

## **ESTATE AND FINANCIAL PLANNING DISCUSSION**

**Presented by Philip Fish, CFP® and Estate Planning Specialist  
Vice President. Sandy Spring Trust**

A comprehensive plan will encompass the four disciplines of law, tax, finance and health care over the course of your life:

1. Working years
2. Retirement years
3. Incapacity / Periods of illness
4. Death of a Loved One / Transferring your Estate
5. Legacy—Protecting your Loved Ones

### **TEN CORE ESTATE AND FINANCIAL PLANNING PRINCIPLES:**

1. Establishing your Estate Plan:
  - a. Will
  - b. Financial Power of Attorney
  - c. Medical Advance Directive
  - d. Revocable Living Trust
2. Selection of your Decision Makers:
  - a. Spouse, Partner, Significant Other
  - b. Brother, Sister
  - c. Children
  - d. Nephews, Nieces, Cousins, Friends
  - e. Sandy Spring Trust
3. Preparation of your Decision Makers:
  - a. Location and Access to Original Legal Documents
  - b. Location and Access to Financial Accounts
  - c. Contact Points: Attorney, Accountant, Financial Advisors, Doctors, etc.
  - d. Access to Online Accounts
  - e. Knowing Your Wishes – Financial and Medical
4. Titling of Accounts:
  - a. Individual and Joint Ownership
  - b. Beneficiary Accounts: Life Insurance, IRAs, POD, TOD
  - c. Trust Accounts
  - d. Business Accounts

Sandy Spring Trust can be named within your legal documents as a Trustee within your Trust and a Personal Representative within your Will. We can also be named as a backup Trustee and Personal Representative to a family member or friend and as a support system to individuals named in these challenging roles. If you have questions on our Estate Planning services, please contact Phil Fish at 301 785-4112 or via email at [pfish@sandyspringtrust.com](mailto:pfish@sandyspringtrust.com).

5. Managing Assets in Today's Environment:
  - a. Low Interest Rates
  - b. The Security and Risk of a Safe Harbor - Cash
  - c. The S&P 500 Index – 70% of its Return is from 20% of the Stocks.
  - d. Looking Inside an Index – Sectors, Sub-Sectors, Individual Positions
  - e. Commissioned Products – Please Use Caution
  
6. Managing Assets under Fiduciary Standards:
  - a. Investment Policy Statements
  - b. Asset Allocation: Cash, Bonds, Stocks
  - c. Ways to Invest: Individual Securities, Mutual Funds, Exchange Traded Funds
  - d. Passive vs. Active Management
  - e. Hiring a Navigator to Guide You – Fiduciary Standards
  - f. How Does Sandy Spring Trust Manage Assets?
  
7. Providing Support to Future Decision Makers:
  - a. Legal
  - b. Tax
  - c. Finance
  - d. Health Care
  - e. Time
  
8. Incapacity Planning: Protecting a Loved One During an Illness
  - a. Passwords and Checkbooks
  - b. Health Care Decisions
  - c. Managing Assets during an Illness
  - d. Tax Considerations
  - e. Balancing the Clients Independence vs. Protection
  - f. Stress on Family and Friends
  
9. Estate Settlement: How do Assets Transfer?
  - a. Joint Ownership
  - b. Beneficiary Designations
  - c. Trust Assets
  - d. Will
  
10. The Use of Trusts to Protect Loved Ones:
  - a. Young Beneficiaries
  - b. Individuals with a Physical or Mental Incapacity.
  - c. Individuals Challenged by an Addiction or Easily Influenced by Others
  - d. Concerns about Divorce and Wishing to Protect Assets within the Family

Sandy Spring Trust manages assets under Federal Fiduciary Standards and can be retained to assist you in managing your investment and retirement savings. If you have questions, please contact Phil Fish at 301 785-4112 or via email at [pfish@sandyspringtrust.com](mailto:pfish@sandyspringtrust.com).

## ROLE OF THE FIDUCIARY DURING INCAPACITY

The Fiduciary (Agent under a Power of Attorney or Trustee) has responsibility for actions and decisions in the management of a client's affairs during a period of poor health. The commitment to the role can be immense, with significant time spent on legal work, financial management, bookkeeping, and more. It is not a role that one should assign or accept lightly.

If you are naming an individual to serve as a future Fiduciary of your affairs during an illness, or if someone has asked you to serve as an Agent or Trustee, consider the related responsibilities carefully. Do you or your prospective Fiduciary have the experience and expertise to manage the complexities of another person's affairs during a period of poor health? Review the role in its entirety, and consider whether you could benefit from the Fiduciary Services provided by Sandy Spring Trust.

The following is a representative, though not comprehensive, summary of what is expected of a Fiduciary during an illness. The complexity of a client's holdings determines which responsibilities the Fiduciary will assume.

### COLLECTION AND MANAGEMENT

- Investigate and coordinate the client's real estate, business, retirement, investment, and bank account holdings;
- Arrange for access to and inventory of safe deposit box contents;
- Consolidation of assets to ease the workload of handling the various accounts;
- Review the safekeeping of non-account holdings such as antiques, valuables, jewelry, etc.;
- Arrange for the transfer of securities if needed;
- Invest all surplus cash in a secure investment vehicle;
- Collect dividends and interest on the client's financial assets;
- Manage stock and bond investments and execute appropriate purchases and sales to meet Fiduciary standards; and
- Maintain detailed records of all transactions.

### REAL ESTATE

- Assemble documents for each parcel of real estate, including deeds, abstracts, and insurance policies;
- Examine all real estate to determine condition, adequacy of insurance, and status and payment of taxes, bills, and assessments;
- If necessary, screen the property for environmental contamination; and
- For income-producing property, collect rents, make repairs, pay real estate taxes, maintain insurance, arrange for utility services, and handle all tenant-related issues.

### MANAGEMENT OF DIVERSE ASSETS

- Arrange for the safekeeping and management of real estate, jewelry, stamp and coin collections, and any special assets to determine exposure to risk during the client's illness;
- Investigate status of any business interest, including closely held stock and partnerships;
- Supervise the operation of family-owned businesses until they are either sold or distributed;
- Obtain benefits of any long term care insurance policies;
- Research potential benefits from Medicare, Medicaid and Insurance providers;
- Receive and manage pension and profit-sharing benefits; and
- Prepare an inventory of all assets including bank accounts, safe deposit box contents, real estate, automobiles, furniture, etc.

ACCOUNTING AND ADMINISTRATION

- Determine cash requirements for debts, taxes, and expenses;
- Manage all debts, including mortgages, life insurance loans, bank loans, and auto loans;
- Pay all expenses of the client;
- File claims for medical bills with Medicare and other medical insurance carriers;
- Maintain complete records of all transactions in the account and prepare for potentially providing statements of all receipts and disbursements; and
- Prepare detailed accounting reports.

LEGAL OBLIGATIONS

- Prepare for the future estate settlement by locating the will or trust;
- If possible, fully fund the Revocable Living Trust through transfers from non-trust assets;
- Coordinate with the medical agent regarding the client's health care needs;
- Provide for allowance to support the family, if necessary and if authorized through documents;
- Legally oppose all incorrect or invalid claims against the client;
- Manage assets per Fiduciary standards; and
- When role is complete, hand off to the assigned Trustee or Personal Representative (if another person is assigned).

TAX-RELATED RESPONSIBILITIES

- Analyze tax planning strategies and options;
- Review possible gifting strategies to manage estate tax liabilities;
- Properly document medical and other expenses to obtain maximum tax deductions; and
- Prepare and file federal and state income tax returns for the client.

AGENT UNDER MEDICAL POWER OF ATTORNEY RESPONSIBILITIES

- Coordinate with financial agent or trustee if another person is selected in those roles;
- Arrange medical care for client;
- Discuss in-home vs. offsite care options for the client;
- Coordinate with Hospice on end-of-life wishes;
- Make end-of-life, organ donation and funeral arrangements.

DUTIES TO BENEFICIARIES

- Notify appropriate family members of their loved one's declining health;
- Communicate regularly with family; and
- Provide detailed account statements.

The Role of a Fiduciary during illness is very time consuming and challenging. Not only can Sandy Spring Trust serve as Trustee, we can also provide support to family members and professionals named in various roles.

If you have questions, please contact Phil Fish at 301 785-4112 or via email at [pfish@sandyspringtrust.com](mailto:pfish@sandyspringtrust.com)

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## ROLE OF A FIDUCIARY WHEN A LOVED ONE PASSES AWAY

The Fiduciary (Executor or Trustee) works on behalf of the estate to minimize taxes, resolve administrative problems, and provide prompt, proper distributions of the assets to the beneficiaries of the estate. The Fiduciary has responsibility for actions and decisions involved in the settlement of the estate. The commitment to the role can be immense, with significant time spent on legal work, financial management, bookkeeping, and more. It is not a role that one should assign or accept lightly.

If you are naming an individual to serve as a future Fiduciary of your affairs during an illness, or if someone has asked you to serve as an Executor or Trustee, consider the related responsibilities carefully. Do you or your prospective Fiduciary have the experience and expertise to manage the complexities of settling an estate? Review the role in its entirety, and consider whether you could benefit from the Fiduciary Services provided by Sandy Spring Trust.

The following is a representative, though not comprehensive, summary of what is expected of a Fiduciary. Depending on the complexity of the estate, the Fiduciary will assume many or all of these responsibilities.

### COLLECTION AND MANAGEMENT

- Open an estate account with a financial institution after legal obligations are fulfilled;
- Arrange for inventory of safe deposit box contents;
- Collect and take possession of all the assets including stocks, bonds, jewelry, etc., and arrange for the transfer of all funds to the estate account;
- Arrange for the transfer and re-registration of securities;
- Invest all surplus cash in a secure investment vehicle;
- Collect dividends and interest on the estate's financial assets;
- Manage stock and bond investments, and execute appropriate purchases and sales to maintain estate's value; and
- Maintain detailed records of all transactions.

### REAL ESTATE

- Assemble documents for each parcel of real estate, including deeds, abstracts, and insurance policies;
- Examine all real estate to determine condition, adequacy of insurance, and status and payment of taxes, bills, and assessments;
- If necessary, screen the property for environmental contamination; and
- For income-producing property, collect rent, make repairs, pay real estate taxes, maintain insurance, arrange for utility services, and handle all tenant-related issues.

### INVENTORY AND APPRAISAL OF DIVERSE ASSETS

- Arrange for appraisals of real estate, jewelry, stamp and coin collections, and any special assets to determine fair market value for tax and accounting purposes;
- Investigate status of any business interest, including closely held stock and partnerships;
- Supervise the operation of family-owned businesses until they are either sold or distributed;
- Obtain proceeds of any life insurance policies for the beneficiaries;
- Research potential benefits from the Veteran's Administration and Social Security;
- Investigate and obtain pension and profit-sharing benefits; and
- Prepare an inventory of all estate assets including bank accounts, safe deposit box contents, real estate, automobiles, furniture, etc.

ACCOUNTING AND ADMINISTRATION

- Determine cash requirements for debts, taxes, and expenses;
- Settle all debts, including mortgages, life insurance loans, bank loans, and auto loans;
- Pay all valid claims against the estate;
- File claims for final medical bills with Medicare and other medical insurance carriers;
- Pay administration expenses for the estate;
- Maintain complete records of all transactions in the account; provide statements of receipts and disbursements;
- Prepare detailed accounting reports; and
- Prepare a Plan of Division and Cash Accounting to divide the estate.

LEGAL OBLIGATIONS

- Locate the will and file it with the Probate Court;
- Petition the Court for official appointment as executor;
- Publish a legal Notice of Hearings in the newspaper;
- Obtain permission from the Court to provide for allowance to support the family, if necessary;
- Legally oppose all incorrect or invalid claims against the estate;
- Prepare a Report of Final Distributions for the Court; and
- When role is complete, petition the Court for discharge as executor.

TAX-RELATED RESPONSIBILITIES

- Analyze tax planning strategies and options;
- Select a valuation date that provides the greatest potential for tax minimization;
- Determine charitable, marital, and other deductions/elections;
- Prepare federal and state estate tax returns for the estate (Form 706);
- Prepare federal and state income tax returns for the estate and related trusts (Form 1041);
- Prepare gift tax or generation-skipping tax returns (Form 709);
- Prepare final federal and state income tax returns for the deceased (Form 1040);
- If the estate is audited by a government agency and a tax deficiency is levied, determine whether to negotiate, appeal, or accept the ruling; and
- Obtain an estate tax closing letter from Internal Revenue Service.

DUTIES TO BENEFICIARIES

- Ensure that desired funeral arrangements are carried out;
- Notify all heirs, legatees, devisees, and next of kin of their interest in the estate;
- Communicate regularly with beneficiaries;
- Provide detailed account statements; and
- Arrange for distribution of assets to beneficiaries, including marital and family trusts, after settlement of the estate.

If the client creates and funds a Revocable Living Trust, some of the above responsibilities may not be required. The Fiduciary may also have additional responsibilities to manage assets and assist the client during a period of illness under the Revocable Living Trust and/or the Financial and Medical Powers of Attorney.

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## FAQS: COMPREHENSIVE ESTATE AND FINANCIAL PLANNING

1. Should I use a Will or a Revocable Living Trust?
2. What kind of mutual funds should I select?
3. How can I ease the burden on family members named as Trustees/Agents?
4. What if I do not have anyone in my family to handle my affairs during incapacity or at death?
5. Should I name two or more children as decision makers in my documents?
6. Why are Banks and Financial Firms worried about Financial Powers of Attorney?
7. Who should I name as my Fiduciary?
8. Can I place my retirement assets inside of a trust when I die?
9. What should I do with my old 401k and other retirement plans?
10. Should I convert my Traditional IRA to a Roth IRA?
11. What is the right mix of stocks and bonds for my portfolio?
12. How are mutual funds and ETFs different?
13. Are bonds safe?
14. What is the step-up in basis rule?
15. How are real estate holdings handled within a Trust?
16. Should I title my investments within my Protective Trust now?
17. Should I move to cash during these turbulent times?

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