf. The document names the individual known as The Health Care Surrogate. If you should become incapacitated and could not make a medical decision, the Health Care Surrogate is able to make that decision.
1. What is the purpose of social security?

Social security was designed to be a supplement and not the only retirement plan.
2. Will Social Security be around when I retire?

Social Security is going to run out of funds in 2030, despite 12.4% payroll taxes. Some say getting rid of the system—by letting workers invest payroll taxes on their own—is the only way to save it.

Social Security’s Shaky Outlook
3. How much will I need when I retire?

Most financial advisors say you'll need about 70 percent of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living. If you have average earnings, your Social Security retirement benefits will replace only about 40 percent.

http://www.ssa.gov/retire2/index.htm
4. How much will I receive when I retire?

- How much an individual receives depends on how long they have worked, their age at retirement, what they have earned, and how much their spouse has earned. The Social Security Administration averages a worker’s income from age 22 to 62, not counting the lowest five years of income.
  
  http://www.ssa.gov/retire2/credits2.htm

- The Social Security sends yearly a Social Security Statement that estimates your social security benefits upon retirement to each worker age 25 or older.
  
  http://www.ssa.gov/retire2/walkthru.htm
- Social Security Retirement Planner: http://www.ssa.gov/retire2/
5. Applying for social security and medicare (Part A & B)

- **SOCIAL SECURITY:**
  [http://www.ssa.gov/retire2/applying1.htm](http://www.ssa.gov/retire2/applying1.htm)

- **MEDICARE:**
6. What if I retire early, will my benefits remain the same?

Your social security benefits determined as if you retired at age 65 will be permanently reduced if you retire early. There is a fixed percentage reduction for each month you receive payments before age 65. If you retire at age 62, your benefits would be reduced permanently by 20% from the amount of benefits that would have been paid at age 65.
7. If social security will not provide for all my retirement needs, what should I do?

You must begin your own individual financial planning.

- How long do you need to save if you determine you need a $100000 when you retire and can save only $500 per month @ 12%?
  
  http://www.calculator.com/pantaserv/finance/million.cgi
The retirement spending calculator will determine how long it will take to deplete your retirement savings account given a starting balance, an interest rate, and a monthly withdrawal amount. Includes multiple compounding and withdrawal periods and amortization schedules.


What is a $100 per month worth in 25 years at 10%?
$132,683.34

What is a $100 per month worth in 25 years at 15%?
$324,352.96

http://fpc.net66.com/paycalc.htm

Other Calculators for Future Value (FV) or Present Value (PV) of single deposits and payments:

http://fpc.net66.com/teachme.html
RETIREMENT PLANS

403 B PLAN
401 K PLAN


457 Deferred Compensation Plan


Publication 939, General Rule for Pension and Annuities
Tax Topic 411, Pensions - The General Rule and the Simplified Method
1. What type of business is allowed to have a 401K or 403B plan?

Any incorporated and non-incorporated business may have a 401 K. However, any government or tax-exempt business is not authorized to have a 401K unless the plan was in existence prior to 1986. These types of businesses have 403B plans. The 401-K plan is a “qualified” plan while the 403-B plan is not.
2. What is a 457 deferred compensation plan?

If you work for a state or local government or for a tax-exempt organization, you may be eligible to participate in a section 457 deferred compensation plan. You are not taxed currently on your pay that is deferred under this plan.

3. Can I contribute funds to the plan?

A 401(k) plan is a retirement plan in which an employee can elect to have the employer contribute part of the employee's wages to the plan on a pretax basis. These deferred wages are not subject to income tax withholding at the time of deferral. However, they are included as wages subject to social security, Medicare and federal unemployment taxes. The amount an employee can elect to defer is limited.

4. **What types of contributions may be made?**

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>There are two types of contributions to the plan.</td>
<td></td>
</tr>
<tr>
<td>(1) The nonelective contribution is from the employer. Employers can contribute funds based on a formula for the annual exclusion allowance. Vestment of these funds depends upon the agreement on vesting.</td>
<td></td>
</tr>
<tr>
<td>(2) The elective contribution is from the employee. The amount the employee contributes is entirely vested.</td>
<td></td>
</tr>
</tbody>
</table>
5. How much could I contribute?

The amount that an employee may elect to defer is limited. The maximum you can contribute will depend on your salary and the type of 401(k) plan to which you are contributing. Generally, during 2000 an employee cannot elect to defer more than $10,500 per year for all cash or deferred arrangements in which the employee participates. This yearly limitation is indexed for inflation. All contributions to retirement plans (including deferred compensation plans) are subject to additional limits. Refer to Publication 525, Taxable and Nontaxable Income, for more information about elective deferrals.

6. How does a salary reduction work?

Salary reduction is excludible from the employee’s income and, thus, from FIT until received at retirement. The salary reductions are still subject to FICA taxes. The amount the employee has deducted may be a fixed dollar amount or a flat percentage.

When the salary reduction agreement is entered, it is irrevocable as to salary earned while the agreement is in effect. That is $500 has been excluded from the employee’s salary and invested into the 403 plan, the employee cannot ask for these funds to be returned until retirement age. However, the agreement may be terminated at any time with respect to future earnings.
Most distributions (both periodic and nonperiodic) from qualified retirement plans and deferred annuity contracts made to you before you reach age 59 1/2 are subject to an additional tax of 10%. (If you receive an eligible rollover distribution, 20% of it will generally be withheld for income tax. Therefore, if you withdraw early then 30% of the withdrawal amount is withheld in taxes and penalties.)

This additional tax applies to the part of the distribution that you must include in gross income. It does not apply to any part of a distribution that is tax free, such as amounts that represent a return of your cost or that were rolled over to another retirement plan. It also does not apply to corrective distributions of excess deferrals, excess contributions, or excess aggregate contributions.
8. What is a lump-sum distribution?

A lump-sum distribution is the distribution or payment of a plan participant's entire balance (within a single tax year) from all of the employer's qualified plans of one kind (pension, profit-sharing, or stock bonus plans). A distribution from a nonqualified plan (such as a privately purchased commercial annuity or a section 457 deferred compensation plan of a state or local government or tax-exempt organization) cannot qualify as a lump-sum distribution. The participant's entire balance from a plan does not include certain forfeited amounts (ie loan repayment).
9. Are there provisions for emergency withdrawals from the plan?

Many plans allow employees to make a hardship withdrawal because of immediate and heavy financial needs.

Hardship distributions are limited to the amount of the employee's elective deferral only, and do not include any income earned on the deferred amounts.
10. **When must I begin to take distributions from the plan?**

You must begin to receive distributions from your qualified retirement plan by April 1 of the year that follows the *later* of:

1) The calendar year in which you reach age 70 1/2, or  
2) The calendar year in which you retire.

# INDIVIDUAL RETIREMENT PLANS

<table>
<thead>
<tr>
<th>Type</th>
<th>Traditional</th>
<th>Roth</th>
<th>Education</th>
</tr>
</thead>
</table>
**What is an IRA?**

An individual retirement account is a trust or custodial account set up in the United States for the exclusive benefit of you or your beneficiaries. The account is created by a written document. The document must show that the account meets all of the following requirements.

1. The trustee or custodian must be a bank, a federally insured credit union, a savings and loan association, or an entity approved by the IRS to act as trustee or custodian.

2. The trustee or custodian generally cannot accept contributions of more than $2,000 a year. However, rollover contributions and employer contributions to a simplified employee pension (SEP) can be more than $2,000.

3. Contributions, except for rollover contributions, must be in cash.

4. The amount in your account must be fully vested (you must have a nonforfeitable right to the amount) at all times.

5. Money in your account cannot be used to buy a life insurance policy.

6. Assets in your account cannot be combined with other property, except in a common trust fund or common investment fund.

7. You must start receiving distributions by April 1 of the year following the year in which you reach age 70 1/2.

2. Who can set up and contribute to a Traditional IRA?

You can set up and make contributions to a traditional IRA if you (or, if you file a joint return, your spouse) received taxable compensation during the year and you were not age 70 1/2 by the end of the year.

The most you can contribute to your traditional IRA for any year is the smallest of $2,000 or your taxable compensation for the year. If neither you nor your spouse is covered by a qualified retirement plan at any time during the year, your contributions will be fully deductible.

You can have a traditional IRA whether or not you are covered by any other retirement plan. If you are covered by a qualified retirement plan, your IRA deduction may be reduced or eliminated, depending on the amount of your income and your filing status. If you are not covered by a retirement plan but your spouse is, you may have a full deduction.

3. **Must my spouse and I have separate plans?**

IRA's cannot be owned jointly. However, any amounts remaining in your IRA upon your death can be paid to your beneficiary or beneficiaries. If both you and your spouse have compensation and are under age 70 1/2, each of you can set up an IRA. You cannot both participate in the same IRA.

4. What if my spouse does not work?

You can contribute $2,000 to a separate IRA for your nonworking spouse if you file a joint return. Your total contribution to both your IRA and the spousal IRA for this year is limited to the smallest of $4,000 or your taxable compensation. You cannot contribute more than $2,000 to either IRA for the year.

If you file a joint return and your taxable compensation is less than that of your spouse, the most that can be contributed for the year to your IRA is the smaller of the following two amounts:

1. $2,000, or
2. The total compensation includable in the gross income of both you and your spouse for the year, reduced by the following two amounts.
   a. Your spouse's IRA contribution for the year.
   b. Any contributions for the year to a Roth IRA on behalf of your spouse.

References:
- Publication 590, Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
- Tax Topic 451, Individual retirement arrangements (IRAs)
6. Is the $2000 contribution deductible if you participate in an employer-sponsored retirement plan?

If either you or your spouse were covered by an employer retirement plan, you may be entitled to only a partial (reduced) deduction or no deduction at all, depending on your income and your filing status.
If you were covered by an employer retirement plan and you did not receive any social security retirement benefits, your IRA deduction may be reduced or eliminated entirely depending on your filing status and modified AGI, as shown in Table A, below.

<table>
<thead>
<tr>
<th>If your filing status is:</th>
<th>Your IRA deduction is reduced if your modified AGI is between:</th>
<th>Your deduction is eliminated if your modified AGI is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, or Head of household</td>
<td>$32,000 and $42,000</td>
<td>$42,000 or more</td>
</tr>
<tr>
<td>Married--joint return, or Qualifying widow(er)</td>
<td>$52,000 and $62,000</td>
<td>$62,000 or more</td>
</tr>
<tr>
<td>Married--separate return*</td>
<td>$0 and $10,000</td>
<td>$10,000 or more</td>
</tr>
</tbody>
</table>
If you are not covered by an employer retirement plan, but your spouse is, and you did not receive social security benefits, your IRA deduction may be reduced or eliminated entirely depending on your filing status and modified AGI as shown in Table B.

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Reduced modified AGI</th>
<th>Eliminated modified AGI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married--joint return</td>
<td>$150,000 and $160,000</td>
<td>$160,000 or more</td>
</tr>
<tr>
<td>Married--separate return*</td>
<td>$0 and $10,000</td>
<td>$10,000 or more</td>
</tr>
</tbody>
</table>

7. When I withdraw my funds are they taxable?

Amounts you withdraw from your IRA are fully or partially taxable in the year you withdraw them. If you made only deductible contributions, withdrawals are fully taxable. If you made any non-deductible contributions, withdrawals are partially taxable.

Amounts you withdraw before you reach age 59½ may be subject to a 10% additional tax. You also may owe an additional tax if you do not begin to withdraw minimum distribution amounts by April 1st of the year after you reach age 70½.

1. What is a Roth IRA?

A Roth IRA is an account or annuity set up in the United States solely for the benefit of you or your beneficiaries. It is an individual retirement plan. However, it differs from traditional IRAs in that contributions are not deductible.

2. Who can contribute to a Roth?

You may contribute to a Roth IRA if you have taxable compensation and your modified adjusted gross income is less than $110,000 ($160,000 if you are married and file a joint return, and $10,000 if you are married and file a separate return).

The amount you may contribute to a Roth IRA is gradually reduced if your modified adjusted gross income is between $95,000 and $110,000 (between $150,000 and $160,000 if you are married and file a joint return, and between $0 and $10,000 if you are married and file a separate return).

The amount you may contribute to a Roth IRA may be reduced by contributions you make to a traditional IRA. The amount you may contribute to a Roth IRA also may not exceed your taxable compensation. You may continue to make contributions to your Roth IRA after reaching age 70½.

3. May I contribute for my spouse?

You can contribute to a Roth IRA for your spouse provided the contributions satisfy the spousal IRA limit and your modified AGI is less than a specified amount depending on your filing status.
4. How much can be contributed?

The contribution limit for Roth IRAs depends on whether a contribution is made only to Roth IRAs or to both traditional IRAs and Roth IRAs.

If a contribution is made only to Roth IRAs, the maximum contribution limit is the lesser of $2,000 or your taxable compensation. If your modified AGI is above a certain amount, your contribution limit may be reduced.

If you contribute to both Roth IRAs and traditional IRAs established for your benefit, your contribution limit for Roth IRAs is the lesser of:

1. The maximum contribution limit reduced by all contributions (other than employer contributions under a SEP or SIMPLE IRA plan) for the year to all IRAs other than Roth IRAs, or
2. The maximum contribution limit reduced because your modified AGI is above a certain amount.

5. Can I convert a Traditional IRA to a Roth IRA?

You may be able to convert (roll over) your traditional IRA to a Roth IRA. Conversions can be done through a trustee-to-trustee transfer or by taking the IRA out of one account and depositing it into another within 60 days from the date you receive it.

Conversions are only allowed if your modified adjusted gross income is $100,000.00 or less. If you are married, you must file a joint return unless you did not live with your spouse at any time during the year.
You must include in gross income any amount you convert from a traditional IRA to a Roth IRA in the same manner that it would have been taxed had you withdrawn the amount and not converted it.

If you converted to a Roth IRA in 1998, you may include the taxable amount ratably over a 4-year period. If you converted to a Roth IRA in 1999 or later years, the entire taxable amount must be included in your gross income in the year of the conversion. If properly converted, the 10% additional tax on early withdrawals will not apply.

For information on Roth IRA distributions see Topic 428.
For information regarding Roth IRA conversions see Publication 590, Individual Retirement Accounts.

6. When must I begin distributions from the plan?

Distributions made more than 4 years after the end of the first year a contribution was made to a Roth IRA are not taxable if made either:

1. after you are 59½,
2. because you are disabled,
3. to a beneficiary or your estate after your death, or
4. to buy, build or rebuild a first home.

Distributions that are a return of your regular contributions are always tax-free.

1. What is an Education IRA?


An Education IRA is a trust or custodial account that is created or organized in the United States exclusively for the purpose of paying the qualified higher education expenses of the designated beneficiary of the account. The account must be designated as an Education IRA when it is created in order to be treated as an Education IRA for tax purposes.

http://www.irs.gov/prod/hot/not97-603.html#QA1
2. For whom may an Education IRA be established?

An Education IRA may be established for the benefit of any child under age 18. Contributions to the Education IRA will not be accepted after the designated beneficiary reaches his/her 18th birthday.
3. Who may contribute to the Educational IRA?

Parents, grandparents, other family members, friends, and a child him/herself may contribute to the child’s Education IRA, provided that the total contributions for the child during the taxable year do not exceed the $500 limit. Education IRAs are permitted to accept contributions made in cash only.

Aggregate contributions for the benefit of a particular child in excess of $500 for a calendar year are treated as excess contributions. If the excess contributions (and any earnings attributable to them) are not withdrawn from the child’s account (or accounts) before the tax return for the year is due, the excess contributions are subject to a 6 percent excise tax for each year the excess amount remains in the account.
4. Are there any restrictions on who can contribute to an Education IRA?

Any individual may contribute up to $500 to a child’s Education IRA if the individual's modified adjusted gross income for the taxable year is no more than $95,000 ($150,000 for married taxpayers filing jointly). The $500 maximum contribution per child is gradually reduced for individuals with modified adjusted gross income between $95,000 and $110,000 (between $150,000 and $160,000 for married taxpayers filing jointly). For example, an unmarried taxpayer with modified adjusted gross income of $96,500 in a taxable year could make a maximum contribution per child of $450 for that year. Taxpayers with modified adjusted gross income above $110,000 ($160,000 for married taxpayers filing jointly) cannot make contributions to anyone’s Education IRA.

http://www.irs.gov/prod/hot/not97-603.html#QA9
5. What happens when the funds are withdrawn for the child’s education?

Amounts deposited in the account grow tax-free until distributed, and the child will not owe tax on any withdrawal from the account if the child's qualified higher education expenses at an eligible educational institution for the year equal or exceed the amount of the withdrawal.

Amounts withdrawn from an Education IRA that exceed the child’s qualified higher education expenses in a taxable year are generally subject to income tax and to an additional tax of 10 percent.

The Hope Scholarship Credit and Lifetime Learning Credit may not be claimed for a student’s expenses in a taxable year in which the student takes a tax-free withdrawal from an Education IRA.
If the child does not need the money for postsecondary education, the account balance can be rolled over to the Education IRA of certain family members who can use it for their higher education.
7. What happens to the assets remaining in an Education IRA after the designated beneficiary finishes his/her postsecondary education?

There are two options.

(1) The amount remaining in the account may be withdrawn for the designated beneficiary. The designated beneficiary will be subject to both income tax and the additional 10 percent tax on the portion of the amount withdrawn that represents earnings if the designated beneficiary does not have any qualified higher education expenses in the same taxable year he/she makes the withdrawal.

(2) Alternatively, if the amount in the designated beneficiary’s Education IRA is withdrawn and rolled over to another Education IRA for the benefit of a member of the designated beneficiary’s family, the amount rolled over will not be taxable.

http://www.irs.gov/prod/hot/not97-603.html#QA19
4. Rather than rolling over money from one Education IRA to another, may the designated beneficiary of the account be changed from one child to another without triggering a tax?

If (1) the terms of the particular trust or custodial account permit a change in designated beneficiaries (each trustee or custodian will control whether options like this one are available in the accounts they offer), and (2) the new designated beneficiary is a member of the previous designated beneficiary’s family, the beneficiary of the account may be changed.

http://www.irs.gov/prod/hot/not97-603.html#QA20
<table>
<thead>
<tr>
<th>5.</th>
<th>May contributions be made to both a qualified state tuition program and an Education IRA on behalf of the same designated beneficiary in the same taxable year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Any amount contributed to an Education IRA on behalf of a designated beneficiary during any taxable year in which an amount is also contributed to a qualified state tuition program on behalf of the same beneficiary will be treated as an excess contribution to the Education IRA. <a href="http://www.irs.gov/prod/hot/not97-603.html#QA22">http://www.irs.gov/prod/hot/not97-603.html#QA22</a></td>
<td></td>
</tr>
</tbody>
</table>
Trusts are legal contracts between the creator and the trustee that permit the latter to manage the assets in the trust and direct income for a specific purpose for the benefit of the creator and others.
2. What is the terminology I’ll hear when I discuss a trust?

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustor (grantor)</td>
<td>Person who makes a grant to set up a trust.</td>
</tr>
<tr>
<td>Trustee</td>
<td>Person, partnership, or corporation that holds title to, takes care of, and manages property in the trust.</td>
</tr>
<tr>
<td>Corpus</td>
<td>The assets put into the trust.</td>
</tr>
<tr>
<td>Beneficiary</td>
<td>Person designated as the recipient of income from a trust.</td>
</tr>
<tr>
<td>Remainderman (Remainder Beneficiary)</td>
<td>Persons named in trust who are to receive the corpus upon termination of the trust agreement.</td>
</tr>
</tbody>
</table>
3. Why would I need a trust?

http://moneycentral.msn.com/articles/retire/taxes/3111.asp

The idea behind a trust is simple: It's to **minimize** your estate taxes.

Avoid probate and transfer your assets immediately to your beneficiaries Have you assets managed by others while

- You receive the a regular income from the trust
- Provide income for a surviving spouse or beneficiary
- Ensure that your property serves a desired purpose after your death
4. If I decide I need a trust, what type of trust should I choose?

Trusts fall into two broad categories:
- **living** (established while you are living) and **testamentary** (established upon death).

- **Living Trust**
  - A revocable trust is subject to change, amendment, modification, or cancellation.
  - An irrevocable trust is not subject to any modification by the grantor during his/her lifetime.

- The testamentary trust becomes effective upon the death of the grantor according to what is written in the grantor’s will.


The ultimate decision on whether you need a trust should be decided in consultation with an attorney.
5. Are there any tax advantages with trusts for estate planning?

A revocable trust can be changed or even dissolved by you at any time.

An irrevocable trust, however, can never be changed. The assets you put into it must stay there. Beneficiaries cannot be added or deleted. And the only way to change the trustee is for that person to die or agree to resign.
Why, then, choose to make your trust irrevocable? For tax advantages. An irrevocable trust or the beneficiary of the trust pays the income taxes on what its assets earn. When you die, the trust property is not part of your estate and will not be subject to death taxes.

Conversely, revocable trusts offer no tax benefits at all. If you want lots of flexibility, make your trust revocable. But if you want tax breaks, you must forgo flexibility and form an irrevocable trust instead. -- Kenneth J. Strauss

http://moneycentral.msn.com/quickref/quickref.asp?Cat=6&SelCat=6&RefType=0&QAMode=1&QID=278&Topic=8&Sub=6
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<tr>
<th><strong>Type of trust</strong></th>
<th><strong>Who should consider it</strong></th>
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<tbody>
<tr>
<td>Living</td>
<td>Someone who wants to avoid probate costs and delays; wants to keep the details of estate secret; and wants to guard against challenges to estate plan.</td>
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<tr>
<td>Qualified Personal Residence</td>
<td>Someone who owns an expensive home and/or vacation home; wants to reduce estate taxes, doesn't need to use up home equity to live on; and wants to give the home to heirs.</td>
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<td>Charitable</td>
<td>A charitably minded person with an estate valued at more than $650,000, but who wants assets until death.</td>
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<td>Life Insurance</td>
<td>Someone with a large insurance policy who is sure about beneficiaries and wants the policy's assets out of the estate calculations.</td>
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<td>MUTUAL FUNDS</td>
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Thank You for your attention and patience.

We at UNF hope that you will remember us whenever you have questions. I hope tonight has been both an enjoyable and informative evening.

Cheryl Frohlich