

Generational Wealth Transfer Series

ESTATE PLANNING OVERVIEW

Planning for the eventual transfer of our assets is a task few of us embrace, but it's a critical part of the overall financial planning process. By taking some time now to review your estate plan, you can ensure that your assets will be passed on according to your wishes — and perhaps make life a little easier for your loved ones down the road.

Get your papers in order

Your first step should be to get your legal papers in order with the help of an attorney. Here are some key documents that most people should have in place:

A will

A properly drafted will is a simple but powerful estate management tool. The main purpose of your will is to identify future heirs and spell out how you want your assets to be distributed at your death. Your will should also name the executor of your estate, as well as legal guardians for any minor children or dependents.

A health care directive

This document provides instructions regarding your preferred medical treatment in the event of a serious accident or terminal illness. It may also appoint a health care “proxy” to make medical decisions on your behalf.

A durable power of attorney

Who will pay your bills and manage your assets should you become incapacitated? A durable power of attorney appoints someone to handle these types of financial affairs for you if you are unable to do so yourself.

Review your beneficiaries

Contrary to popular opinion, a will doesn't control the distribution of all your assets after you're gone. Case in point: IRAs, annuities and workplace retirement plans such as 401(k)s typically ask you to complete a separate beneficiary form that will determine who inherits those assets. You can often name multiple beneficiaries for each account, including your spouse, children or other relatives, and even a trust or favorite charity.

Naming a beneficiary has the added benefit of bypassing the probate process, which could take up to a year or more. These retirement accounts may well be among your largest assets, so an out-of-date beneficiary form could jeopardize your well-laid plans for the future. That's why it's important to make sure your beneficiary designations reflect your current wishes.



Tip

Consider rolling over old retirement plan accounts to an IRA, which may offer more flexible withdrawal options for your beneficiaries.



Did you know?

Are you, your assets and your family protected in the event of the unexpected?

- 68% of all Americans do not have a valid will.¹
- When asked why they don't have a will, 43% said they “haven't gotten around to it.”¹
- 46% of women report owning life insurance, compared with 57% of men.²
- There are 102 million uninsured and underinsured Americans.²
- The number one reason for making an estate plan: “I wanted to make handling my assets as easy as possible for my loved ones after I pass away.”³
- Only 28% of adults over 75 have completed estate plan.³

¹ Caring.com's 2022 Wills and Estate Planning Study. ² 2024 Insurance Barometer Study, LIMRA and Life Happens. ³ Law Depot, “The Complete 2023 Estate Planning Report,” Rebecca Koehn, June 11, 2024.

PLANNING TIP

Assess your insurance needs

Like retirement assets, life insurance proceeds pass outside your will to the beneficiaries you have named. Now may be an opportune time to not only verify your beneficiaries, but also to see if your coverage level is adequate. If you don't have any life insurance, talk to a financial professional about how much coverage you might need. Buying life insurance can be a good way to protect those who might suffer financially as a result of your death.

You may have access to low-cost life insurance through an employer. Whether or not you'll qualify for an individual policy — and at what cost — depends on your age, health and other factors.



Tip

In addition to life insurance, ask your financial professional how long-term care insurance can help protect your assets as you age.

Make your withdrawals wisely²

If one of your primary objectives is to leave a legacy for your beneficiaries, you should think carefully about which assets you draw on for income in retirement. Smart withdrawal planning could help maximize your wealth in the long run.

Here are a few examples:

Roth IRAs

You aren't required to take any lifetime distributions from a Roth IRA, allowing you to conserve those assets for your beneficiaries if you so choose. Also, your beneficiaries won't have to pay any income tax on inherited Roth IRA funds as long as the account has been open for at least five years.

Tax-deferred accounts

It sometimes makes sense to postpone withdrawals from tax-deferred accounts, such as traditional IRAs and 401(k)s. In so doing, you can give the funds more time to potentially benefit from tax-deferred compounding. But note that required minimum distributions (RMDs) from these accounts generally must begin by the April 1st that follows the calendar year of attaining age 73 if you

were born on or after January 1, 1951, age 72 if you were born on or after July 1, 1949 but before January 1, 1951 and age 70½ if born before July 1, 1949. If you have a 401(k) account and retire after this age, RMDs may be delayed until the April 1st that follows your retirement year.

Appreciated stock

Do you own stock that has appreciated in value since you bought it? Instead of selling the stock during your life, you could bequeath it to your heirs. They'll receive a "step-up" in cost basis when they sell the stock, which may produce a smaller taxable gain than you would have incurred.



Planning tip for shareholders

If you have one or more BNY Investments account(s), we encourage you to complete a Transfer on Death (TOD) Registration Form.¹ This form allows you to designate the beneficiaries you'd like to receive your shares upon your death.

To request the form, please call 1-800-645-6561.

¹ TOD is only available on accounts registered to an individual or to joint owners with rights of survivorship with an address in any state within the United States other than Louisiana; it cannot be used to establish beneficiaries for IRAs. Because TOD registration can affect tax strategies and estate planning, you may want to consult a financial planner or attorney before requesting this type of registration, particularly if you reside in a community property state.

² Withdrawals from a traditional IRA or traditional 401(k) plan (excluding amounts that represent non-deductible or after-tax contributions) are generally subject to income tax at then-current rates. Withdrawals made prior to age 59½, unless subject to an exception, may also be subject to an additional 10% federal penalty tax. The imposition of taxes and penalties will reduce accumulated amounts. Withdrawals from Roth IRAs are governed by special rules and may be tax-free if certain conditions are met. Long-term capital gains from the sale of stock not held in a tax-deferred or tax-free account are generally subject to capital gains tax at then-current rates. Please consult a tax professional for details on these and other tax issues.

Please note that this discussion is not intended to be comprehensive. Because the legal and tax issues involved with managing an estate — even a modest one — can be quite complex, we encourage you to seek expert advice to avoid mistakes and develop a sound plan to meet your goals.

Professional assistance doesn't come free, of course, but it might just give you something you can't put a price on — peace of mind.

Be aware of estate taxes

With rates reaching as high as 40%, the federal estate tax can take a big bite out of your hard-earned wealth, meaning less for your heirs. However, you'll only be subject to this tax if the value of your taxable estate ultimately exceeds a certain amount. The graphic at left shows applicable estate tax thresholds and rates for 2025.

Concerned you might be at risk? Speak with a professional, who may suggest strategies — such as lifetime gifting — to reduce the size of your estate over time. Another alternative may be charitable gifting, which is governed by special rules of its own.

Consider using a trust

In its most basic form, a trust is a legal entity designed to hold assets. A trust can either be created while you are still alive (a living trust), or under the terms of your will (a testamentary trust).

Many families and individuals are well served by establishing a trust, though the reasons for doing so vary widely. Some people set up a trust to bypass probate, for example, while others may use one to minimize estate taxes or guard against incapacity. The more sophisticated your needs, the more likely it is that one or more trusts may be appropriate for you. Only a qualified estate planning attorney can say for sure.

2025 federal estate taxes



Federal exclusion amount:
\$13.99 million

Top marginal tax rate: 40%



Tip

Assets left to a surviving spouse are generally exempt from the decedent's estate tax.

The wealth transfer kit

We have prepared a number of additional documents to help guide you through the estate planning process. Many will be helpful as you prepare to meet with your planning professionals, such as your attorney or tax advisor, while also providing valuable guidance and clarity for your family and executors as they settle your estate.

Important Document Locator

Keep a list of all your important documents and contacts in one place for future reference; make sure you update it at least once a year.

Estate Valuation Worksheets

This series of worksheets will help you, and your executor, value your estate, itemizing your assets and liabilities.

Checklist for Surviving Loved Ones

The period after death can be a difficult one. This checklist can help your loved ones get through the first days and start tackling the myriad legal and financial matters at hand.

Five Common Estate Planning Mistakes

A small mistake can result in a major tax bite. This quick overview discusses typical oversights, assumptions and errors to avoid as you pull together your plan.

Initiating Important Conversations

Once you've made your decisions — such as who is the person responsible for your end of life care, who will inherit what, or who will be your executor — you will want to explain your intentions to better ensure that your wishes are understood and honored.

LEARN MORE



Please speak with an estate planning specialist for more information on estate management issues, or with your financial advisor for more information on BNY Investments products and services.

This information is general in nature and is not intended to constitute tax or estate planning guidance. Please consult your tax or estate planning professional for more detailed information on these issues and guidance on your specific situation.

BNY Investments is one of the world's leading investment management organizations, encompassing BNY's affiliated investment management firms and global distribution companies. BNY is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally.

No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

© 2024 BNY Mellon Securities Corporation, distributor

MARK-644927-2024-11-19
BNYMR-EMGTSI-1224