

# Trust and Estate Planning



## At a Glance

Far too many of us delay estate planning or fail to keep our plans current, possibly undermining our objectives, decreasing planning options, and increasing taxes and other costs.

By creating a thoughtful estate plan, you can control what happens to your wealth and increase the likelihood that it will be used in the ways you want.

Every client advisor team at Bessemer includes an experienced trust and estate planning professional who can work with you and your legal counsel to craft a plan that achieves your wealth transfer goals.

## About Bessemer Trust

Privately owned and independent, Bessemer Trust is a multifamily office that has served individuals and families of substantial wealth for more than 115 years. Through comprehensive investment management, wealth planning, and family office services, we help clients achieve peace of mind for generations.

## Make a Lasting Impact

Estate planning offers the opportunity to craft a legacy — to ensure our wealth gets to the people and organizations we care about, protect our families, reduce taxes, and pass down our values. It can also help with planning for retirement or periods of incapacity.

Yet many of us tend to put it off or fail to keep our plans current. In the worst cases, lack of timely planning can result in assets passing to the wrong beneficiaries, costly and arduous administrative work, taxes that might have been avoided, or disputes among family

members at a time of great stress and sadness.

**Essential planning.** You'll need a will to provide instructions for what happens to your assets when you're gone and identify who controls their distribution. Without it, state law determines who controls your estate and names your beneficiaries — and the choices aren't likely to match your own.

It also makes sense to consider a revocable trust, which can smooth the administrative process and help manage your finances during a period of incapacity.

## Why Create (and Maintain) an Estate Plan?

### Ensure Your Wishes Are Respected

Choose who controls your estate and who will receive your assets — and how and when they will receive them.

### Protect Your Beneficiaries

Use trusts to protect beneficiaries from creditors, spendthrift behavior, and claims by ex-spouses and others.

### Minimize Taxes

Minimize transfer (estate, gift, and generation-skipping) taxes and manage the cost basis of assets, increasing the wealth available for your beneficiaries.

### Ease Your Family's Burden

Minimize administrative tasks, court costs, and legal fees.

### Pass Down Family Values

Include your wishes for passing down your values and traditions.

### Maintain Your Lifestyle

Structure your plan to maintain your current lifestyle and ensure your future financial security.

Also, you should check titling of real property and investments and whether beneficiary designations for retirement plans and jointly held property are up to date. These are often overlooked, but they can be important because they pass outside of your will.

Other plan essentials include healthcare proxies, living wills, and powers of attorney. These ensure your wishes are fulfilled if you become unable to speak for yourself with respect to medical and financial decisions.

**Advanced planning.** Most wealthy families seek to minimize transfer (estate, gift, and generation-skipping) taxes, where rates can approach 50%. Managing the “step-up” in the cost basis of assets for income-tax purposes is also an important consideration.

The first places to look for tax savings are the available exemptions from transfer taxes, including annual exclusion amounts, tax-free payments for educational and medical expenses, and lifetime exemptions. Charitable gifts and bequests decrease taxes as they pass free of gift and estate taxes.

Lifetime giving — often to trusts for your family’s benefit — can reduce taxes as well. Trusts can also help protect your family’s assets from creditors, including ex-spouses in a divorce, and encourage financial responsibility for your beneficiaries.

Some lifetime giving techniques attempt to transfer only the appreciation on assets (grantor-retained annuity trusts or intrafamily loans) while others are designed to take advantage of valuation discounts. Another tax-saving tool, a grantor trust requires the trust’s creator (not the trust or beneficiaries) to pay income tax, allowing tax-free asset growth for the next generation.

The selection of the particular assets for lifetime transfers can determine planning success. Whether the assets have growth potential, produce income, or are needed for personal use will make a difference. Special

assets, such as life insurance policies, family businesses, and real estate, can often be ideal for use in planning.

## The Bessemer Difference

Our long experience has taught us to take a comprehensive and holistic approach to estate planning.

We will examine not only all of your documents to ensure they reflect your wishes but also your balance sheet to verify your assets are used in the most efficient ways.

Importantly, we will walk you through the advantages and potential disadvantages of additional planning in the context of your specific circumstances — and recommend possible solutions.

For instance, many estate plans can be dizzyingly complex, with unwieldy numbers of trusts and other entities. And then there are the transaction costs, professional fees, and perhaps increased risk of an IRS audit. These factors are always part of our analysis.

Also, since many planning strategies involve irrevocable lifetime transfers, other complexities can arise. What happens if you rely on the income from the assets? How will it affect children and grandchildren to give them large sums of money right now?

Our accomplished professionals, all of whom are former practicing trust and estate attorneys, can work with you and your legal advisors on all aspects of estate planning, including helping to prepare the next generations to serve as stewards of the family wealth.

Our ultimate goal is to help you craft a comprehensive and current estate plan that meets your needs today — and for generations to come.

*To learn more about Bessemer’s estate planning and any of our other services, please contact your client service team or your local Bessemer Trust office.*

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