Planning Your Estate
Taking Control of Your Legacy

Although many may think "estate strategies" are only for the wealthy, the fact is that estate strategies are for everyone. They're also about much more than money – they're about control. Think about the things that are most important to you: your family, your children, your charities, your business. A properly planned estate strategy gives you control over how to provide for these, both financially and personally, once you are no longer able to do so yourself.

Edward Jones®
MAKING SENSE OF INVESTING

Planning Your Estate

Now is the time to develop a strategy that puts you in control of your legacy. A properly designed strategy for your legacy includes three major parts:

Plan for the Expected

Whose Strategy Do You Want – Yours or the State's?

If you've never taken the time to develop an estate strategy, you have a "strategy" in place – the laws of your state – which may not align with your desires. Each state has statutes dictating where assets will be passed after a person's death, how to handle the decisions of an incapacitated person, and how the court will select a person in charge of these decisions. Even considering this, a majority of Americans do not have a will or other formal estate strategy, leaving control of their minor children and their assets to the state law and the courts.[1]

Without a proactive estate strategy, decisions about the care of your children, your assets and your health care will be controlled by state law and the courts.

It's about Control

Ultimately, developing an estate strategy is not merely about wealth. It's about putting you in control of your legacy, ensuring the items most important to you are cared for as you intend. Additionally, having a strategy can help ensure your wishes are followed in an orderly and structured manner, reducing potential delays and conflicts that could arise among your beneficiaries.

Understanding Trade-offs

Estate planning often will require you to prioritize your goals and make some trade-offs. For example, there is often a trade-off between simplicity of the strategy and the level of control. Transfer on Death agreements (TODs) and beneficiary designations are often simpler to implement but offer little control over taxes and/or the beneficiary's use of funds. If you want more control over these items, trusts may provide more options. However, these options may bring additional cost and complexity, and your decisions could even become irrevocable, depending on the strategy. It's important to discuss all of these considerations with an estate-planning attorney.

Getting Started: Where Are You Today?

To get started, it's important to review your current situation, including:

- ✔ Assets, liabilities and net worth, including ownership, titling and beneficiary information
- ✔ Income needs and sources of income
- ✔ Previously drafted estate-planning documents (e.g., wills, trusts, powers of attorney, etc.)

By outlining the above items, you'll identify:

- ✔ Assets needed for retirement and/or other goals versus those designated for estate purposes, including their tax treatment, titling and current beneficiaries
- ✔ Flexibility in your budget to pursue your estate goals while still providing for your current needs
- ✔ Current status of your estate strategy

Engaging a Fee-based Trust Company

Strict federal and state laws govern trust implementation, requiring trustees to perform certain duties with regard to investments, administration, communication, accounting and confidentiality. Some clients may want to delegate these legal responsibilities to an outside entity, such as a fee-based trust company, rather than maintain them or pass them along to a family member. Some services provided by these firms may include special asset management, withdrawal analysis and investment planning. Edward Jones Trust Company provides professional trust services, including serving as trustee or co-trustee, successor trustee or managing agent.

Prepare for the Unexpected

While your goal is to address important financial issues in your "Plan for the Expected," there is always the possibility that unexpected items could derail your estate strategy.

You can't predict tax law or family situation changes, but regular reviews with your professional team can help ensure your strategy keeps up.

This table highlights some of the unexpected events that could affect your strategy and considerations to address them.

	Potential Events	Potential Impacts to Financial Goals	Potential Considerations
Tax/Regulatory Changes	**Changes in income or estate taxes or estate laws**	Size of after-tax estate affected Current strategies potentially ineffective	Review spending, gifting and estate goals with professional team at least every three to five years or upon tax/regulation changes.
Life Changes	**Birth, death, marriage or divorce affecting you or your beneficiaries**	Inconsistencies in documents (e.g., incorrect/out-of-date beneficiary designations) Assets may be received by/benefit unintended individuals (e.g., in-laws, ex-spouses) Current strategies potentially ineffective	Review and update estate strategy upon any change in family status. Periodically review and update beneficiary designations, life insurance and account/asset titling to ensure alignment – especially after a life event.
Life Changes	**Prolonged illness**	Assets targeted for retirement and/or estate used for health care instead	Long-term care insurance/life insurance with long-term care accelerated death benefit rider
Life Changes	**Incapacity**	Inability to manage financial affairs	Review legal documents (e.g., living trust, power of attorney) at least every three to five years to ensure appropriateness.
Life Changes	**Wealth changes**	Strategy rendered ineffective by large increases or decreases in wealth	Review spending, investment and estate strategies upon change in wealth.
Life Changes	**Changing jurisdictions (e.g., moving to a new state)**	Strategies designed for one state's laws not appropriate when moving to another state	Review and update estate strategy when moving to a different state.
Life Changes	**Issues with control person**	Person identified to handle your estate becomes unable or unwilling to handle this responsibility	Consider multiple successors or an institutional control person (such as Edward Jones Trust Company).

Inconsistency among Strategies and Documents

A problem that can derail an estate strategy is inconsistency among strategies and documents. This can occur, for example, when legal documents and/or beneficiary designations are not updated to reflect a life event (e.g., marriage, birth, etc.). This could also occur when people create trusts with the intention of titling certain assets into the trust, but then fail to do so. If these items are not updated or aligned, your wishes may not be followed as you intended. Ultimately, you should review your strategies and documents consistently with the appropriate members of your professional team to ensure they are aligned with your goals.

Position Your Portfolio for Both

The third part of your estate strategy is determining how to position your assets to help plan for the expected and prepare for the unexpected – which includes reviewing your portfolio regularly and adjusting, if needed, over time.

Financial Legacy Is the Primary Goal

If you wish to provide a specific amount or specific assets to your beneficiaries, you really have two distinct "pools" of assets: assets to be used for retirement and/or other goals, and assets designated for your financial legacy. Since these pools have different purposes, their investment allocation may be different as well. For example, assets designated for retirement may be more balanced between stocks and bonds, while assets designed for legacy may be more growth-oriented, depending on the investment time horizon of the legacy.

Financial Legacy Is a Secondary Goal

Some individuals may have retirement as a primary goal, with no specific amount in mind to leave as a legacy. In this case, asset allocation decisions should be driven by the retirement goal – i.e., spending goals and expected length of time in retirement. We generally recommend a balanced portfolio between stocks and bonds for clients early in retirement – but there are trade-offs, for both your retirement and the potential legacy, should you decide to allocate more funds to either stocks or bonds. These considerations should be discussed with your financial advisor.

Investment Considerations

Certain solutions may be recommended depending on your situation, including:

- "Earmarking" specific assets and separating them from those designated for other goals
- Life insurance with a death benefit matching your desired amount of legacy
- Long-term care insurance to help preserve "legacy assets" by providing cash flow if you develop a qualified medical need
- Annuities that could provide payments to a beneficiary for a period of time or for life

Nonfinancial assets, such as real estate, collectibles and other property, can also affect the allocation and strategy of your financial assets.

Taking Time to Stretch

The stretch feature of an IRA allows a non-spouse beneficiary to "stretch" distributions from an inherited IRA over his or her lifetime. This strategy could allow for more years of tax-deferred growth and enable beneficiaries to potentially receive a larger after-tax benefit depending on their age and tax situation.

Account Type and Spending Considerations

Your investment accounts can have different tax treatments, which can influence how you decide to structure your estate-planning strategies.

- The assets in taxable accounts generally receive a "step-up" in cost basis when they are passed to beneficiaries. Gifting them to charities could also remove a taxable gain from the estate.
- Qualified account balances and nonqualified tax-deferred annuities passing to designated beneficiaries are taxable when they take distributions. If the beneficiaries are charities, these assets may be excluded from estate taxes.
- Roth accounts, while included in the estate for tax purposes, could be very attractive, as distributions are generally considered tax free to beneficiaries.[2]

If you wish to leave a larger legacy and pay taxes during your lifetime, you may use more of your qualified assets during your life and leave other assets, such as Roth or taxable assets, for beneficiaries. Special rules also apply to spousal beneficiaries and vary by state. It's important to talk about this with your qualified tax professional.

Outlining Your Goals

Consider the following question: What would you like to happen – to you, your spouse, your children and your assets – once you are no longer able to make decisions for yourself, due to either incapacity or death? For example, one of your biggest considerations may be ensuring you have the strategies in place to provide for your surviving spouse.

Since we all have different goals, there is no "one size fits all" estate strategy. That said, most estate objectives can be categorized into five overarching objectives, as outlined in the table below. The first four items are important regardless of net worth, and while all of us would prefer to have more control over our taxes, tax control typically becomes more relevant for individuals with taxable estates. **Importantly, while the objectives may be similar, every plan will need to be customized by your estate-planning attorney and qualified tax advisor.**

	Objective	Category	Common Legal Documents and Strategies
Considerations for All Individuals	**Controlling the movement of wealth to beneficiaries either during life or at death**	Asset Transfer	• Will • Transfer on Death (TOD)/Payable on Death • Beneficiary designations • Trusts • Life Insurance • Outright gifting (cash or assets)
	Naming someone to make financial and medical decisions if you are unable to do so	Incapacity Protection	• Power of attorney (financial) • Health care directive/power of attorney • Living will • Trusts
	Providing for minor children or dependents if you are unable to do so	Guardian and Financial Support for Minor Children or Dependents	• Will • Life insurance • Trusts
	Moving wealth to charitable organizations both during life and at death	Charitable Intent	• Outright gifting (cash or assets) • Direct beneficiary designation to charity • Charitable Lead/Remainder Trust • Donor-advised funds • Foundation
Individuals with a Taxable Estate	**Managing income and estate taxes in an efficient manner**	Tax Control	• Outright gifting (cash or assets) • Trusts (e.g., credit shelter, A/B, family trust) • Insurance planning (e.g., ILIT, life insurance) • Advanced trust planning (e.g., GRATS)

This table is for informational and educational purposes only, and should not be interpreted as legal advice. Edward Jones does not provide legal advice. You should consult with your estate-planning attorney regarding your situation.

Individuals with Complex Situations

Some individuals, such as those listed below, will have more complex situations, with the potential solutions rising in complexity as well. It's important to work with your estate attorney and tax professional, in addition to your financial advisor, to determine which options may be most appropriate.

Individuals with Potentially Larger Estates

While the objectives may be similar (providing for their families, incapacity protection, charitable intent), relying strictly on strategies such as TOD and beneficiary designations may be insufficient, and strategies to help control taxes often become important. Living trust planning, lifetime gifting and/or irrevocable life insurance trusts may provide the ability to take better advantage of estate tax exemptions and/or minimize the portion of the estate subject to estate taxes.

Business Owners

Unfortunately, many family-owned and privately owned businesses fail following the death of the owner, typically because there is no succession plan. Importantly, how, and to whom, the business is transferred can affect retirement spending and legacy strategies. Business owners also face additional issues, such as the death of a key person, business liability and liquidity issues.

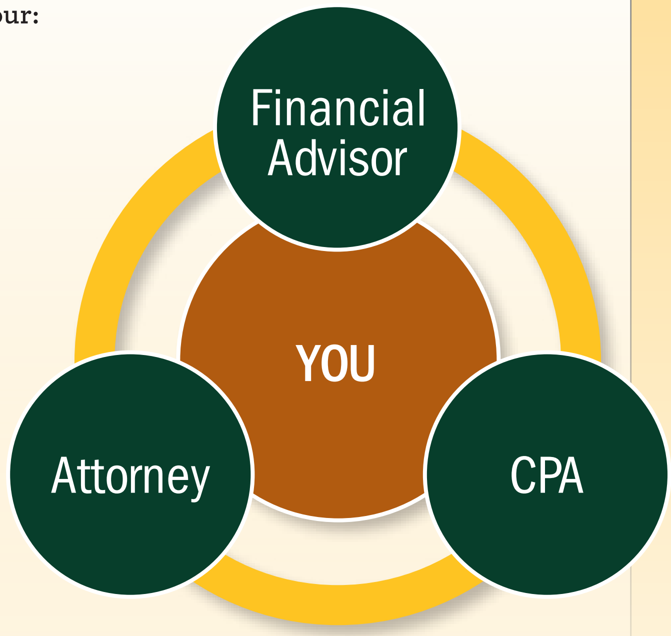
A Team Approach

Edward Jones does not provide estate planning or tax advice, so it's important to have a team of professionals, including your:

- Edward Jones financial advisor
- Estate attorney
- CPA/tax professional

Each team member has a different area of expertise. For example, your Edward Jones financial advisor can:

- Help you identify and prioritize your overarching financial legacy goals
- Consider how these goals align with other financial goals, such as living comfortably in retirement, ensuring your surviving spouse can maintain his or her lifestyle should you pass away, or providing for your children's/grandchildren's education
- Provide investment, portfolio allocation and insurance advice to develop a comprehensive financial strategy



Your attorney drafts legal documents for specific estate strategies based on these goals, while your tax professional determines the tax implications of these strategies.

Having a Family Meeting

Often, having a "family meeting" about your estate strategy can help you achieve your legacy goals, generally preparing your beneficiaries for future inheritances and responsibilities (or lack thereof). A general discussion of strategies and expectations is a personal decision; you are certainly not obligated to share your strategy, as every family situation is unique. However, it is important to consider if and when to involve those affected by your estate strategy in broader discussions with your estate-planning attorney as well as your financial advisor and qualified tax professional.

Perhaps the Most Important Part – The Review

One thing you can count on is change, be it regulatory or personal. Consequently, it's paramount to periodically sit down with the appropriate member of your professional team to review your estate strategy, including:

- Legal documents
- Life changes
- Investment strategy
- Beneficiary designations

Taking the time to review your plan can better ensure your strategy remains aligned with your goals, keeping you in control of your legacy.

[1] "Survey Reveals Drop in Estate Planning," www.lawyers.com, February 25, 2010.

[2] Earnings distributions from a Roth IRA may be subject to taxes and a 10% penalty if the account is less than five years old and/or the owner is under age 59½.

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