

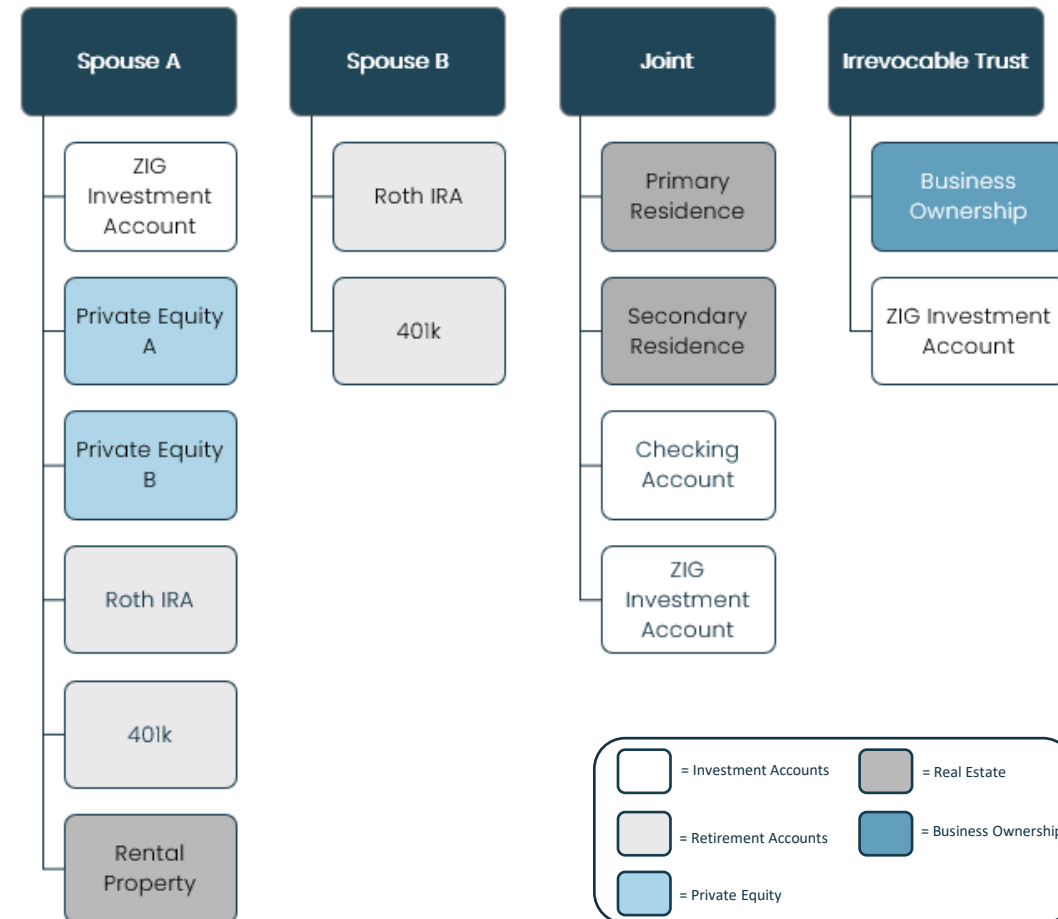
Family Tree of Accounts



The first step in estate planning is to locate and identify your assets.

Ask yourself the following questions:

- Where are my assets held?
- What are the dollar amounts?
- How are they titled?
- Who are the trustees?
- How do my trusts work?



Personal Financial Statement

| | In Estate | Out of Estate | Total |
|--------------------------------|-----------|---------------|-------|
| Investment Assets | | | |
| Checking Account | - | - | - |
| Revocable Trust | - | - | - |
| Irrevocable Trust | - | - | - |
| Traditional IRA | - | - | - |
| Roth IRA | - | - | - |
| 401(k) Plan | - | - | - |
| 529 Plan | - | - | - |
| Total Investment Assets | \$ - | \$ - | \$ - |
| Other Assets | | | |
| Business Ownership Interest | - | - | - |
| Private Investments | - | - | - |
| Artwork | - | - | - |
| Total Other Assets | \$ - | \$ - | \$ - |
| Real Estate | | | |
| Real Estate | - | - | - |
| Mortgage | (-) | (-) | (-) |
| Total Real Estate | \$ - | \$ - | \$ - |
| NET WORTH | \$ - | \$ - | \$ - |

Long-Term Goals & Planning Assumptions

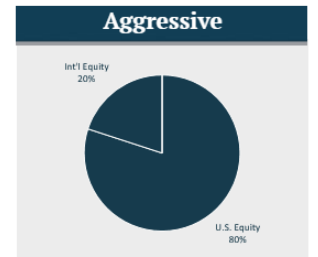
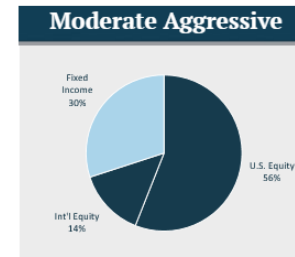
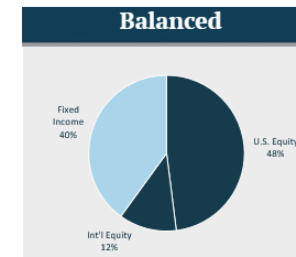
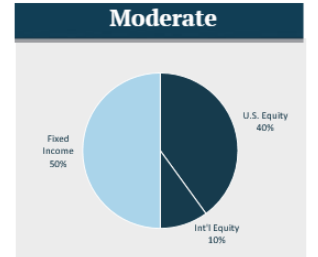
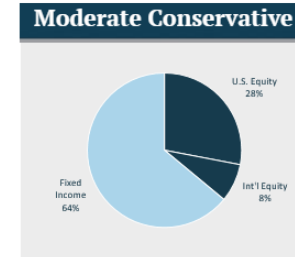
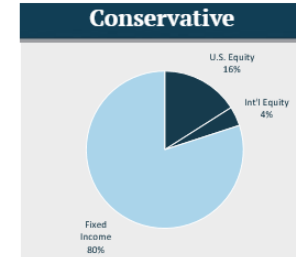
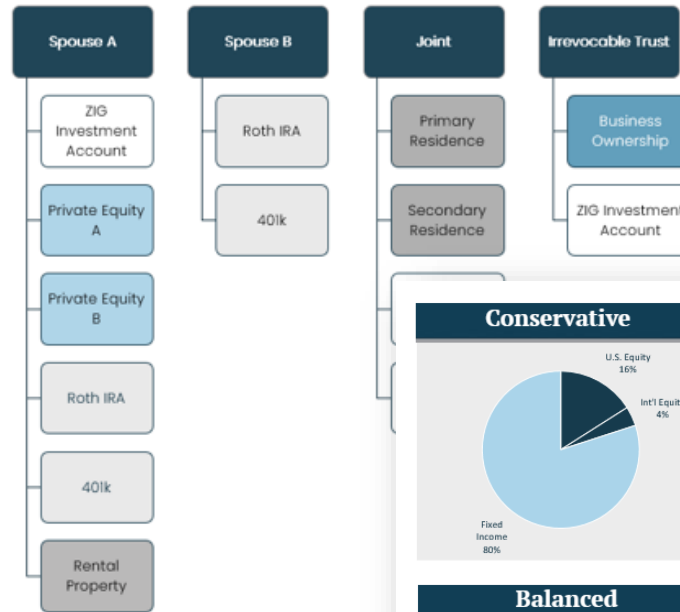
| | |
|------------------------------------|---|
| Annual Spending Goal (excl. taxes) | - |
| Net Worth Goal | - |
| Current Annual Savings | - |
| Retirement Age Taxpayer | - |
| Retirement Age Spouse | - |
| Risk Tolerance | - |

Estate Plan

Document
 Last Will and Testament
 Revocable Trust
 Power of Attorney - Property
 Power of Attorney - Healthcare
 Beneficiaries

Advisors

Financial Advisor
 Estate Planning Attorney
 Accountant
 Insurance Broker



Financial Overview



The second step in estate planning is to fill out your personal balance sheet with all known information.

Ask yourself the following questions:

- What are the amounts of my assets?
- Are my assets In or out of my estate?
- What are my long-term goals?
- When were my documents last updated?
- Who are my current advisors?

| Personal Financial Statement | | | |
|--------------------------------|-------------|---------------|-------------|
| | In Estate | Out of Estate | Total |
| Investment Assets | | | |
| Checking Account | - | - | - |
| Revocable Trust | - | - | - |
| Irrevocable Trust | - | - | - |
| Traditional IRA | - | - | - |
| Roth IRA | - | - | - |
| 401(k) Plan | - | - | - |
| 529 Plan | - | - | - |
| <i>Total Investment Assets</i> | \$ - | \$ - | \$ - |
| Other Assets | | | |
| Business Ownership Interest | - | - | - |
| Private Investments | - | - | - |
| Artwork | - | - | - |
| <i>Total Other Assets</i> | \$ - | \$ - | \$ - |
| Real Estate | | | |
| Real Estate | - | - | - |
| Mortgage | (-) | (-) | (-) |
| <i>Total Real Estate</i> | \$ - | \$ - | \$ - |
| NET WORTH | \$ - | \$ - | \$ - |

| Long-Term Goals & Planning Assumptions | |
|--|---|
| Annual Spending Goal (excl. taxes) | - |
| Net Worth Goal | - |
| Current Annual Savings | - |
| Retirement Age Taxpayer | - |
| Retirement Age Spouse | - |
| Risk Tolerance | - |

| Estate Plan | |
|--------------------------------|-------------------|
| Document | Date Last Updated |
| Last Will and Testament | - |
| Revocable Trust | - |
| Power of Attorney - Property | - |
| Power of Attorney - Healthcare | - |
| Beneficiaries | - |

| Advisors | |
|--------------------------|---|
| Financial Advisor | - |
| Estate Planning Attorney | - |
| Accountant | - |
| Insurance Broker | - |

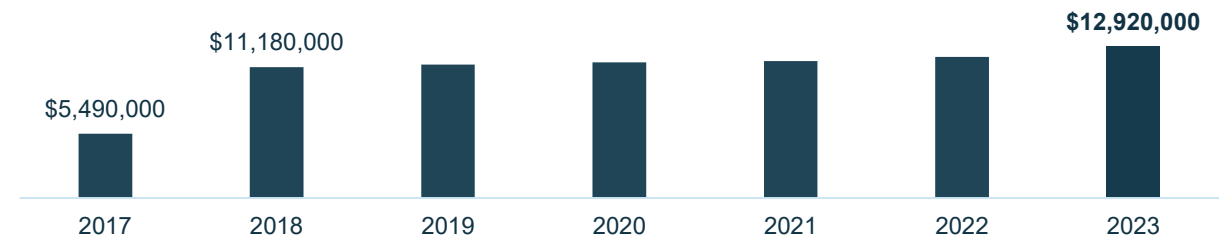
Estate Planning Updates



Federal Estate Planning Limits ¹

| | 2022 | 2023 |
|--|---------------|---------------|
| Estate Exclusion | \$ 12,060,000 | \$ 12,920,000 |
| Maximum Estate Tax Rate | 40% | 40% |
| Lifetime Gifting Exemption | \$ 12,060,000 | \$ 12,920,000 |
| Maximum Gift Tax Rate | 40% | 40% |
| Annual Exclusion Gift | \$ 16,000 | \$ 17,000 |
| Annual Gifting Limit to U.S. Citizen Spouse | Unlimited | Unlimited |
| Annual Gifting Limit to Non-U.S. Citizen Spouse ¹ | \$ 164,000 | \$ 175,000 |

Estate Exclusion & Lifetime Gift Tax Exemption ²
(2017-2023)



¹ Source: Forbes – “IRS Announces Estate And Gift Tax Exemption Amounts For 2023” (November 2022)

² Source: Evans Estate Law Resources – “Federal Estate and Gift Tax Rates and Exclusions”

Estate Planning Updates



Don't Forget Estate Tax at the State Level!²

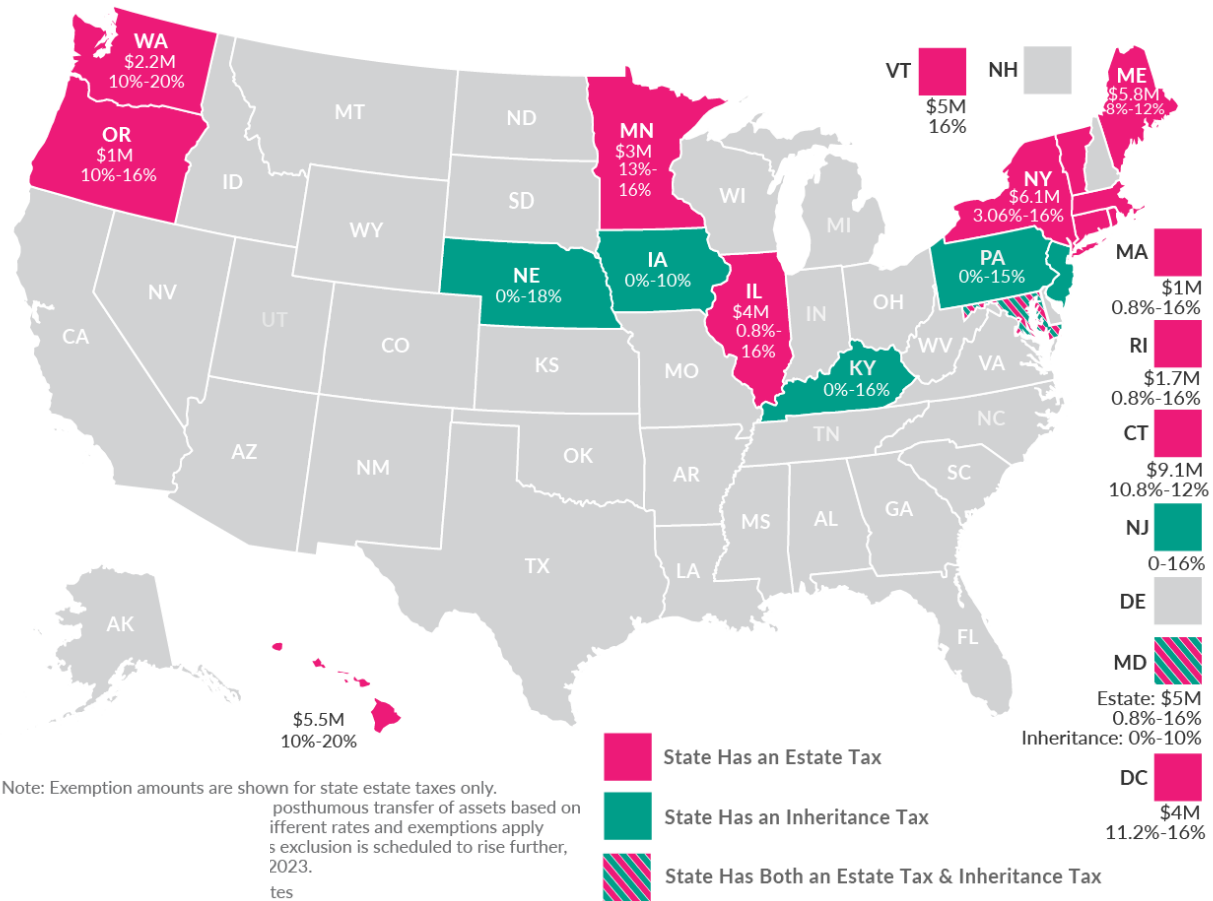
Many states have estate exclusions far below the federal level which may result in estate taxes at the state level.

Of the 12 states with an estate tax, only four states have an estate exemption above \$5 million:

- CT \$ 12.92 million (2023)
- HI \$ 5.49 million (2023)
- ME \$ 6.41 million (2023)
- NY \$ 6.58 million (2023)

Older estate plans should be reviewed to ensure trust provisions incorporate current federal and state estate tax limits.

State Estate & Inheritance Tax Rates & Exemptions in 2022



¹Source: Tax Foundation – “Does Your State Have an Estate or Inheritance Tax?” (June 2022)

²Source: The American College of Trust and Estate Counsel – “State Death Tax Chart” (January 2022)

Estate Planning

Level One (Must Haves)

Planning for and documenting the transfer of assets with minimized tax and transfer cost. Review upon life events (marriage, divorce, birth, adoption, etc.)

- A Will appoints guardians for your children and spells out specifically how you want your property split
- A Living Trust avoids probate, allows for privacy and designates how assets are to be divided upon your death
- A Healthcare Power of Attorney allows you to designate a Healthcare agent to make healthcare decisions in the event you are unable to make decisions for yourself
- A Financial / Property Power of Attorney allows you to designate an agent to make financial decisions in the event you are unable to make decisions for yourself
- Joint accounts transfer to a designated person upon death, it is important to review co-ownership provisions and the titling of accounts
- Some assets (such as IRAs, Life Insurance and Annuities) pass to your designated Beneficiaries. It is very important to periodically review beneficiary designations and coordinate with the overall estate plan

Level Two (Considerations)

Further enhance the direction of assets, minimize Estate Taxes or increase Asset Protection

- The Spousal Lifetime Access Trust (SLAT) has become a popular estate planning strategy to take advantage of current lifetime gift tax exemptions (\$12.92 million each)
- Grantor Retained Annuity Trusts (GRAT) seek to pass assets to beneficiaries free of estate and gift tax that have appreciated over the IRS Section 7520 interest rate
- Explore Charitable Trust, Donor-Advised Fund and Foundation Options
- Since Life Insurance is not necessarily estate tax-free, consider establishing an Irrevocable Life Insurance Trust
- A Qualified Personal Residence Trust (QPRT) is a popular planning strategy which allows the donor to 'freeze' the value of the residence with the intent of future estate tax savings
- Intra-Family Loans can provide family members with lower borrowing rates than traditional financing options
- Special Needs Trusts ensure the proper passing of assets to ensure beneficiaries with special needs are not disqualified from entitled benefits

Level Three (Advanced)

For Complex Estate Tax Issues or Liability Concerns

- Domestic and Offshore Asset Protection Trusts offer those in high liability fields of work and those with high estate tax brackets options to reduce liability
- Self-Cancelling Notes allow the exchange of property for periodic payments based upon mortality
- Family Limited Partnerships and Family LLCs provide legal, financial, and tax structure to family businesses

Grantor Retained Annuity Trust (GRAT)



| | Notes & Logistics |
|------------------------------|--|
| Trust Funding | <ul style="list-style-type: none"> Grantor executes a legal document specifying the trust provisions and the term of the trust Grantor funds the trust ('GRAT') with cash and/or securities |
| During the Trust Term | <ul style="list-style-type: none"> The GRAT pays out an annuity to the grantor over the trust's specified term Portfolio income generated during the term of the trust flows back to the grantor |
| End of the Trust | <ul style="list-style-type: none"> If the GRAT outperforms the 'hurdle rate' (IRS Section 7520 rate), the GRAT will have remaining assets that will pass estate tax-free to the named beneficiaries |
| Additional Notes | <ul style="list-style-type: none"> The value of the gift at funding (if any) = fair market value of contributed assets less the actuarial present value of the annuity, as determined by the IRS Section 7520 rate (often referred to as the 'hurdle rate') Grantor may create a 'zeroed-out GRAT' whereby the fair market value of assets contributed to the trust matches the actuarial present value of the annuity If the grantor dies during the term of the GRAT, the GRAT assets revert back to the grantor's estate and would potentially be subject to estate tax 7520 rate = 4.6% as of January 2023; for perspective, 7520 rate stood at 1.6% as of January 2022.¹ |

¹ Source: Brentmark – Section 7520 Rates

Spousal Lifetime Access Trust (SLAT)

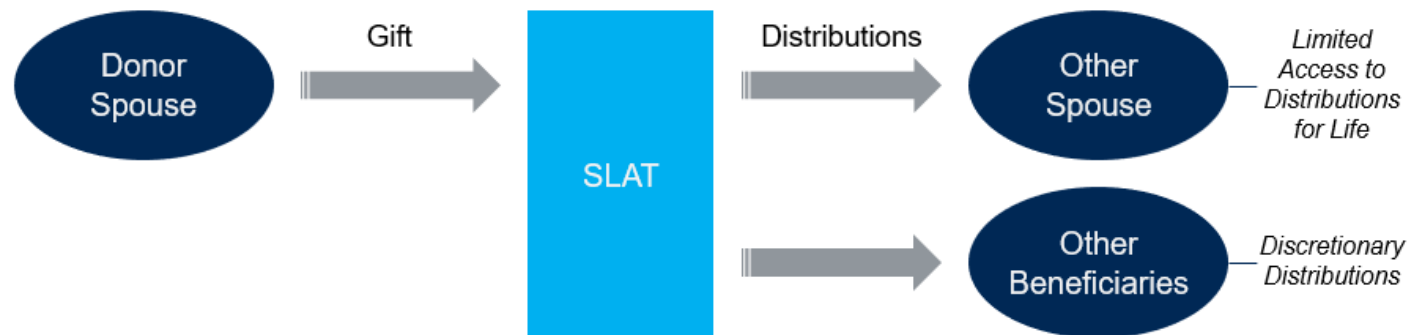


Individuals with assets in excess of the estate exclusion (currently \$12.92 million per person) might consider this strategy as an opportunity to further utilize the currently elevated lifetime gift tax exemption.

A Spousal Lifetime Access Trust (SLAT) is an irrevocable trust created by one spouse which provides *limited* discretionary access to the other spouse for their lifetime and potentially discretionary access to the trust for children, grandchildren and future generations, depending on the provisions of the trust.

Upon funding, the donor spouse may use lifetime gift and generation-skipping tax exemption.

By funding and naming a spouse as a lifetime beneficiary, the donor spouse theoretically retains indirect access to trust assets. While the primary goal of the trust is to maximize the lifetime gift tax exemption, the ability to access funds by the beneficiary spouse – should the need arise – is an attractive feature.



Changing Interest Rate Environments



Interest rates can play an important role in determining the success of some estate planning strategies.

The IRS publishes two rates monthly: the Applicable Federal Rate (AFR), which is used to determine the minimum interest rate for lending strategies, and the Section 7520 rate, which is used to calculate the actuarial present value of annuities, life estates and remainders. Over the past year, such rates have risen considerably, but the rise in the 7520 rate may redirect the use of some planning techniques.

| | Short-Term AFR | Mid-Term AFR | Long-Term AFR | Section 7520 Rate |
|---------------|-------------------|-----------------|------------------|----------------------|
| January 2023 | 4.41% | 3.78% | 3.77% | 4.60% |
| December 2022 | 4.46% | 4.19% | 4.25% | 5.20% |
| June 2022 | 2.19% | 2.89% | 3.07% | 3.60% |
| December 2021 | 0.33% | 1.26% | 1.88% | 1.60% |

A split interest trust is an irrevocable trust which provides a benefit to a current beneficiary for a specified term (period of years or life expectancy) with the remainder passing to a different beneficiary. Depending on the strategy employed, the goal may be to maximize either the retained benefit or the remainder interest, for which changes in interest rates can have a notable impact on achieving the desired outcome.

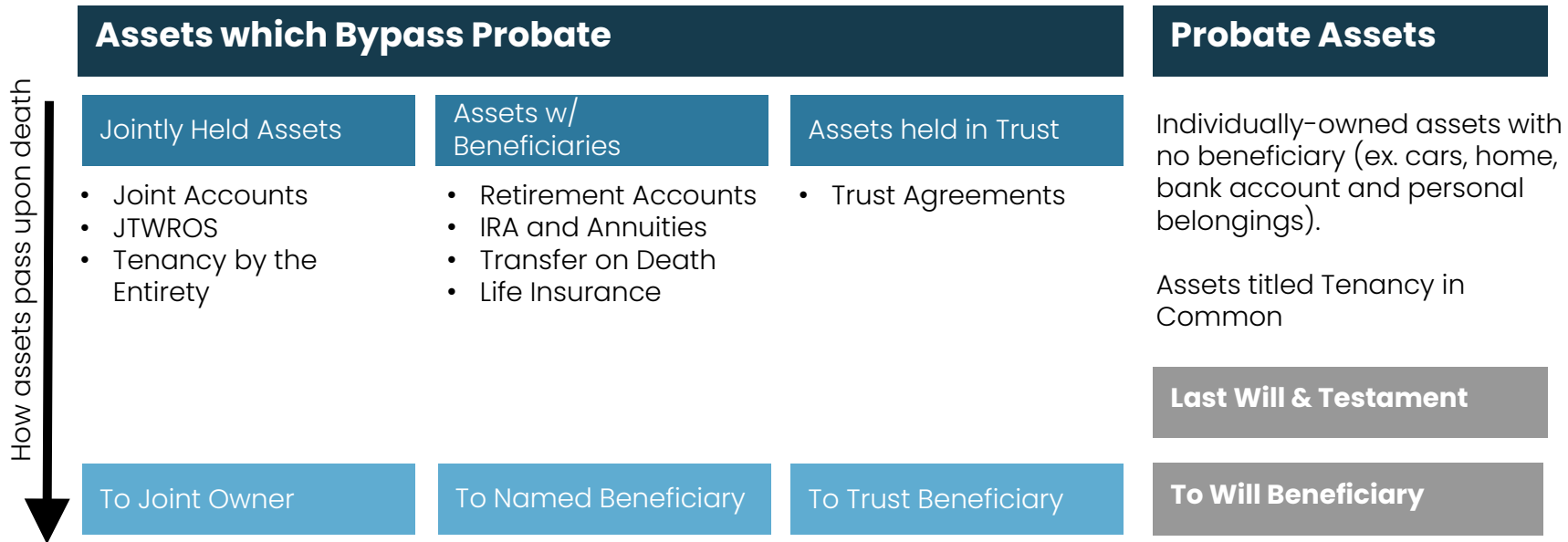
| Beneficial Strategies for Lower Interest Rates <i>(Maximize the Remainder Interest)</i> | Beneficial Strategies for Higher Interest Rates <i>(Maximize the Retained Interest)</i> |
|---|---|
| Grantor-Retained Annuity Trust (GRAT) | Qualified Personal Residence Trust (QPRT) |
| Installment Sale to Intentionally Defective Grantor Trust | Charitable Remainder Trust (CRT) |
| Charitable Lead Trust (CLT) | |
| Intra-Family Loans | |

How Assets Pass Upon Death



Probate vs. Non-Probate Assets

Probate is a public-court process that helps settle legal and financial matters upon death according to a will, if written. Court costs, length of time, the lack of privacy and family disagreements are all potential issues that may arise within the probate process. With proper estate planning, you can limit the amount of assets that pass through probate.



Digital Assets. Nearly all 50 states have passed a version of the Uniform Law Commission's Fiduciary Access to Digital Assets Act, Revised that legally allows for an executor, trustee, etc. to access a deceased's digital accounts. Consider discussing your digital estate with your attorney and the potential need to share online access information with your executor.

How Assets Pass Upon Divorce



Marital vs. Separate Property

Estate planning is not divorce planning. Without a pre- or post-nuptial agreement, marital assets may be subject to equitable division in a divorce proceeding.

Effective for divorces finalized after January 1, 2019, alimony payments will no longer be tax-deductible by the paying spouse and will not be added to the taxable income of the receiving spouse.

How assets pass upon divorce

| Marital Property | Separate Property |
|--|---|
| Property Earned or Acquired During Marriage | Property Acquired Before Marriage |
| Any property, real or personal, the couple earns or acquires during the course of the marriage, <u>regardless of title or who paid for it.</u> | Any property, real or personal, acquired prior to the marriage, also including specific instances of property acquired during the course of the marriage by one spouse. |
| Typical examples include: <ul style="list-style-type: none"> • Retirement and Investment Accounts • Pensions • Homes and Vacation Homes | Typical examples include: <ul style="list-style-type: none"> • Inheritances • Gifts • Any property owned prior to marriage |
| Subject to Equitable Division | Not Subject to Equitable Division (with exceptions) |



Tainting of Assets: *Separate assets may be tainted during the course of a marriage and may be treated as marital assets in a divorce proceeding. For example, if a spouse deposits a personal inheritance into a joint account or uses income from an inheritance to support the couple's lifestyle, this separate asset may be treated as a marital asset.*



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