



**NaviPlan Standard
Online/Offline
Estate Objectives and
Testamentary Trusts
Self-Study Guide**

USA version 11.2

EISI, Winnipeg

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Estate objectives and testamentary trusts

The NaviPlan Standard Estate Objectives and Testamentary Trusts Self-Study Guide was created using NaviPlan Standard Offline with the Ibbotson Asset Allocation option. This option allows you to use actual Ibbotson return rates in NaviPlan's calculations.

The exercises in this module are based on a version of NaviPlan Standard Offline that includes the Ibbotson Asset Allocation option, which means that the asset allocation settings are set up for you. If your version of NaviPlan Standard Offline does not include the Ibbotson Asset Allocation option, you can modify the data.

In Level 3 Plans, you can provide full estate planning for your clients. You can enter details regarding your clients current estate situation, and then provide multiple scenarios that might reduce estate taxes and increase distributions at death.

Learning objectives

This module will enable you to

- Capture your clients' existing estate plan and objectives and implement estate planning strategies in a recommended estate plan
 - Define estate planning assumptions
 - Define your clients' funded trusts and estate expenses
 - Model your clients' existing estate plan
 - Create an alternative estate planning scenario with a credit shelter and marital trust
 - Model a living trust in an alternative estate planning scenario
 - Implement a recommended estate plan
 - Evaluate relevant output pages in a client report to assess estate planning alternatives

Learning tools

This module includes some practice exercises. We recommend that you use the Jack and Suzie Greene (Jack, Suzie and Greene.nps) client file in the data folder of your installation of NaviPlan Standard Offline (the default path is C:\Program Files\EISI\Data, but you may have installed it elsewhere). It will be available when you run NaviPlan Standard Offline, as well as on the central server if you prefer to work in the online application.

Hint: In NaviPlan Offline, to find the location of your data directory, go to the **User Preferences** menu – **System Settings** selection – **User Preferences - System Settings** dialog box – **File Locations** tab.

Define estate planning assumptions

In NaviPlan, you can describe the various areas of your clients' current estate situation. You can set tax assumptions regarding the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), enter predictions regarding life expectancy, override state death taxes, determine estate fees, and enter trusts that have already been established.

View tax options

The EGTRRA is set to apply until 2010 and revert to 2001 tax legislation starting in 2011. In the *Tax Options* dialog box, NaviPlan allows you to select one of three different assumptions regarding this legislation.

To select a tax option

1. In the *Greenes' Base Details* plan, go to the **Plan Management** section – **Assumptions** category – **General** page.
2. At the bottom of the page, click the **Tax Options** button. The *Tax Options* dialog box opens.

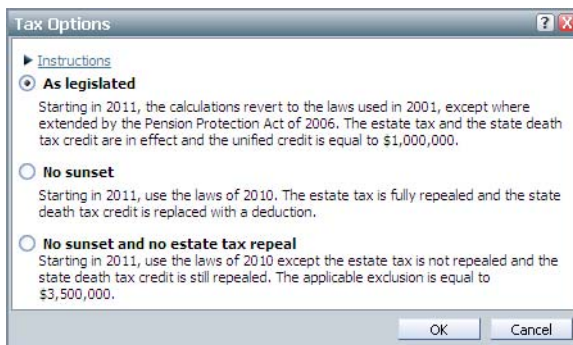


Figure 1: Plan Management section – Assumptions category – General page – Tax Options button – Tax Options dialog box

Note: *As legislated* is the default setting for the tax options.

If you select...	NaviPlan assumes that...
<i>As legislated</i>	The EGTRRA stays in effect until the end of 2010, and then the 2001 tax laws apply afterwards, except where extended by the Pension Protection Act of 2006. The estate tax and the state death tax credit are in effect and the amount exempt from federal estate tax is \$1 million. At the start of 2011, the clients' Roth 401(k) and Roth 403(b) assets will be converted to 401(k) and 403(b) assets, respectively.
<i>No sunset</i>	Starting in 2011, the 2010 tax rules carry forward, including the estate tax repeal. The amount exempt from federal estate tax is \$3.5 million.
<i>No sunset and no estate tax repeal</i>	Starting in 2011, the 2010 tax rules carry forward, except for the estate tax repeal.

3. Select **As legislated**, and then click **OK**. The *Tax Options* dialog box closes.

Enter estate planning objectives

In NaviPlan, estate planning objectives must be entered in a Level 3 Plan and the *Estate Planning* module must be selected on the *Plan Management* section – *Modules* category – *Modules* page. Level 2 Plans contain a simple will in client reports and Level 1 Plans have no estate planning capabilities.

The clients’ objectives (the existing estate plan) should be entered on the *Goals* section – *Estate Planning* category – *Objectives* page. After you have defined your clients’ objectives, you can create estate planning scenarios on the *Scenarios* page.

The screenshot shows the 'Estate Planning' software interface with the 'Assumptions' tab selected. The interface is divided into several sections:

- Life Expectancy Scenarios:** A table for Jack and Suzie with columns for Age and Year. Jack's life expectancy is 68 in 2018, and Suzie's is 71 in 2023. There are checkboxes for 'Reports' and 'Simultaneous Death'.
- Estate Distribution Selection:** Radio buttons for 'Mirror Wills/Either Dies First' (selected) and 'Specify by Order of Death'.
- State Death Taxes:** Drop-down menus for 'State' (both set to Kansas) and checkboxes for 'Override'.
- Additional Fees:** A table for Probate Fee and Administration Fee, both set to 1.00% for both Jack and Suzie.
- Will Details:** Radio buttons for 'Yes' and 'No' for 'Jack has a will' and 'Suzie has a will', with 'Last update' text boxes.

Figure 2: Goals section – Estate Planning category – Objectives page – Assumptions tab

On the *Objectives* page, four tabs are available to capture data relevant to the clients’ estate:

Tab	Description
<i>Assumptions</i>	Set your clients’ life expectancies, estate distribution, state death taxes, additional fees, and will details.
<i>Funded Trusts</i>	Add trusts that are already paying income into the plan.
<i>Gifting Growth & History</i>	Include past gifting information for use in tax calculations.

Tab	Description
<i>Estate Expenses</i>	Create expenses to deduct from the estate.

To enter estate planning assumptions

1. Go to the **Goals** section – **Estate Planning** category – **Objectives** page – **Assumptions** tab. Under *Life Expectancy Scenarios*, three life expectancy scenarios are already entered for you.

Life expectancy scenario	Description
<i>Life Expectancy</i>	This scenario shows the default life expectancies defined by the plan. NaviPlan assumes that Jack will die 10 years from the current plan date, whereas Suzie will die 15 years from the plan date. The difference in life expectancy is helpful to demonstrate changes in net worth.
<i>Alternate Life Expectancy</i>	This scenario allows you to include alternative life expectancies in reports. By default, the life expectancies for both clients are reversed.
<i>Simultaneous Death</i>	This scenario assumes both clients die in the same year. The scenario ensures that trusts are funded appropriately for this situation.

2. Under *Estate Distribution Selection*, select **Mirror Wills/Either Dies First**. Two estate distribution methods are available:

Estate distribution method	Description
<i>Mirror Wills/Either Dies First</i>	NaviPlan uses the estate planning strategies entered on the <i>Objectives</i> page for both the client and co-client (<i>Mirror Wills</i>) regardless of the order of death assumed in the plan.
<i>Specify by Order of Death</i>	NaviPlan allows you to enter the client's and co-client's estate distribution details separately. Two <i>Estate Distribution</i> buttons are available for <i>Simple Will</i> and <i>Detailed</i> estate scenarios.

3. NaviPlan allows you to override the state death tax calculations. To do this for Jack, under *State Death Taxes*, select the **Override** check box. For example, some states impose inheritance taxes (e.g., Kentucky), whereas others do not. By default, NaviPlan uses the death tax calculation for the state of residence.
4. Under *Additional Fees*, ensure all fees are set to **1%**. You can specify estate fees as a percentage or dollar amount.
5. The *Will Details* section of the *Assumptions* tab and the *Estate Questionnaire* dialog box allow you to enter information for record-keeping purposes. Click the **Estate Questionnaire** button. The *Estate Questionnaire* dialog box opens.

Estate Questionnaire

The following questions are for information purposes only and do not affect any plan results.

Administration

	Jack	Suzie
Attorney name:	<input type="text"/>	<input type="text"/>
Guardian for minor children:	<input type="text"/>	<input type="text"/>
Estate administrator:	<input type="text" value="Suzie"/>	<input type="text" value="Jack"/>
Trust administrator:	<input type="text"/>	<input type="text"/>

General

	Jack			Suzie		
	Yes	No	N/A	Yes	No	N/A
Current trustee or beneficiary of any trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Durable power of attorney	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Revocable living trust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Living will/health care proxy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real property ownership in another state	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Owns a business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Buy-Sell agreements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employment contracts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Marital trust provisions in the will	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pre-nuptial agreements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Post-nuptial agreements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Planning Considerations

Plan for children from a previous marriage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Plan for family with special needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Plan gifts or bequests to heirs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Target \$	<input type="text"/>	<input type="text"/>				
Plan gifts or bequests to charity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

OK Cancel

Figure 3: Goals section – Estate Planning Category – Objectives page – Estate Questionnaire button – Estate Questionnaire dialog box

6. Make selections where appropriate. The selections you make in this dialog box do not affect the plan analysis. However, you can include this information in client reports.
7. Click **OK**. The *Estate Questionnaire* dialog box closes.

Define your clients' funded trusts and estate expenses

On the *Objectives* page, you can enter any trusts the clients currently own on the *Funded Trusts* tab, and then define estate expenses on the *Estate Expenses* tab. The *Giftng Growth & History* tab is discussed in greater detail in the Gifting, ILITs, and Bequests training module.

Enter funded trusts

On the *Funded Trusts* tab, you can model trusts that have funding instruments in place and are already producing income for the client.

To view funded trusts you can enter

1. Go to the **Funded Trusts** tab.
2. Click the **Add Trust** button. A list of trusts appears. Some examples of trusts you can enter include
 - an irrevocable life insurance trust that already owns the life insurance policy
 - a credit shelter trust funded at the death of the client's first spouse
 - a trust funded by the client's parents paying income and remainder distributions to the client

The general procedure for entering trusts involves entering the current market value and basis of assets, defining returns earned by these assets, and specifying income and remainder beneficiaries. Additional information about trusts is covered in the Gifting, ILITs, and Bequests training module.

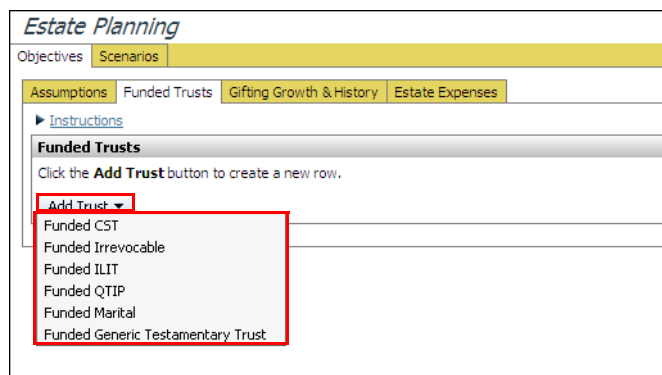


Figure 4: Goals section – Estate Planning category – Objectives page – Funded Trusts tab (showing a list of funded trusts)

3. Click outside the list of trusts. At this point, you are not entering a trust.

Enter estate expenses

On the *Estate Expenses* tab, you can enter your clients' expected estate expenses. Estate expenses include items such as burial expenses. These expenses may occur at the death of a particular individual or on a first- or last-to-die basis. These items are deducted from the gross estate for estate tax purposes.

Expense Name*	Owner*	Amount*	Infl +/- Add'l	Delete
Jack's Burial	Jack	\$15,000	<input checked="" type="checkbox"/> + 0.00%	X

Add Estate Expense

Figure 5: Goals section – Estate Planning category – Objectives page – Estate Expenses tab

To enter a burial expense

1. Go to the **Estate Expenses** tab.
2. Under *Estate Expenses*, click **Add Estate Expense**. A new data-entry row appears.
3. Enter **Jack's Burial**, **Jack**, and **\$15,000** in the fields provided.
4. Select the **Infl** check box. The expense amount is indexed to inflation.

Hint: Any additional expenses you have entered for the survivor income goal also appear on this page. NaviPlan does not double-count these expenses.

Model your clients' existing estate plan

On the *Goals* section – *Estate Planning* category – *Scenarios* page, like the *Scenarios* page for other goals in the plan, you can create scenarios, and then recommend a scenario for client reports. You can compare two estate planning scenarios at the same time.

The screenshot displays the 'Estate Planning' Scenarios page in NaviPlan. It features two side-by-side panels for comparing scenarios. The left panel is for the 'Existing Estate Scenario' and the right panel is for the 'Marital/CST and Living Trusts' scenario. Each panel includes a bar chart comparing 'Total Taxes', 'Net to Heirs', and 'Net to Charity'. Below the charts are summary tables and sections for 'Other Goal Coverage' (Cash Flow, Retirement, Emergency Fund, Survivor Income, Disability Income, Long-term Care) and 'Life Expectancy' settings.

Scenario	Total Taxes	Net to Heirs	Net to Charity	Net to Heirs and Charity
Existing Estate Scenario	\$3,792,022	\$3,955,920	\$0	\$3,955,920
Marital/CST and Living Trusts	\$2,539,646	\$4,230,423	\$0	\$4,230,423

Figure 6: Goals section – Estate Planning category – Scenarios page

By default, NaviPlan displays the existing estate scenario on the left side of the NaviPlan window. This scenario shows an overview of the existing estate plan based on the clients' hypothetical life expectancies.

On the right side, from the *Scenario* list, you can select another What-if scenario to compare and edit.

From the *Scenario* lists, you can select which scenarios you want to display on each side of the NaviPlan window.

Under *Other Goal Coverage*, NaviPlan shows the relative goal coverage for other goals in the plan so you know how estate strategies affect them. For example, estate strategies like gifting during retirement may reduce the ability to meet the retirement goal because they add additional retirement needs to the plan.

Under *Life Expectancy*, the *Edit Life Expectancy* button allows you to quickly adjust the hypothetical life expectancies for the results above without changing the clients' assumptions on the *Objectives* tab.

At the bottom of the window, using the *Manage Scenarios* button, you can create, duplicate, compare, recommend, and include scenarios in reports.

Using the *Comparison Reports* button, you can quickly generate common reports to compare the two on-screen scenarios.

Analyze a simple will scenario

By default, NaviPlan assumes the existing estate scenario is based on a simple will, which allows asset retitling, gifting, living trusts, and irrevocable trusts, but excludes testamentary trusts and bequests. By default, all assets transfer to the surviving spouse at first death subject to the unlimited marital deduction (UMD). When you first create a Level 3 Plan, the existing estate scenario is also the recommended scenario since it is the only one available. Notice the green check mark next to the *Add* button.

If the clients currently have estate strategies in place, buttons are available to enter these strategies into the plan in the *Existing Estate* scenario.

Click this button...	To do this...
Asset Estate Details	Retitle assets entered in the plan.
Gifting	Enter the clients' cash and asset gifts that are currently planned. The data entry is similar to entering expenses.*
Trusts	Create inter vivos trusts that the clients plan to fund.*
Estate Distribution	Enter bequests and testamentary trusts.* This button is not accessible for the <i>Simple Will</i> scenario type. Two of these buttons appear when <i>Specify by Order of Death</i> is selected on the <i>Objectives</i> page – <i>Assumptions</i> tab; otherwise, only one button appears.

*More details on this button are available in the Gifting, ILITs, and Bequests training module.

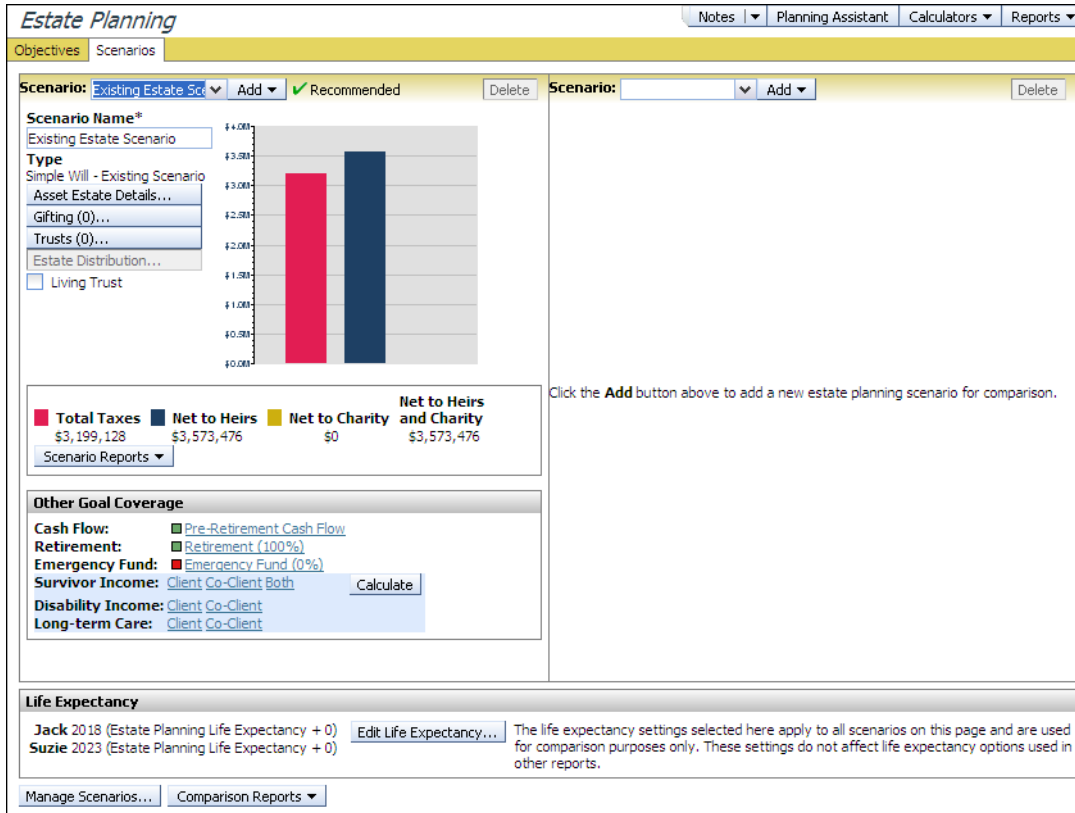


Figure 7: Goals section – Estate Planning category – Scenarios page

To view scenario reports

1. Go to the **Scenarios** page.
2. For the *Existing Estate* scenario, click the **Scenario Reports** button. A list of common estate planning reports appears.

Use these reports to review that the clients' existing estate scenario is accurate so that it can be used as a starting point or comparison for creating recommended scenarios.

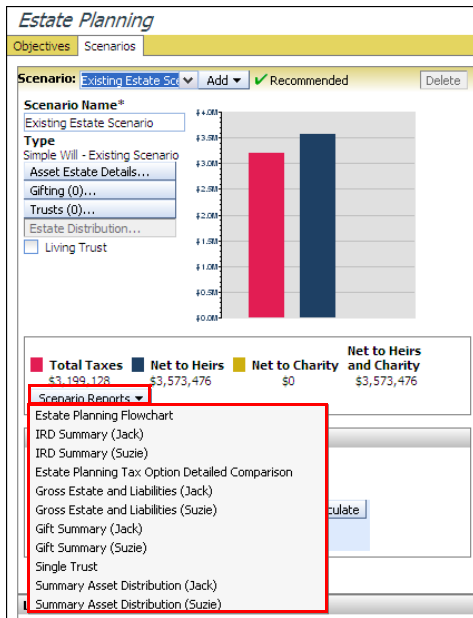


Figure 8: Goals section – Estate Planning category – Scenarios page – Scenario Reports button (showing list of estate planning reports)

3. Select **Estate Planning Flowchart**. The *Assign Settings* dialog box opens.

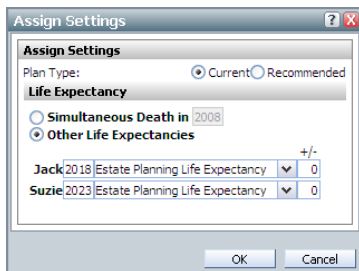


Figure 9: Goals section – Estate Planning category – Scenarios page – Scenario Reports button – Assign Settings dialog box

4. Under *Assign Settings*, select **Current**. Using this setting, NaviPlan displays results based on the current plan data. If you select *Recommended* instead, NaviPlan displays results based on strategies implemented into the *Recommended* scenarios of the plan.
Under *Life Expectancy*, you can change the clients' life expectancy assumptions for the report.
5. Click **OK**. A dialog box opens containing the *Estate Planning Flowchart* report. The flowchart demonstrates the flow of capital throughout the clients' lifetime and the net results. Up to three columns of nodes can appear depending on the beneficiaries entered in the plan.

Node column	Description
Charities	This column shows the flow of capital to charities, if any have been entered in the plan. If no charities have been entered (such as in this case), the column does not appear.
Estate	This column shows the flow of capital through the clients' estates.
To Heirs	This column shows the flow of capital outside of the estate through trusts and gifts.

Hint: In the *Estate Planning Flowchart* dialog box, the flowchart is interactive. Double-clicking a node opens the related report, saving you from generating the report separately.

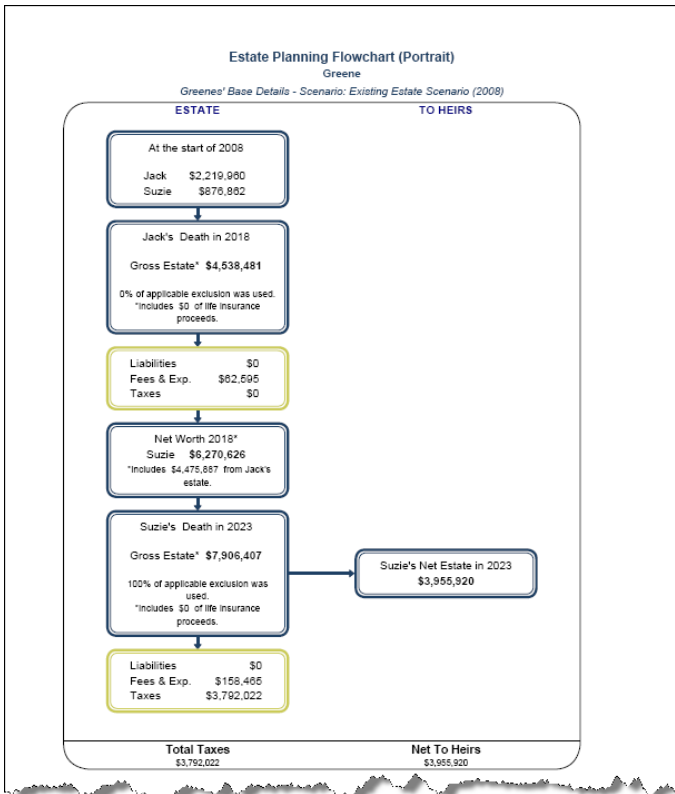


Figure 10: Goals section – Estate Planning category – Scenarios page – Scenario Reports button – Estate Planning Flowchart report

6. Double-click the **At the start of 2008** node. The *Net Worth Detailed as of January* report opens showing the Greene family's net worth details at the start of 2008.
7. Close this report.

8. Notice how the *Jack's Death in 2018* node shows 0% for the applicable exclusion amount used. According to the *Simple Will* scenario type, upon Jack's death his gross estate transfers to Suzie tax free using the unlimited marital deduction (UMD), less any fees and liabilities outstanding.
9. Double-click the **Jack's Death in 2018** node. The *Gross Estate and Liabilities (Jack)* report opens. This report shows all assets, liabilities, and insurance included in Jack's estate.
10. Close the report.
11. Double-click the **Liabilities, Fees & Exp., and Taxes** node. The *Estate Tax Details* report opens showing how all fees and estate taxes are calculated throughout the entire estate. This is the most detailed estate report.

Hint: No taxes are incurred because of the UMD transfer.

12. Close the report. The remaining three nodes in the *Estate* column provide similar details as the previous three, except that taxes and fees have a much greater effect on Suzie's gross estate.
In the *To Heirs* column, the flowchart shows a node containing the amount available to the net estate.
13. Close the *Estate Planning Flowchart* dialog box.

Create alternative estate planning scenarios

In NaviPlan, you can model scenarios where living and marital trusts are included. By clicking the *Add* button on the *Scenarios* page, you can select one of three types of estate planning scenarios:

Scenario type	Description
<i>New Simple Will</i>	This scenario uses the same assumptions as the existing estate scenario.
<i>New Marital/CST</i>	NaviPlan automatically models marital and credit shelter trusts. No bequests are available in this scenario.
<i>New Detailed</i>	You can include all strategies, gifting, inter vivos and testamentary trusts, and bequests in this scenario.

Note: Like a plan, you can promote an estate planning scenario to an increasingly detailed scenario, but you cannot demote an estate planning scenario.

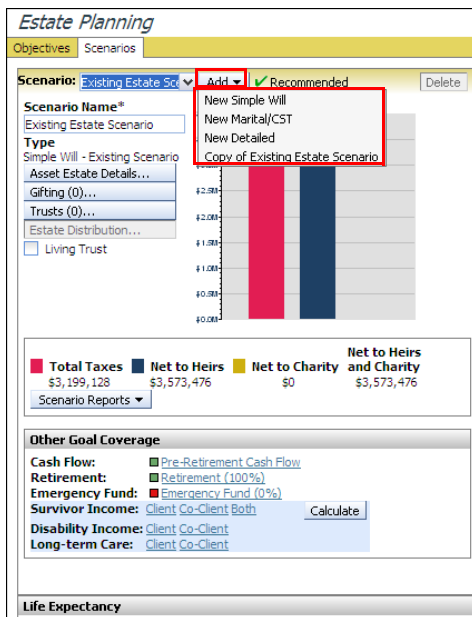


Figure 11: Goals section – Estate Planning category – Scenarios page (showing the Add button clicked)

If your clients already have trusts set up, you can change the scenario type of the existing estate scenario or create a new one, and you can model the trusts by clicking the *Estate Distribution* button.

Enter a Marital/CST scenario

The *Marital/CST* scenario type is an ideal type for paraplanners who are concentrating on data entry only. NaviPlan makes some assumptions and controls all the funding details. If needed, the planner can change the scenario type to *Detailed*, which provides more flexibility for data entry and provides additional estate planning options. The *Marital/CST* scenario type uses the same strategies as the *Simple Will* scenario. In addition, marital and credit shelter trusts are created and funded automatically.

To enter a Marital/CST scenario

1. On the right side of the *Scenarios* page, click the **Add** button, and then select **New Marital/CST**. NaviPlan creates and displays the new scenario.
2. Rename the scenario to *Marital/CST*.
3. For this scenario, click the **Estate Distribution** button. The *Estate Distribution* dialog box opens. NaviPlan shows one credit shelter trust and one marital trust. Upon scenario creation, NaviPlan established these trusts automatically with funding set to begin when either client dies. You can modify them and generate reports for these trusts.

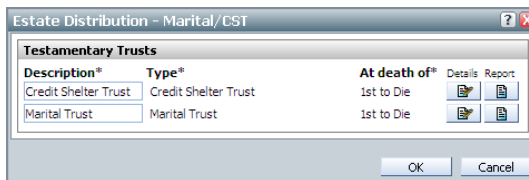


Figure 12: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box

4. For the credit shelter trust, click the **Details** button. The *Trust Details* dialog box opens to the *Details* tab. The fields available in this scenario are also available in the *Detailed* scenario. However, in the *Marital/CST* scenario, some fields are not accessible.

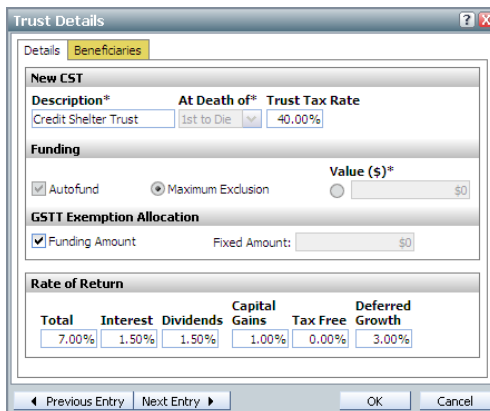


Figure 13: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box – Details button – Trust Details dialog box – Details tab (showing details for a credit shelter trust)

Under *New CST*, you can rename the trust, determine when to fund the trust, and set the trust tax rate. For this scenario, the *At Death of* field is not accessible.

Under *Funding*, you can control how NaviPlan funds the credit shelter trust. For this scenario, these fields are not accessible. The *Autofund* check box is automatically selected. When selected, this check box allows NaviPlan to determine which assets to use for funding while applying the following limitations:

- NaviPlan funds up to the maximum exclusion amount in the year of death.
- Only the decedent’s non-qualified investment assets are used and are ordered by NaviPlan’s default redemption order for deficit coverage.
- Joint assets cannot fund any testamentary trust because these assets are assumed to be joint with rights of survivorship. You can resolve this by splitting assets in the plan or by retitling ownership of these assets.

Note: To use the joint assets to fund the trust, go to the **Financial Picture** section – **Net Worth** category – **Accounts** page, and then either split the assets into individually owned assets or retitle the assets.

Under *GSTT Exemption Allocation*, you can allocate a fixed amount or fund up to the GSTT exemption amount. For example, the GSTT exemption could apply if some of the beneficiaries are skip persons.

5. Under *Rate of Return*, enter the return rates on the trust assets as follows:

Return type	Rate of return
<i>Interest</i>	1.5%
<i>Dividends</i>	1.5%
<i>Capital Gains</i>	1.0%
<i>Tax Free</i>	0.0%
<i>Deferred Growth</i>	3.0%

6. Click **OK**. The *Trust Details* dialog box closes.
7. For the marital trust, click the **Details** button. Another *Trust Details* dialog opens to the *Details* tab. Notice that the dialog box for the marital trust contains almost the same details as the dialog box for the credit shelter trust. Under *Funding*, there are some key differences for marital trusts:
 - NaviPlan assumes the entire remainder of the decedent’s available estate will fund the trust. You cannot change this assumption in the *Marital/CST* scenario.

- For *Detailed* estate scenarios, you can set NaviPlan to fund the trust up to a specific dollar amount or you can select specific assets created in the plan that will fund the trust.

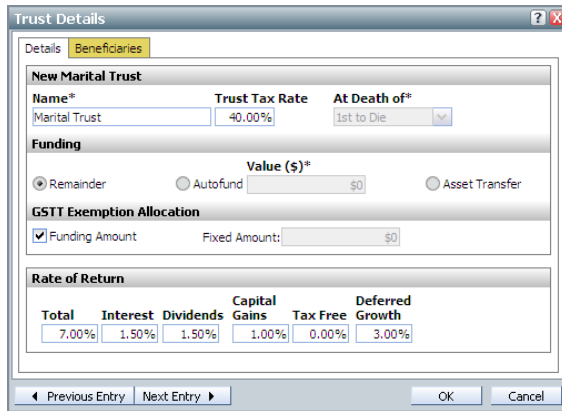


Figure 14: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box – Details button – Trust Details dialog box – Details tab (showing details for a marital trust)

8. Under *Rate of Return*, enter the return rates on the trust assets as follows:

Return type	Rate of return
<i>Interest</i>	1.5%
<i>Dividends</i>	1.5%
<i>Capital Gains</i>	1.0%
<i>Tax Free</i>	0.0%
<i>Deferred Growth</i>	3.0%

Assign trust beneficiaries

On the *Beneficiaries* tab of the *Trust Details* dialog box, you can enter the income and remainder beneficiaries of the trust and the corresponding percentages of the estate to be transferred to each beneficiary. This tab varies depending on the trust type. Usually, the remainder beneficiaries (e.g., children or charity) are set on the left side of the tab, and the income beneficiaries (e.g., the spouse) are set on the right.

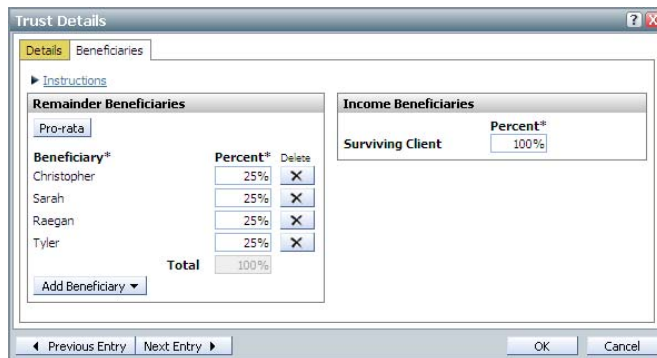


Figure 15: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box – Details button – Trust Details dialog box – Beneficiaries tab

To view trust beneficiary details

1. In the *Trust Details* dialog box for the marital trust, go to the **Beneficiaries** tab. NaviPlan shows four children, funded at 25% each as remainder beneficiaries, whereas the surviving client is set to receive 100% of the trust income.

In this example, all beneficiaries receive an equal share of the trust remainder. However, you can assign individual percentages to each beneficiary. If needed, you can revert to equal shares quickly by clicking the *Pro-rata* button.

2. Click the **Add Beneficiary** button. A list of additional available beneficiaries appears. By selecting *Add All*, you can quickly add all remaining beneficiaries.
3. Click **OK**. The *Trust Details* dialog box closes.

Generate a single trust report for the CST

The single trust report for the CST defines the credit shelter trust and provides details about implementation, funding, cash flow, and taxes paid by trust reconciliation.

Single Trust

Greene

Greene's Base Details #2 - Proposed - Scenario: Marital/CST (2008)

Credit Shelter Trust

The main purpose of a CST is to allow the first spouse that dies to use their remaining Applicable Credit by transferring money into a CST on first-to-die. This will reduce the amount of Estate Tax due on the death of the last-to-die spouse and therefore increase the amount payable to their heirs. Transferring money to a CST permits the heirs to receive the money tax-free from the CST; whereas, if the money were to remain with the last-to-die spouse, the money may be taxed with the last-to-die spouse's estate on death. If the remaining Applicable Credit is not used by the decedent, it does *not* pass on to the spouse. Also, CSTs allow the last-to-die spouse to receive income for the remainder of their life.

Details

Credit Shelter Trust			
Funding Date	Dec 31 2018	At Death of	Jack
Allocation for GSTT Exemption	Equals trust funding amount	Trust Tax Rate	40.0%
Rates of Return			
Interest	1.5%	Dividends	1.5%
Capital Gains	1.0%	Tax Free	0.0%
Deferred Growth	3.0%	Reinvestment Frequency	Annual
Income Beneficiaries		Remainder Beneficiaries	
Suzie	100%	Christopher (Heir)	25%
		Sarah (Heir)	25%
		Raegan (Heir)	25%
		Tyler (Heir)	25%

Summary

Inclusion Ratio	0.000 ¹	Remainder to Heirs	\$959,090 ²
-----------------	--------------------	--------------------	------------------------

Close

Figure 16: Single Trust report

To view a CST report

1. In the *Estate Distribution* dialog box, for the credit shelter trust, click the **Report** button. The *Assign Settings* dialog box opens.

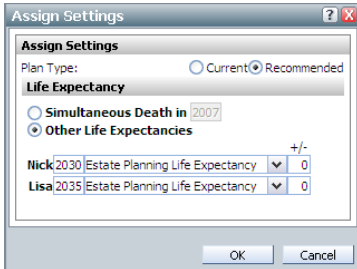


Figure 17: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Report button – Assign Settings dialog box

2. Under *Assign Settings*, select **Recommended**.

Note: By selecting *Recommended*, all *Recommended* scenarios from other goals are included in the analysis.

3. Click **OK**. The *Single Trust* report opens. The following sections are available in the report:

Report section	Description
<trust type>	This section provides educational information about what the trust is and how it works.
<i>Details</i>	The table in this section displays the values entered in the <i>Trust Details</i> dialog box.
<i>Summary</i>	This section provides a quick summary of the trust outcomes.
<i>Funding</i>	This section lists assets and the amounts used to fund the trust. In this example, notice that the trust is underfunded. The <i>Autofund</i> strategy did not allocate enough funds to the trust. When this situation occurs, you can either create a duplicate scenario using the <i>Detailed</i> scenario type and modify the scenario, or you can retile the assets in the plan.
<i>Cash Flow</i>	This section contains a table that shows the growth and distribution of the trust assets. In this example, notice that only six years are shown in the table since estate planning reports reflect the years from the first death to the second death. The expected year of death for Jack and Suzie are 2018 and 2023, respectively.

4. Close all open dialog boxes.

Manage estate planning scenarios

In the *Manage Scenarios* dialog box, you can manage several scenarios in an efficient manner. You can quickly enter the description for several scenarios, change the scenario type, implement a living trust, make duplicates, recommend a scenario, generate flowchart reports, and include scenarios in reports.

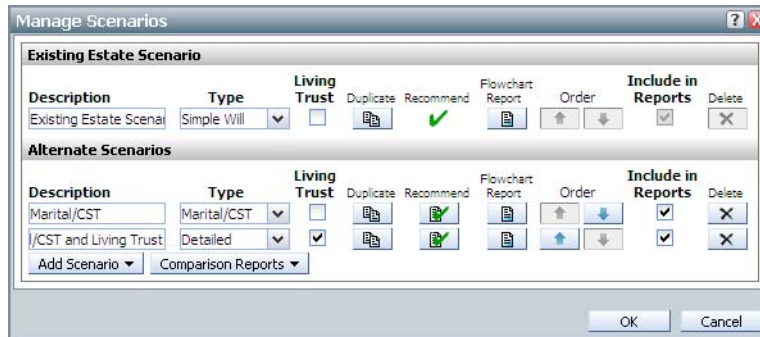


Figure 18: Goals section – Estate Planning category – Scenarios page – Manage Scenarios button – Manage Scenarios dialog box

To create the Detailed estate scenario

1. On the *Scenarios* page, click the **Manage Scenarios** button. The *Manage Scenarios* dialog box opens. The *Existing Estate* and *Marital/CST* scenarios appear.
2. For the *Marital/CST* scenario, click the **Duplicate** button. NaviPlan creates a copy of the scenario.
3. For the new scenario, from the *Type* list, select **Detailed**, and then rename the scenario to **Marital/CST and Living Trusts**.

Note: If you add a new *Detailed* scenario, instead of duplicating the *Marital/CST* scenario, the marital and credit shelter trusts are not entered and you have to enter the details manually.

4. For the new scenario, select the **Living Trust** check box. When you indicate that a scenario contains a living trust, NaviPlan can reduce estate-related expenses and eliminate the probate paid.

Note: The *Living Trust* check box is also accessible on the *Scenarios* page.

5. Select the **Include in Reports** check boxes for all scenarios. NaviPlan ensures that all the listed scenarios are included in client reports.

Note: Up to four scenarios can be included in client reports.

6. Click **OK**. The *Manage Scenarios* dialog box closes. On the *Scenarios* page, the new scenario is now available in the *Scenarios* list.

View asset estate details

In the *Asset Estate Details* dialog box, NaviPlan lists investment and lifestyle assets that could be made available to the estate. You can retitle the assets (change ownership), determine whether fees are applicable, and set the asset availability for the estate. The changes you make here only apply to the scenario. When the scenario is marked as *Recommended*, NaviPlan automatically updates the details in the *Financial Picture* section of the plan.

Non-Qualified and Lifestyle						
Asset Name	Market Value	New Owner	Probate Fees	Admin Fees	Not Available For Estate Needs	
Joint NQ Account (Non-Qualified)	\$650,000	Joint	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Jack's Brokerage Account (Non-Qualified)	\$949,288	Jack	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Suzie's Brokerage Account (Non-Qualified)	\$211,690	Suzie	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
67 Dalhousie Rd. (Joint/Lifestyle)	\$375,000	Joint	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
323 Divison Street (Jack/Real Estate)	\$600,000	Suzie	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Vacation Home (Joint/Lifestyle)	\$118,000	Joint	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

Qualified and Annuities							
Asset Name	Market Value	Probate Fees	Admin Fees	Not Available For Estate Needs	Primary Beneficiary	Contingent Beneficiary	Multi-Generational
Jack's 401(k)	\$225,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Suzie	Estate	<input type="checkbox"/>
Jack's IRA	\$83,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Suzie	Estate	<input type="checkbox"/>
Suzie's IRA	\$97,500	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jack	Estate	<input type="checkbox"/>
Suzie's Annuity (Non-Qualified)	\$25,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jack	Estate	N/A

Figure 19: Goals section – Estate Planning category – Scenarios page – Asset Estate Details button – Asset Estate Details dialog box

To change the scenario's asset estate details

1. On the right side of the *Scenarios* page, from the *Scenario* list, select **Marital/CST and Living Trusts**.
2. Click the **Asset Estate Details** button. The *Asset Estate Details* dialog box opens.
3. Under *Non-Qualified and Lifestyle*, review the details of the assets listed:
 - *Market Value* – The market value of the asset at the beginning of the year.
 - *New Owner* – The owner of the asset. Changing the owner of the asset retitles the asset for estate planning purposes only. Funding for other goals is not affected.
 - *Probate Fees* – When selected, probate fees apply.
 - *Admin Fees* – When selected, administration fees apply.

Note: Probate and administration fees should be entered under *Additional Fees* on the *Objectives* page.

- *Not Available For Estate Needs* – When selected, NaviPlan prevents the asset from being liquidated to cover estate settlement costs. By default, real estate and lifestyle assets are unavailable.

- For the *323 Divison Street* real estate asset, change the owner to **Suzie**.

Note: When retitling a jointly owned asset to a singly owned asset, unmarried clients may incur gift taxes.

Notice how all the *Probate* fields are cleared. In living trusts, probate expenses aren't applicable. At death, NaviPlan pays estate fees, expenses, taxes, and liabilities from the owner's estate. NaviPlan may redeem assets to cover these costs prior to funding testamentary trusts and bequests. By default, NaviPlan excludes lifestyle and real estate property from deficit coverage since they are illiquid assets.

Hint: For more information about asset redemption to cover estate deficits, in the Help, search for the phrase **Estate Deficit Coverage**.

- Under *Qualified and Annuities*, for Jack's 401(k), expand the *Primary Beneficiary* list. When a child or *Other* is selected, the *Multi-Generational* check box is accessible. Selecting this check box ensures that IRD taxes will not apply.
- Click outside the list, and then click **OK**. The *Asset Estate Details* dialog box closes.

Define the clients' estate distribution

In scenarios with the *Detailed* scenario type, using the *Estate Distribution* dialog box, you can add testamentary bequests and trusts. For testamentary trusts, you can include asset transfers. You can verify your data entry by generating a *Summary Asset Distribution* report.

Description*	Type*	At death of*	Details	Report	Delete
Credit Shelter Trust	Credit Shelter Trust	1st to Die			
Marital Trust	Marital Trust	1st to Die			

Figure 20: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box (for the Detailed scenario type)

To define the clients' estate distribution

- On the right side of the *Scenarios* page, click the **Estate Distribution** button for the *Marital/CST and Living Trusts* scenario. The *Estate Distribution* dialog box opens where you can enter general and asset bequests in addition to multiple types of testamentary trusts.

For general bequests, NaviPlan determines which assets to use, whereas for asset bequests, NaviPlan allows you to designate specific assets to bequeath. More details on general and asset bequests are available in the Gifting, ILITs, and Bequests training module.

2. Under *Testamentary Trusts*, click the **Add** button. A list of testamentary trusts appears. Notice that qualified terminable interest property and generic testamentary trusts are now available.
3. Click outside the list, and then for the credit shelter trust, click the **Details** button. The *Trust Details* dialog box opens to the *Details* tab. Notice that you now have control over funding options. You can select the maximum exclusion amount available to the client at death or enter a specific dollar amount.

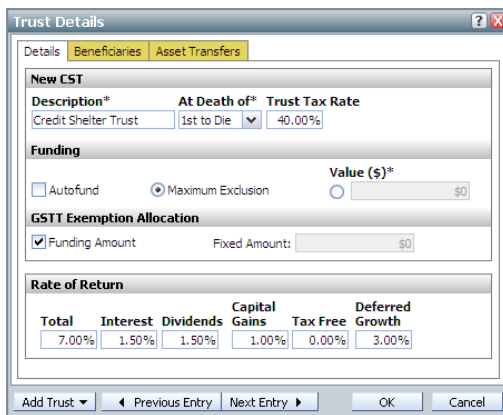


Figure 21: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box (for the Detailed scenario type) – Estate Distribution button – Trust Details dialog box – Details (for the CST scenario)

4. Under *Funding*, clear the **Autofund** check box. The *Asset Transfers* tab appears.
5. Go to the **Asset Transfers** tab. On this tab, you can specify multiple assets and amounts to transfer to the trust.

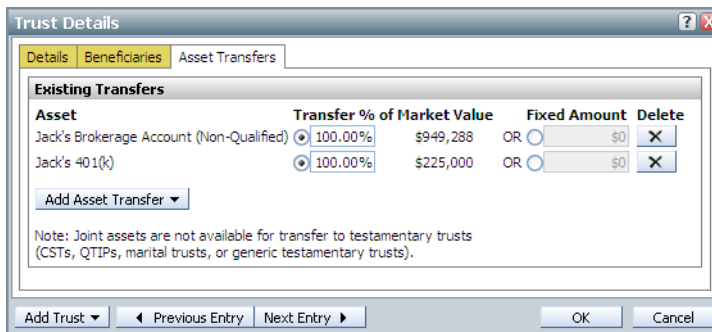


Figure 22: Goals section – Estate Planning category – Scenarios page – Estate Distribution button – Estate Distribution dialog box (for the Detailed scenario type) – Add button (for testamentary trusts) – Trust Details dialog box – Asset Transfers tab

6. Click the **Add Asset Transfer** button, and then select **Jack's Brokerage Account**. A new row appears. By default, NaviPlan assigns 100% of the asset. The amount shown is the current market value.
7. Click the **Add Asset Transfer** button again, and then select **Jack's 401(k)**.

Hint: If you have additional assets that aren't available for selection on the *Asset Transfers* tab, you can retitle these assets in the *Asset Estate Details* dialog box. The retitling only occurs within the estate planning scenario selected, and will not affect the existing estate scenario or other ones created.

8. Click **OK**. The *Trust Details* dialog box closes.
9. Click **OK**. The *Estate Distribution* dialog box closes.
10. For the *Marital/CST and Living Trust* scenario, click the **Scenario Reports** button, and then select **Summary Asset Distribution (Jack)**. The *Assign Settings* dialog box opens.
11. Under *Assign Settings*, select **Recommended**, and then click **OK**. The *Summary Asset Distribution (Nick)* report opens. The report demonstrates how assets are used to cover Jack's estate needs. The report also lists liquidity needs, transfers to the survivor (Suzie), and transfers to testamentary trusts.

Summary Asset Distribution (Jack)
Greene
Greene's Base Details #2 - Proposed - Scenario: Marital/CST and Living Trusts (2008)

	\$ Amount	% of Asset
Liquidity Needs - settled with...		
Jack's Brokerage Account (Non-Qualified)	\$28,758	3.34%
Total	\$28,758¹	
Transfer to Suzie		
67 Cathouse Rd. (Joint/Lifestyle) ²	\$233,133	100.00%
Vacation Home (Joint/Lifestyle) ²	\$73,359	100.00%
Joint NQ Account (Non-Qualified)	\$1,144,989	100.00%
Jack's 401(k)	\$300,888	70.31%
Jack's IRA	\$188,128	100.00%
Total	\$2,039,495	
Transfer to Testamentary Trusts		
Jack's Brokerage Account (Non-Qualified)	\$831,127	99.66%
Jack's 401(k)	\$188,873	29.69%
Total	\$1,000,000	
Total Distributions at Jack's Death	\$3,068,252	

¹Liquidity needs may include Suzie's share of joint liabilities.
²Asset not available to cover estate needs upon Jack's death.

Figure 23: Summary Asset Distribution (Jack) report

12. Close this report.

Implement a recommended estate plan

Once you have analyzed the results of the clients' existing estate plan and alternative scenarios, you can recommend a scenario to include in the recommended plan and in client reports.

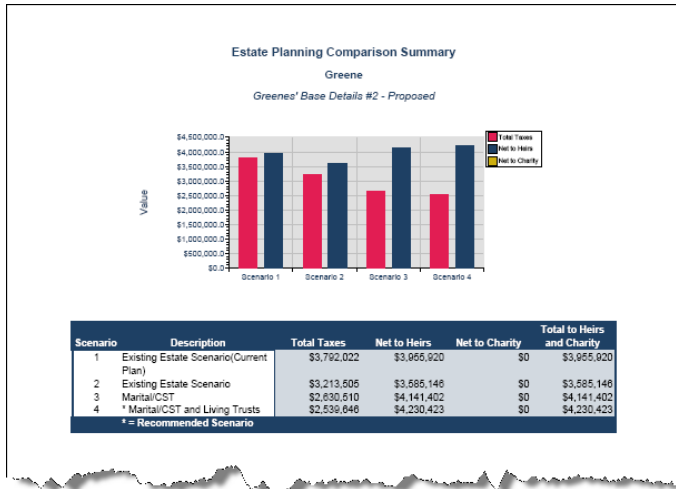


Figure 24: Estate Planning Comparison Summary report

To recommend an estate plan

1. At the bottom of the *Scenarios* page, click the **Comparison Reports** button, and then select **Estate Planning Comparison Summary**. The *Assign Settings* dialog box opens.
2. Under *Assign Settings*, select **Recommended**, and then click **OK**. The *Estate Planning Comparison Summary* report opens. Using this report, you can compare the total tax and net distributions for all scenarios included in reports. Of the four scenarios displayed, the *Marital/CST and Living Trust* scenario provides the highest total amount to heirs. In this report, NaviPlan makes the following assumptions about each scenario:

Estate scenario	Assumptions
<i>Existing Estate Scenario (Current Plan)</i>	This scenario is based on the existing estate scenario, which includes an analysis of all other goals in the current plan.
<i>Existing Estate Scenario</i>	This scenario is based on the existing estate, which includes an analysis of all other recommended goal scenarios.
<i>Marital/CST</i>	This scenario uses the <i>Marital/CST</i> scenario type and includes an analysis of all other recommended goal scenarios.
<i>Marital/CST and Living Trusts</i>	This scenario uses the <i>Detailed</i> scenario type and includes the values of all assets included in the estate after all other recommended goal scenarios have been implemented.

3. Close the report.
4. Click the **Recommend Scenario** button for the *Marital and Living Trust* scenario. This scenario is now implemented into the plan.

Note: You can also recommend an estate planning scenario by clicking the *Recommend* button in the *Manage Scenarios* dialog box.

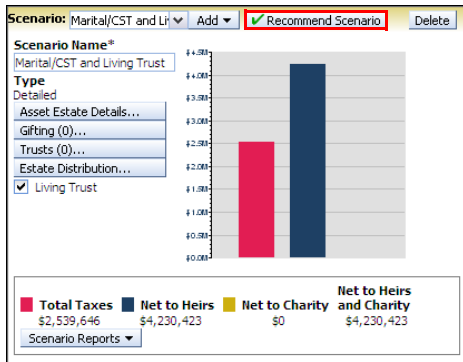


Figure 25: Goals section – Estate Planning category – Scenarios page (showing Recommend Scenario button)

5. From the *Reports* menu, select **Net Worth – Detailed – Net Worth Detailed: End of Year**. The *Assign Settings* dialog box opens.

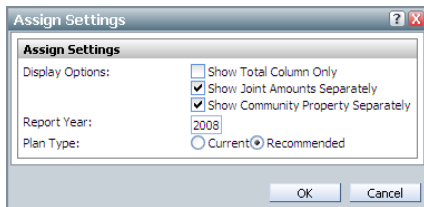


Figure 26: Assign Settings dialog box

6. Select **Recommended**, and then click **OK**. The *Net Worth Detailed: End of Year* report opens. Notice that the real estate asset has been retitled in Suzie's name.

Note: Net worth and cash flow values may be different than values reported for the estate planning goal, if different life expectancies are used in estate scenarios.

Net Worth Detailed: End of Year
Greene
Greene's Base Details #2 - Proposed (2008)

	Jack	Suzie	Joint	Community Property	Total
Non-Qualified Assets					
323 Divison Street		630,000			630,000
Joint NQ Account			1,038,295		1,038,295
Jack's Brokerage Account	1,002,761				1,002,761
Suzie's Brokerage Account		226,491			226,491
Total Non-Qualified Assets	1,002,761	856,491	1,038,295		2,897,546
Non-Qualified Annuities					
Suzie's Annuity (Gen. Acct.)		26,000			26,000
Total Non-Qualified Annuities		26,000			26,000
Qualified Assets					
Jack's IRA	91,993				91,993
Jack's 401(k)	264,710				264,710
Suzie's IRA		107,520			107,520
Total Qualified Assets	356,702	107,520			464,222
Lifestyle Assets					
87 Dalhousie Rd.			382,500		382,500
Vacation Home			120,360		120,360
Total Lifestyle Assets			502,860		502,860
Total Assets	1,359,463	990,010	1,541,155		3,890,629
Liabilities					
Mortgage - 323 Divison Street	(159,868)				(159,868)
Mortgage - 87 Dalhousie			(49,441)		(49,441)
Total Liabilities	(159,868)		(49,441)		(209,310)
Total Net Worth	1,199,595	990,010	1,491,714		3,681,319

Figure 27: Net Worth Detailed: End of Year report

Evaluate relevant output pages in a client report to assess estate planning alternatives

After you recommend a scenario for your clients' estate planning goal, you can present your results in the *Financial Needs Summary* or *Financial Needs Analysis* client reports.

To view estate planning results in the Financial Needs Analysis client report

1. Go to the **Results** section – **Client Reports** category – **Client Report** page.

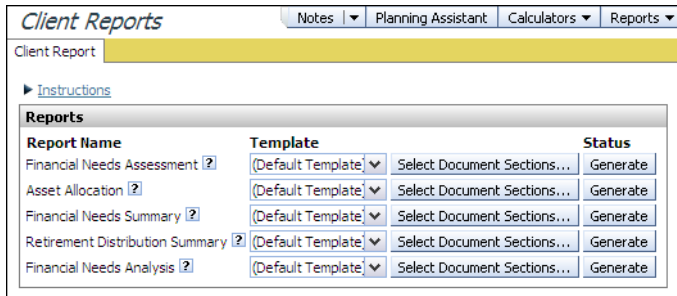


Figure 28: Results section – Client Reports category – Client Report page

2. For a *Financial Needs Analysis*, click the **Select Document Sections** button. The *Select Document Sections* dialog box opens.

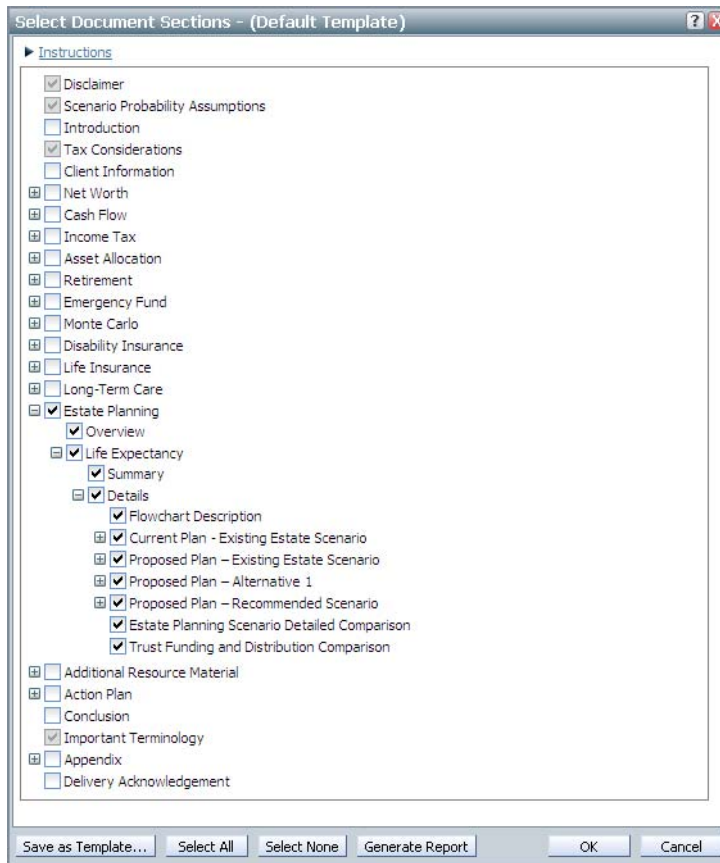


Figure 29: Select Document Sections dialog box

3. Click the *Select None* button. All report sections, except for mandatory sections are cleared.

4. Select the **Estate Planning** check box, and then click the **Generate Report** button. The *Financial Needs Analysis* client report opens after a few minutes.



Figure 30: *Financial Needs Analysis* client report – *Estate Planning* section

- Go to the **Estate Planning - Summary** report section. In this section, you can compare the total taxes and net distributions for all scenarios included in the client report. For the listed scenarios, the *Marital/CST and Living Trusts* scenario provides the highest net to heirs amount.

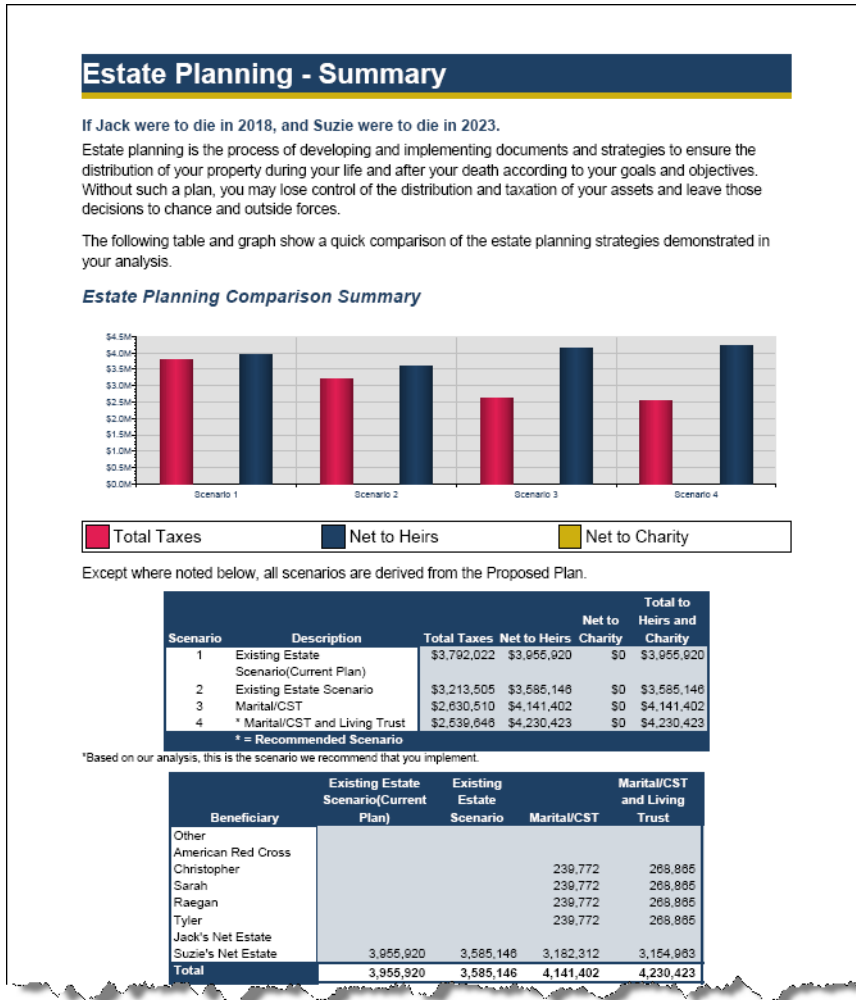


Figure 31: Financial Needs Analysis client report – Estate Planning - Summary section

6. Go to the **Flowchart Description** report section. This section describes the key estate planning elements that could appear in the estate planning flowchart, which appears in the section that follows.

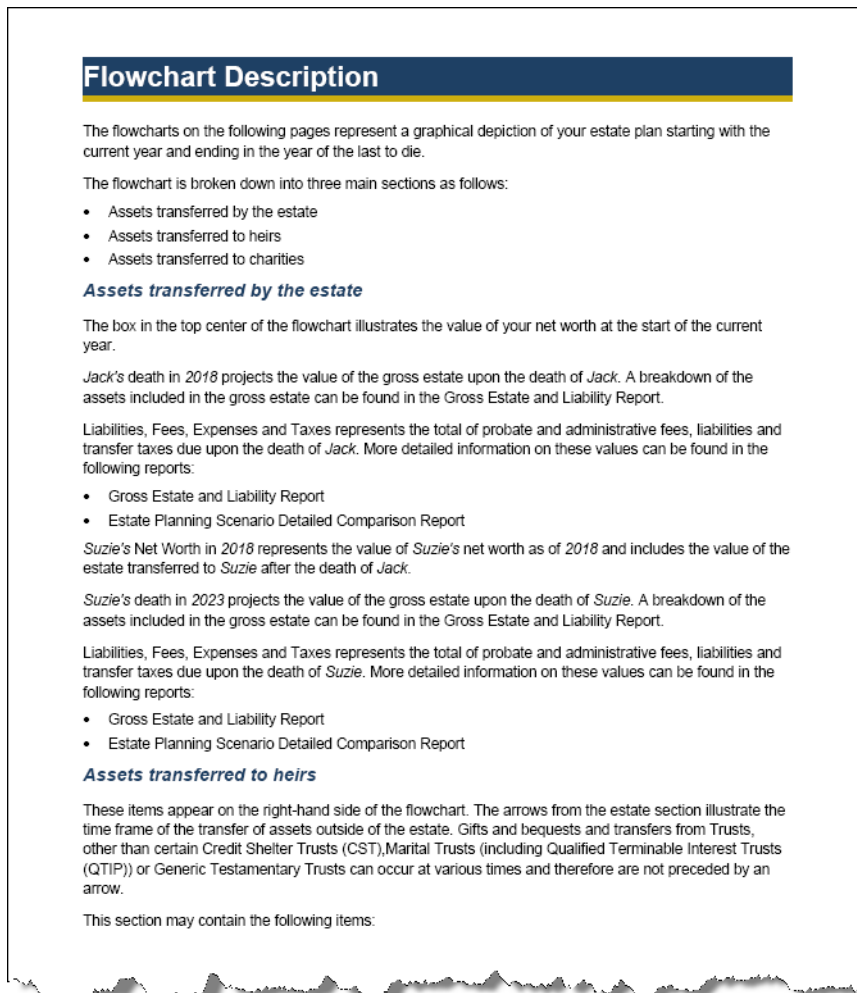


Figure 32: Financial Needs Analysis client report – Flowchart Description section

7. Go to the **Flowchart - Current Plan - Existing Estate Scenario** report section. Using this report section, you can compare the clients' details for the current estate plan and the suggested estate scenario. The following are some key points you could discuss with Jack and Suzie:
- None of the applicable exclusion amount was used upon Jack's death (note the used unified credit)
 - After Jack dies, estate taxes are \$0 (the UMD is transferred when using the *Simple Will* scenario type)

- All of the applicable exclusion amount was used only upon Suzie’s death
- Note the value of the taxes due upon Suzie’s death

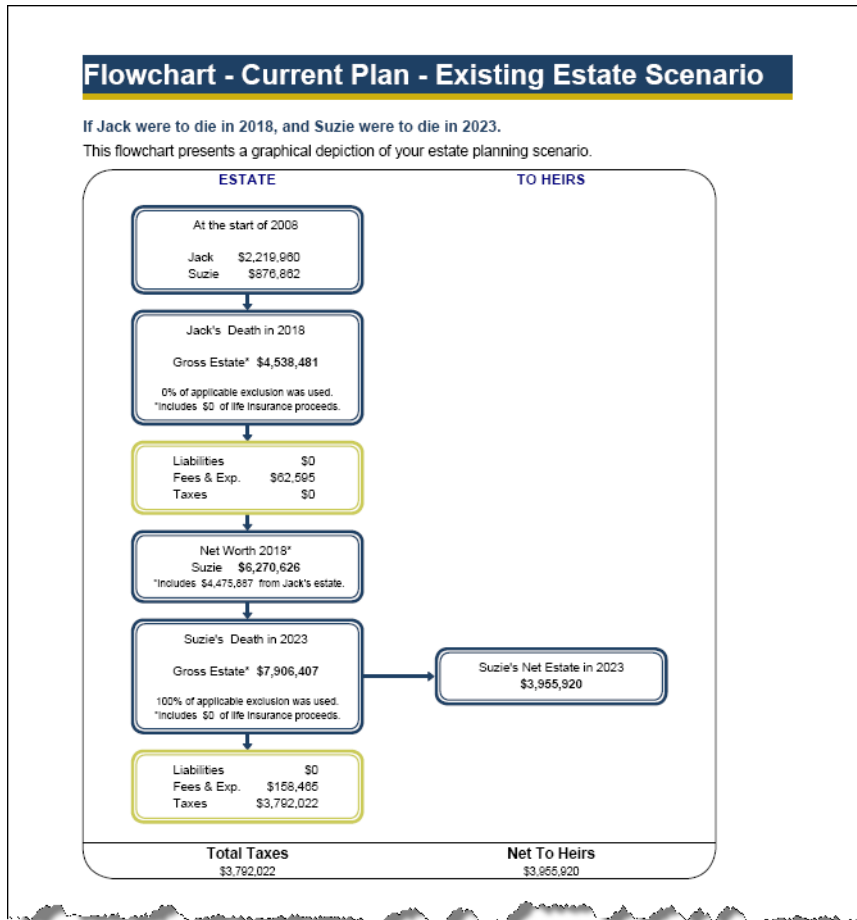


Figure 33: Financial Needs Analysis client report – Flowchart - Current Plan - Existing Estate Scenario report section

- Go to the **Flowchart - Marital/CST and Living Trusts (Suggested)** report section. Using this report section, you can highlight your ability to implement estate planning strategies that will save the Greene family money, while reducing the amount of applicable estate taxes. The following are some points you can mention about the *Recommended* estate scenario:
 - The applicable exclusion amount is used at Jack’s death instead of at Suzie’s death
 - The applicable exclusion amount is used to fund a credit shelter trust and the remainder is entered into a marital trust
 - The taxes due in the *Recommended* scenario is less than in the existing estate scenario

- The total net to heirs amount is greater in the *Recommended* scenario than in the existing estate scenario

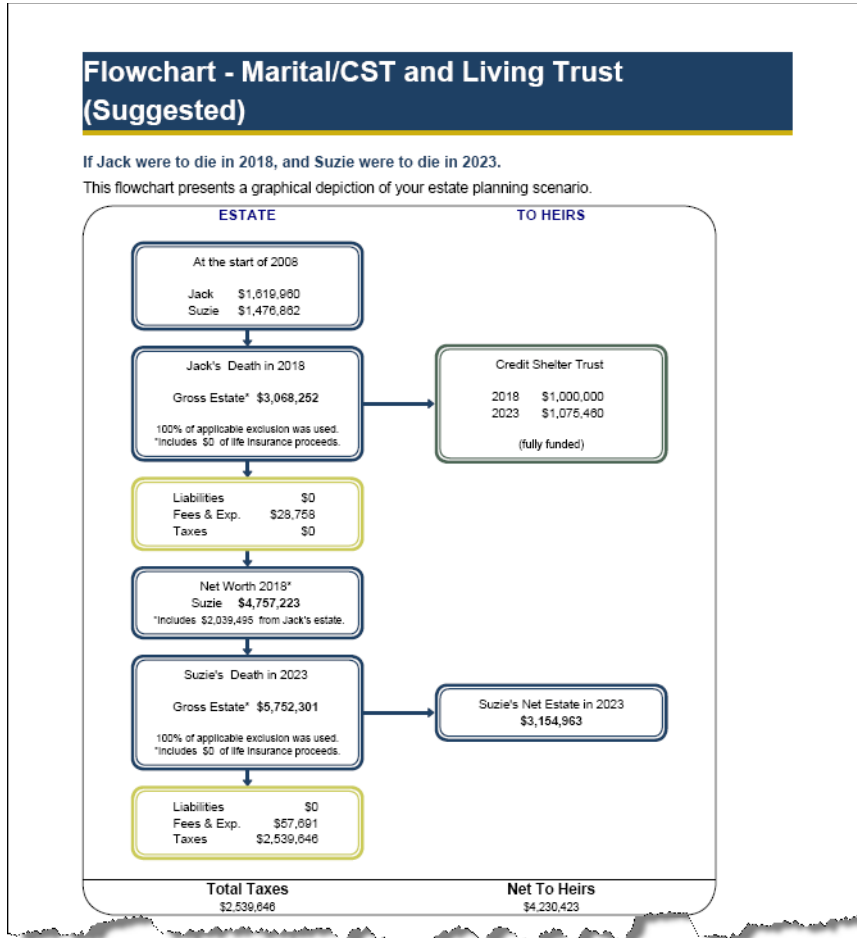


Figure 34: Financial Needs Analysis client report – Flowchart - Marital/CST and Living Trusts (Suggested) report section

- Go to the **Estate Planning Scenario Detailed Comparison** report section. This section is useful for clients who want an itemized comparison between the existing estate scenario and the alternative scenarios that were included in the client report.

Estate Planning Scenario Detailed Comparison				
<i>If Jack were to die in 2018, and Suzie were to die in 2023.</i>				
The following report provides a detailed cash flow comparison of all of the estate planning scenarios which have been presented here.				
At Death of Jack in 2018	Existing Estate Scenario		Marital/CST and Living Trust	
	(Current Plan)	Existing Estate Scenario	Marital/CST	Trust
Gross Estate	\$4,538,481	\$3,068,252	\$3,068,252	\$3,068,252
less Liabilities	\$0	\$0	\$0	\$0
less Probate Fees	\$21,218	\$8,599	\$8,599	\$0
less Administration Fees	\$21,218	\$8,599	\$8,599	\$8,599
less Final Expenses	\$20,159	\$20,159	\$20,159	\$20,159
Adjusted Gross Estate	\$4,475,887	\$3,030,896	\$3,030,896	\$3,030,495
less Transfer to Spouse (UMD)	\$4,475,887	\$3,030,896	\$2,208,368	\$2,039,495
less Charitable Bequests from Jack	\$0	\$0	\$0	\$0
Taxable Estate	\$0	\$0	\$822,528	\$1,000,000
plus Total Lifetime Taxable Gifts	\$0	\$0	\$0	\$0
Adjusted Taxable Estate	\$0	\$0	\$822,528	\$1,000,000
Taxes Due				
Total Tentative Tax	\$0	\$0	\$276,586	\$345,800
less Gift Tax Paid	\$0	\$0	\$0	\$0
less Applicable Credit	\$0	\$0	\$276,586	\$345,800
less State Death Tax Credit	\$0	\$0	\$0	\$0
Federal Estate Taxes	\$0	\$0	\$0	\$0
plus State Death Tax	\$0	\$0	\$0	\$0
plus Tax resulting from IRD	\$0	\$0	\$0	\$0
plus GSTT on bequests	\$0	\$0	\$0	\$0
plus income taxes paid from estate	\$0	\$0	\$0	\$0
Estate Taxes Paid	\$0	\$0	\$0	\$0

At Death of Suzie in 2023	Existing Estate Scenario		Marital/CST and Living Trust	
	(Current Plan)	Existing Estate Scenario	Marital/CST	Trust
Gross Estate	\$7,906,407	\$6,537,742	\$5,931,794	\$5,752,301
less Liabilities	\$0	\$0	\$0	\$0
less Probate Fees	\$79,232	\$69,546	\$69,546	\$0
less Administration Fees	\$79,232	\$69,546	\$69,546	\$67,691
less Final Expenses	\$0	\$0	\$0	\$0
Adjusted Gross Estate	\$7,747,942	\$6,798,651	\$5,812,822	\$5,694,610
less Charitable Bequests from Suzie	\$0	\$0	\$0	\$0
Taxable Estate	\$7,747,942	\$6,798,651	\$5,812,822	\$5,694,610
plus Total Lifetime Taxable Gifts	\$0	\$0	\$0	\$0
Adjusted Taxable Estate	\$7,747,942	\$6,798,651	\$5,812,822	\$5,694,610
Taxes Due				
Total Tentative Tax	\$3,902,168	\$3,380,058	\$2,837,852	\$2,772,838
less Gift Tax Paid	\$0	\$0	\$0	\$0
less Applicable Credit	\$345,800	\$345,800	\$345,800	\$345,800
less State Death Tax Credit	\$738,920	\$612,227	\$488,339	\$474,153
Federal Estate Taxes	\$2,817,448	\$2,422,031	\$2,003,713	\$1,352,882
plus State Death Tax	\$738,920	\$612,227	\$488,339	\$474,153
plus Tax resulting from IRD	\$235,654	\$179,247	\$138,458	\$112,611
plus GSTT on bequests	\$0	\$0	\$0	\$0
plus income taxes paid from estate	\$0	\$0	\$0	\$0
Total Taxes Due	\$3,792,022	\$3,213,505	\$2,630,510	\$2,539,648
less Tax resulting from IRD	\$235,654	\$179,247	\$138,458	\$112,611
Estate Taxes Paid	\$3,556,368	\$3,034,258	\$2,492,052	\$2,427,035

Figure 35: Financial Needs Analysis client report – Estate Planning Scenario Detailed Comparison report section

Exercises

The exercises have been designed specifically for this module and assume that you are working with the original data in the *Greenes' Base Details* plan. Before starting the exercises, duplicate the **Greenes' Base Details** plan, rename the duplicate with a meaningful name (e.g., *Estate objectives & testamentary trusts training*), and then use it to complete the following exercises.

Hint: All copies of plans are managed in the *Plan Management* section – *Plan List* category.

Exercise 1: Estate planning assumptions and funded trusts

To find the answers, see “Answers to estate objectives and testamentary trusts exercises” on page 41.

1. The life expectancies set on the *Goals* section – *Estate Planning* category – *Objectives* page – *Assumptions* tab will apply to the Greenes' entire plan. Is this statement true or false?

Hint: The *Instructions* link provides useful details.

- a) True
 - b) False
2. If Jack and Suzie Greene already had trusts set up in their current estate plan, which of the following trusts would you not enter for them on the *Funded Trusts* tab?
 - a) A CST that was funded at the death of the client's ex-spouse and is producing income for the client
 - b) An ILIT established in the past that owns an insurance policy on the life of the client
 - c) A marital trust that will receive the client's brokerage account upon the death of the client
 - d) A QTIP that was funded at the death of the client's ex-spouse and is producing income for the client

Exercise 2: Simple Will scenario

To find the answers, see “Answers to estate objectives and testamentary trusts exercises” on page 41.

1. Jack and Suzie Greene want to know which assets will be included in each of their gross estates if either of them were to die this year. Which of the following reports, accessible directly from the *Scenarios* page, would you use to answer this question?

Hint: You can select hypothetical life expectancies or specific deceased dates when you generate estate reports.

- a) *Estate Planning Tax Option Detailed Comparison*
 - b) *Gross Estate and Liabilities - <client>*
 - c) *Summary Asset Distribution - <client>*
 - d) *Estate Planning Flowchart*
2. Which of the following can you show Jack and Suzie using the *Estate Planning Flowchart* report?
 - a) Their current net worth and projected gross estate at death
 - b) The amount of the applicable exclusion used at their deaths
 - c) The total liabilities, fees, and taxes paid at death
 - d) The net value to heirs or charities
 - e) All of the above
 3. While reviewing the results from the *Estate Planning Flowchart* report, you notice that the applicable exclusion in the Greenes’ existing estate plan for the *Simple Will* scenario is not fully used. Why would the applicable exclusion not be used at 100%?
 - a) A *Simple Will* scenario assumes that all assets are owned jointly with rights of survivorship.
 - b) A *Simple Will* scenario assumes that all assets pass to the surviving spouse via the unlimited marital deduction.
 - c) A *Simple Will* scenario assumes there is no applicable exclusion.
 - d) None of the above.

Exercise 3: Create CSTs, marital trusts, and living trusts

To find the answers, see “Answers to estate objectives and testamentary trusts exercises” on page 41.

1. You believe that funding a credit shelter trust and marital trust at Jack’s death will be appropriate for the Greenes’ situation. Create a new estate planning scenario with a CST and marital trust using the *New Marital/CST* scenario type.

Hint: Be sure to assign return rates to the trusts.

2. If Jack’s CST is underfunded, which of the following strategies could you apply to a scenario to help increase the funding assets available for the CST?
 - a) Make the scenario a *Detailed* scenario, and then manually transfer joint assets.
 - b) Retitle investment assets to be singly owned and available to fund the CST.
 - c) Use the *Autofund* feature.
 - d) None of the above.
3. What button would you click on the *Scenarios* page to retitle assets to fund the CST in the *Marital/CST* scenario?
 - a) *Trusts* button
 - b) *Estate Distribution* button
 - c) *Asset Estate Details* button
 - d) *Manage Scenarios* button
4. You believe that you can make improvements to the *Marital/CST* scenario by converting it to a *Detailed* scenario. Duplicate the *Marital/CST* scenario you created previously, rename it, change it to a *Detailed* scenario, and then apply any or all of the following strategies:

Hint: Change to the *Detailed* type using the *Manage Scenarios* button.

- Retitle assets
- Manually transfer assets to the trust
- Add a living trust

Exercise 4: Implement a recommended estate plan

To find the answers, see “Answers to estate objectives and testamentary trusts exercises” on page 41.

To complete questions 1 to 3, generate the *Estate Planning Flowchart* report.

1. Which of the following is NOT included in Jack’s gross estate?

Hint: Within the *Estate Planning Flowchart* report, double-click the **Jack’s Death in <year>** node for specific details.

- a) The 323 Division Street asset
- b) Jack’s 401(k) asset
- c) Jack’s life insurance
- d) Jack’s pension

2. How much of Jack’s gross estate is transferred to Suzie via the unlimited marital deduction?

Hint: Within the *Estate Planning Flowchart* report, double-click the **Liabilities, Fees & Exp. and Taxes** node to access the *Estate Tax Details* report, which provides a detailed analysis of the estate calculations.

-
3. Which of the estate planning scenarios results in the highest *Net to Heirs* amount for the new analysis?

Hint: *Estate Planning Comparison* reports compare multiple scenarios within one report.

-
4. Marking a scenario as *Recommended* has what effect on a plan?

Hint: You can verify the results in the Greenes’ plan by examining the data entry in the *Financial Picture* section and by using cash flow reports. Remember that estate planning life expectancies and the plan’s life expectancies may differ.

- a) Retitles assets in the *Financial Picture* section if the scenario allows for the retitling of assets
- b) Creates cash expenses if gifting strategies are included in the scenario
- c) Creates income payments from trusts to the clients and beneficiaries
- d) All of the above

Conclusion

This module has enabled you to

- Capture your clients' existing estate plan and objectives and implement estate planning strategies in a recommended estate plan
 - Define estate planning assumptions
 - Define your clients' funded trusts and estate expenses
 - Model your clients' existing estate plan
 - Create an alternative estate planning scenario with a credit shelter and marital trust
 - Model a living trust in an alternative estate planning scenario
 - Implement a recommended estate plan
 - Evaluate relevant output pages in a client report to assess estate planning alternatives

Answers to estate objectives and testamentary trusts exercises

Exercise 1: Estate planning assumptions and funded trusts

1. b) False – The life expectancies set on the *Goals* section – *Estate Planning* category – *Objectives* page – *Assumptions* tab only apply to the Greenes' estate planning goal.
2. c) A marital trust that will receive the client's brokerage account upon the death of the client should not be entered on the *Funded Trusts* tab.

Exercise 2: Simple Will scenario

1. b) *Gross Estate and Liabilities - <client>* – The *Gross Estate and Liabilities - <client>* report will show which assets are included in his or her gross estate.
2. e) All of the above – The *Estate Planning Flowchart* report can show all of the values listed.
3. b) A *Simple Will* scenario assumes that all assets pass to the surviving spouse via the unlimited marital deduction.

Exercise 3: Create CSTs, marital trusts, and living trusts

2. b) Retitle investment assets to be singly owned and available to fund the CST – If the CST is underfunded, you can retitle investment assets to be singly owned and available to increase the funding assets used for the CST.
3. c) *Asset Estate Details* button – This button opens the *Asset Estate Details* dialog box, where you can retitle assets to fund the CST.

Exercise 4: Implement a recommended estate plan

1. d) Jack's pension – Jack's pension is not included in his gross estate.
2. Answers will vary.
3. Answers will vary.
4. d) All of the above – Marking a scenario as *Recommended* can result in all the listed effects.