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Florida | Canandaigua National Trust Company

WEALTH OF KNOWLEDGE

NEWSLETTER COVERING THE WEALTH CONTINUUM

Women and Estate Planning Basics

Women have unique concerns when it comes to estate planning. On average, women live 5.7 years longer than men.* This means there is a greater chance that you need your assets to last for a longer period of time; there is a greater need to plan for incapacity; and, you need to take responsibility for your own estate plan.

What is an estate plan?

An estate plan is a map that captures the way you want your personal and financial affairs to be handled in case of your incapacity or death.

Planning for incapacity

What would happen if you were unable to make decisions or conduct your affairs? Failing to plan may mean a court would appoint a guardian, and the guardian might make decisions that would be different from what you would have wanted.

Health-care directives can help others make sound decisions about your health when you are unable to. There are also tools that help others manage your property when you are unable to, including a durable power of attorney and joint ownership.

Wills and probate

A will is a legal document that directs how your property is to be distributed when you die. You name an executor to carry out your wishes as specified in the will.

Most wills have to be probated. The will is filed with the probate court. The executor collects assets, pays debts and taxes owed, and distributes any remaining property to the named beneficiaries.

For most estates, there is little reason for avoiding probate, as the actual time and costs involved are modest. There are several benefits to probate - because the court supervises the process, you have some assurance that your wishes will be abided by, and probate offers some protection against creditors.

There are a number of reasons for avoiding probate as well. For complex estates, probate can take up to two or more years to complete, and wills and other documents submitted for probate become part of the public record, which may be undesirable if you have privacy concerns.

Probate may be avoided by owning property jointly with rights of survivorship; by completing beneficiary designations for property such as IRAs and retirement plans; by putting property in an inter vivos trust; and, by making lifetime gifts.

What happens if you die without a will or an estate plan?

Whether or not you have a will, some property passes automatically to a joint owner or to a designated beneficiary. Property that does not pass by beneficiary designation, joint ownership, will, or trust passes according to state intestacy laws. These laws vary from state to state and they specify how property will pass.

Trust basics

A trust is an estate planning tool that can protect against incapacity; avoid probate; minimize taxes; allow professional management of assets; provide safeguards for minor children, and other beneficiaries; and protect assets from future creditors. Most importantly, trusts can provide a means to administer property on an ongoing basis according to your wishes, even after your death.

A trust is a legal entity where someone, known as the grantor, arranges with another person, known as the trustee, to hold property for the benefit of a third party, known as the beneficiary. The grantor names the beneficiary and trustee, and establishes the rules the trustee must follow in a document called a trust agreement. With a trust, you can provide various interests to different beneficiaries. For example, you might provide income to your children for life, with the remainder going to your grandchildren.

You can create a trust while you are alive (a living or inter vivos trust) or at your death (a testamentary trust). A trust you create during your life can be either revocable or irrevocable. You retain the right to change or revoke a revocable trust. An irrevocable trust cannot be changed or revoked.

Transfer taxes

When you dispose of your property during your lifetime or at your death, your transfers may be subject to federal gift tax, federal estate tax, and federal generation-skipping transfer (GST) tax. Your transfers may also be subject to state taxes.

Lifetime giving

Making gifts during one's life is a common estate planning strategy that can serve to avoid probate and held reduce transfer taxes. Take advantage of the annual gift tax exclusion, which lets you give up to $16,000 (in 2022) to as many individuals as you want free of gift tax.

As always, we encourage you to reach out to your advisor with any questions or concerns you may have about estate planning.

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*NCHS Data Brief, No. 427, December 2021.

Sending Your Child to College

Sending a child to college is at the top of the wish list for many parents. A college education can open doors to many opportunities and help your child compete in today's competitive job market. But, the cost of college has risen exponentially over the years and getting started on saving can be a daunting task.

College costs

For the 2021-2022 school year, the average annual cost is: $27,330 for a four-year public college (in-state student), $44,150 for a four-year public college (out-of-state student), and $55,800 for a four-year private college. Total figures include tuition and fees, room and board, books, transportation, and personal expenses. Costs for the most selective private colleges are substantially higher. *(Source: College Board, Trends in College Pricing and Student Aid 2021)*

It's likely that costs will continue to rise, but by how much? Annual increases in the range of 3% to 5% would be in keeping with historical trends, but it is not possible to predict if those trends will continue. Therefore, it is important to start planning as early as possible to have adequate time to accumulate the funds required.

How will I pay for it?

Year after year, thousands of students graduate from college. So how do they do it? Many parents are unable to save 100% of their child's education costs before their kids are ready for college. In many cases, they put aside enough money to make a down payment on the college bill (in the same way you might purchase a home). Then, at college time, parents supplement this down payment with:

- Current income
- Federal and college student-based financial aid (e.g., student loans, grants, scholarships, work-study)
- Investments (e.g., 529 plan, mutual funds)
- Child's savings and/or earnings from a part-time job
- Federal Parent PLUS Loan
- Home equity loan or other private loan
- Gifts from grandparents or other family members

How much should I save?

You'll want to save as much money as you can in your child's college fund and a 529 plan is a popular and flexible option to use. The more money you set aside now, the less you or your child will need to borrow later. Start by estimating your child's costs for four years of college. Then use a financial calculator to determine how much money you'll need to put aside each month or year to meet your goal. In many cases, the amount of money you set aside really comes down to how much you can afford to save. You'll need to take a detailed look at your finances, as every family's situation is different.

Start saving as early as possible

Perhaps the most difficult time to start a college savings program is when your child is young. New parents face many financial demands that always seem to take over — the possible loss of one income, child-related spending, the competing need to save for a house or car, or the demands of your own student loans. Yet this is the time when you should start saving.

When your child is young, you have time to select investments that have the potential to outpace college cost increases (though investments that offer higher potential returns may involve greater risk of loss).

You'll also benefit from compounding, which is the process of earning additional returns on the interest and/or capital gains that you reinvest along the way. With regular investments spread over many years, you may be surprised at how much you might be able to accumulate in your college fund.

Don't worry if you can't save hundreds of dollars every month right from the beginning. Start with a small amount and add to it whenever you can. If it seems overwhelming to start the process, a professional advisor (such as a CERTIFIED FINANCIAL PLANNER™ Professional) can assist you in setting goals and staying on track. Please reach out to us if you need assistance getting started and we will be happy to help.

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Canandaigua National Corporation

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