

# Financial & Estate Literacy

## It's Your Estate

### Fall 2023

### Overview

Don Vivrette

Philanthropic Advisor

Financial & Estate Literacy



**“Ask First!”** This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services. Respond to **ALL** categories completely; sign and date at the bottom of the page.

**MY EDUCATION-** I have achieved the following level of education (check HIGHEST level achieved):

<input type="checkbox"/> Some High School	<input type="checkbox"/> High School Diploma	<input type="checkbox"/> Bachelors Degree
<input type="checkbox"/> GED	<input type="checkbox"/> Some College	<input checked="" type="checkbox"/> <b>Masters or other Advanced Degree</b>

**MY CREDENTIAL(S)-** I have the following specialized credential(s) and training (examples: CFP, ChFC, CLU, CPA, JD, MBA, years of relevant experience):

CPA 30+ years

**MY RELEVANT LICENSE(S)-** I have the following license(s) giving me the legal authority to provide the services I am offering to you (examples: bar license (attorney); securities license; insurance license):

License Type	Covers What Activities	Issued By	License No.
Certified Public Accountant	Accounting/Consulting	California	41441

**LEGAL SERVICES-** (Check ONE):

- I DO NOT practice law, and the services I am offering to you do not involve practicing law.
- I DO practice law, and have an active license to practice law in California.
- I DO practice law, but DO NOT have an active license to practice law in California.

**OUR BUSINESS RELATIONSHIP-** Check TRUE or FALSE:

**True** /  **False:** In our business relationship, I will at all times serve as a fiduciary and put your interests before my interests and those of my employer.

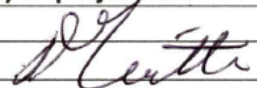
**MY COMPENSATION-** I will be paid in the following way (commission, fee, salary, etc.), by the named person or company, in connection with the services I am offering to you:

Way(s) I'll Be Paid	Payment Will Be Made By (name each person or company)
Hourly	Client only

**FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS-** Check TRUE or FALSE:

**True** /  **False:** I offer or sell annuities, insurance, mutual funds or other financial products; or I am, or my employer is, affiliated with a person or organization that offers or sells annuities, insurance, mutual funds or other financial products.

**I certify under penalty of perjury that the responses herein are true to the best of my knowledge.**

Date: April 15, 2023	Business Name:
Signature: 	Address:
Print Name: Don Vivrette	Email: Don@ItsYourMoneyAndEstate.org



# Financial & Estate Literacy

## It's Your Estate Estate Planning Workbook® Fall 2023 Series

Your name or initials: \_\_\_\_\_

Download the workbook at:

<http://iye.iyme.org>

Scroll down to Workshop Documents

### Table of Contents

Week 1 - Overview .....	3
Estate Plan Overview.....	4
Who will be responsible?.....	5
What do I want these people to know?.....	6
Estate Law Changes.....	6
Week 2 - Advanced Health Care Directive and Power of Attorney.....	8
Advanced Health Care Directive.....	8
Power of Attorney.....	10
Week 3 - Wills & Trusts.....	12
Wills.....	12
Trusts.....	13
Week 4 - Retirement Accounts.....	16
Week 5 - Charitable Opportunities.....	18
Week 6 - Estate Administration.....	19
What goes where after you die.....	20
Summary.....	20

# Estate Planning

ONE OF THE BEST GIFTS  
YOU CAN GIVE TO YOUR FAMILY



# CHARITABLE GIVING

Doing good for others  
and for yourself



# Financial Planning

Planning for today,  
for tomorrow and perhaps beyond



Download the workbook at:

<http://iye.iyme.org>

Scroll down to Workshop Documents

# Why do we do this?

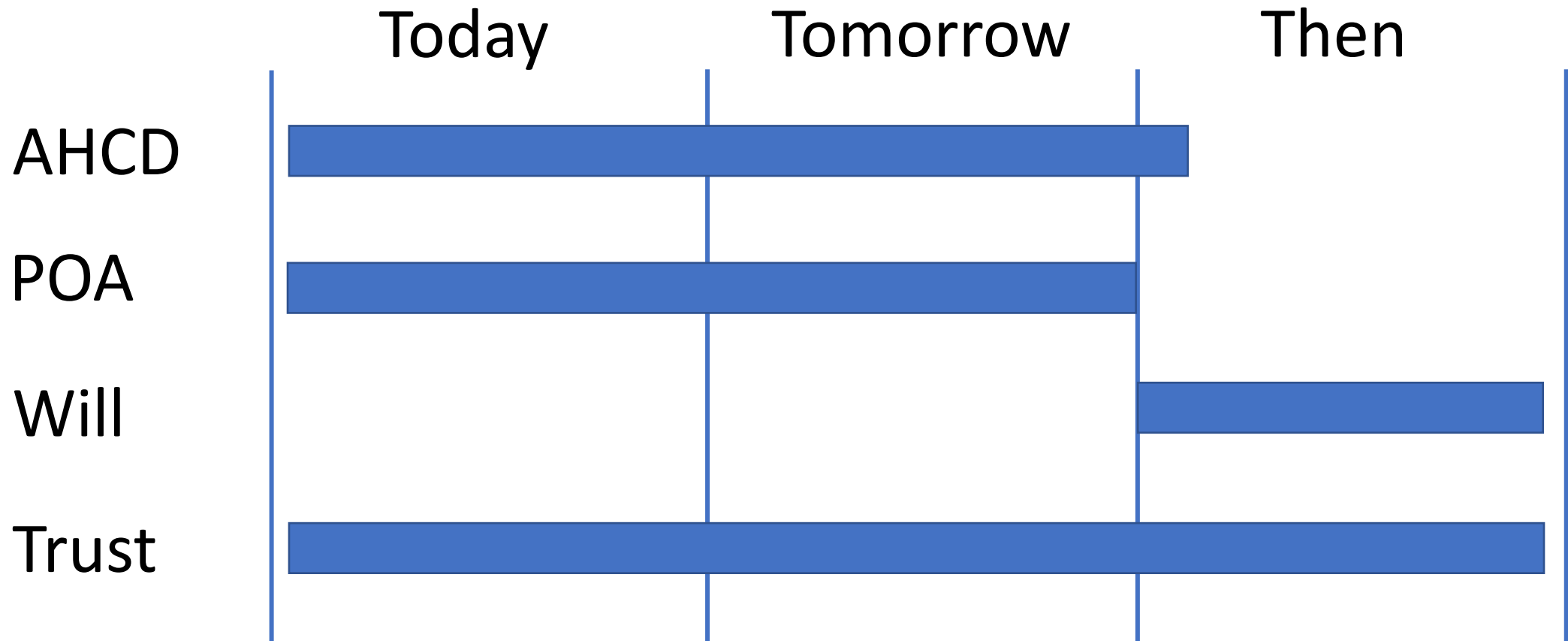
- First, spoiler alert, none of us gets out of this alive
  - Then what happens to our stuff
- Second, some or perhaps many of us are or will become less capable of caring for our ourselves or our finances
  - Then who will help us
    - With our health care decisions
    - With our money
- Last, do we want to make these choices or let others like decide? It's **Your** Estate, but not if you don't tell someone.

# What we will cover

- Week 1 - Overview & Estate Law Changes
- Week 2 - Health Care & Power of Attorney
- Week 3 - Will & Trusts
- Week 4 - Retirement Planning
- Week 5 - Charitable Opportunities
- Week 6 - Estate Administration



# What matters when?





# 2023 Tax Update – Income Tax - California

- Due to the recent flooding in California, the dates to file your tax return has been extended for
  - Federal and California state taxes
  - Effects all California counties, **EXCEPT** *Imperial, Kern, Lassen, Modoc, Plumas, Shasta, and Sierra*. They still use the normal dates.
  - No need to file for an extension, it is automatically given
- Dateline to file your 2022 tax return extended until October 16, 2023
  - Balances due on 2022 federal and California tax returns
  - Federal and California estimated tax payments normally paid in January, April, June, and September 2023
  - The due date for these taxes is extended, NOT forgiven. If you would have paid added 2022 taxes or estimated 2023 taxes, these are only deferred until October 2023.
  - IF you have already filed your tax return or made estimated payments, not a problem. IF you expect a refund, file now.

# 2023 Tax Update – Income Tax Tables

## 2023 Tax Rate Schedule

TAXABLE INCOME (\$)		BASE AMOUNT OF TAX (\$)	PLUS	MARGINAL TAX RATE	OF THE AMOUNT OVER (\$)
OVER	NOT OVER				
<b>Married Filing Jointly and Surviving Spouses</b>					
\$0	\$22,000	\$0	+	10.0	\$0
<b>\$22,000</b>	\$89,450	<b>\$2,200.00</b>	+	<b>12.0</b>	\$22,000
\$89,450	\$190,750	\$10,294.00	+	22.0	\$89,450
\$190,750	\$364,200	\$32,580.00	+	24.0	\$190,750
\$364,200	\$462,500	\$74,208.00	+	32.0	\$364,200
\$462,500	\$693,750	\$105,664.00	+	35.0	\$462,500
\$693,750		\$186,601.50	+	37.0	\$693,750

IF you had **taxable** income of \$50,000 your tax would be \$5,560.

First \$22,000 is at 10% or \$2,200

Next \$28,000 (\$50k-\$22k) taxed at 12% or \$3,360

Total tax \$5,560.

**Effective** tax rate of 11.12% (\$5,560 divided by \$50,000)

# 2023 Tax Update – Income Tax Tables

## 2023 Tax Rate Schedule

TAXABLE INCOME (\$)		BASE AMOUNT OF TAX (\$)	PLUS	MARGINAL TAX RATE	OF THE AMOUNT OVER (\$)
OVER	NOT OVER				
<b>Married Filing Jointly and Surviving Spouses</b>					
\$0	\$22,000	\$0	+	10.0	\$0
\$22,000	\$89,450	\$2,200.00	+	12.0	\$22,000
\$89,450	\$190,750	\$10,294.00	+	22.0	\$89,450
<b>\$190,750</b>	\$364,200	<b>\$32,580.00</b>	+	<b>24.0</b>	\$190,750
\$364,200	\$462,500	\$74,208.00	+	32.0	\$364,200
\$462,500	\$693,750	\$105,664.00	+	35.0	\$462,500
\$693,750		\$186,601.50	+	37.0	\$693,750

IF you had **taxable** income of \$200,000 your tax would be \$34,800

First \$190,750 you tax is \$32,580

Next \$9,250 (\$200k-\$190,750k) taxed at 24% or \$2,220

Total tax \$34,800.

**Effective** tax rate of 17.4% (\$34,800 divided by \$200,000)

# 2023 Tax Update – Income Tax Tables

## 2023 Tax Rate Schedule

TAXABLE INCOME (\$)		BASE AMOUNT OF TAX (\$)	PLUS	MARGINAL TAX RATE	OF THE AMOUNT OVER (\$)
OVER	NOT OVER				
<b>Married Filing Jointly and Surviving Spouses</b>					
\$0	\$22,000	\$0	+	10.0	\$0
\$22,000	\$89,450	\$2,200.00	+	12.0	\$22,000
\$89,450	\$190,750	\$10,294.00	+	22.0	\$89,450
\$190,750	\$364,200	\$32,580.00	+	24.0	\$190,750
\$364,200	\$462,500	\$74,208.00	+	32.0	\$364,200
\$462,500	\$693,750	\$105,664.00	+	35.0	\$462,500
\$693,750		\$186,601.50	+	37.0	\$693,750

**Marginal** tax rates are the rates on the next \$1.00 you earn

So, at the \$200,000 level, the next dollar earned would be taxed at 24%

IF you had an additional taxable income of \$10,00, then the added tax would be \$2,400

It would not be taxed at the **effective** rate of 17.4% in the prior example

# 2023 Tax Update – Income tax considerations

- Required Minimum Distributions or any deductions from a standard IRA, 401k or similar accounts is fully taxed as normal taxable income
  - A Qualified Charitable Distribution (QCD) will remove some or all of your RMD from your taxes.
- Distributions from a Roth IRA or similar accounts is not taxable
  - Because you paid into the account with after-tax dollars
- Social Security benefits are taxable to some extent. The amount taxable depends on your overall income.

# 2023 Tax Update – Income Tax - Deductions

## Standard Deductions & Personal Exemption

FILING STATUS	STANDARD DEDUCTION	PERSONAL EXEMPTION	PHASEOUTS BEGIN AT AGI OF
Married, filing jointly and surviving spouses	\$27,700	N/A	N/A

In the prior examples, if your Adjusted Gross Income was \$77,700 then your Taxable income would be \$50,000 if you used the Standard Deduction. The amount could be different if you itemize your deductions.

# 2023 Tax Update – Long Term Capital Gains

## Tax Rates on Long-Term Capital Gains and Qualified Dividends

LTCG TAX	TAXABLE INCOME				
	SINGLE FILERS	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	MARRIED FILING SEPARATELY	ESTATES & TRUSTS <sup>(1)</sup>
0%	\$44,625 or less	\$89,250 or less	\$59,750 or less	\$44,625 or less	\$3,000 or less
15%	More than \$44,625 and less than \$492,300	More than \$89,250 and less than \$553,850	More than \$59,750 and less than \$523,050	More than \$44,625 and less than \$276,900	More than \$3,000 and less than \$14,650
20%	\$492,300 or more	\$553,850 or more	\$523,050 or more	\$276,900 or more	\$14,650 or more

# 2023 Tax Update – Long-Term Capital Gains

- Long Term Capital Gains are for assets held for 12 or more months
  - Under 12 months, they are Short Term Gains and are taxed as ordinary income
- The rate used depends on your total income, not just the gain
  - So, the Long-Term Gain plus your ordinary income determines the rate
  - The Long-Term Gain is then taxed at the appropriate rate separate from your ordinary income
  - The Long-Term Capital Gain portion is taxed at a lower rate than ordinary income



# 2023 Tax Update – Estate & Gift Tax

## Gift and Estate Tax Exclusions and Credits

Gift tax annual exclusion	\$17,000
Estate, gift & generation skipping transfer tax exclusion amount (per taxpayer)	\$12,920,000
Exclusion on gifts to non-citizen spouse	\$175,000
Maximum estate, gift & generation skipping transfer tax rate	40%

# 2023 Tax Update – Estate & Gift Tax

## Gift and Estate Tax Exclusions and Credits

Gift tax annual exclusion	\$17,000
Estate, gift & generation skipping transfer tax exclusion amount (per taxpayer)	\$12,920,000

You can give \$17,000 per person as gifts, without telling the IRS.

My wife and I have 2 daughters, 2 sons-in-laws and 4 grandkids. I could give each \$17,000 for a total of \$136,000. Jean could do the same for another \$136,000 for a total of \$272,000 without telling the IRS.

You can give up to \$12,920,000 without paying any taxes now, as long as you tell the IRS about it through a Gift Tax Form 709.

However, that would reduce your overall Estate Tax exemption by the amount given. Estate Tax and Gift tax are connected to the same overall amount.

The Estate Tax exemption resets in 2025, possibly to \$5 or \$6 million.  
Request portability when possible.

# Step Up in Value/Basis

- Federal
  - Today, when you die, some of your assets “Step Up” in basis to current value.
  - This reduces or eliminates Capital Gains since the value goes to current
  - BUT the step up depends on how the asset is titled
    - If your house is titled as Community Property, then FULL step up
    - If it is titled as Joint Tenants, then only your half gets the step up
- California
  - In the past this did not impact the property tax paid
  - Recently, however, California changed that rule and now there may be a step up in valuation for property tax and therefor the tax due

# Next week

- We begin with Advanced Health Care Directive and Power of Attorney for Finance
- Think about who you would want to oversee of your care and finances IF you were incapable
- And think about others to help if the person you designate can't perform the tasks. Or perhaps they don't want the responsibility.
- How will you tell your representatives what are your wishes. Remember It's Your Estate. So, make it happen.