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NFI, LLC
Financial Insights

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Five Documents At The Core Of An Estate Plan

Every estate plan is unique because of a particular family's circumstances. Still, most people share many primary objectives that may be reflected in five documents often found at the core of a plan.

If your current estate plan doesn't include these five items, you might need to fill the gaps. And if you don't yet have a comprehensive estate plan in place, it's probably time to make that a priority. Mortality can sneak up on anyone.

1. Financial power of attorney: A power of attorney is a legal document that authorizes another person to act on your behalf. A financial power of attorney enables the "attorney-in-fact"—the person specified to act for you—to conduct your financial affairs. Many states have a standard form for financial power of attorney.

Usually, the power of attorney is "durable," meaning that it remains in effect in the event you are incapacitated. But you might use a non-durable power of attorney for specific purposes, such as to have someone manage your portfolio temporarily. Keep in mind that a power of attorney is enforceable only when it has been established before its creator becomes incompetent.

2. Health care power of attorney: Like a financial power of attorney, this authorizes a designated person to act on your behalf in the event you're unable to make your own decisions—in this case, about your medical care. This goes further than a living will, which generally applies only if you're terminally ill or on life support, based on the prevailing state law.

Your attorney-in-fact for a health care power of attorney needs to be someone you can trust to act in your best interests. Typically, that would be a spouse, a child, or another close family member. But you'll also need to name contingent and successor agents.

3. Health care directives: Although there are several other kinds of health care directives that you might include in your estate plan, the most common version is a living will. Without it, family members may be left in a quandary about end-of-life decisions involving your care. This can lead to turmoil and questions could even end up being decided in court.

Often a health care power of attorney is coordinated with a living will, or the two may be combined in a single document. Some states have forms combining these elements and reflecting other personal choices such as whether to donate your organs.

4. Will: No matter how sophisticated your estate plan is, you'll likely circle back to the need for a will to tie everything together. A will can be

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ETFs Can Provide Some Other-Worldly Benefits To Investors

ETFs may sound like aliens from the "Star Wars" movies. But they're actually an increasingly popular investment that offers several potential benefits to investors. The acronym stands for exchange-traded fund. And if you don't already have ETFs in your portfolio, you might want to consider adding some to the mix.

ETFs are securities that normally track an index, such as the well-known Standard & Poor's (S&P) 500. They are traded on a public stock exchange, so prices fluctuate throughout each trading day. Because of this liquidity, and the fact that fees associated with the investment are typically reasonable, more investors are opting for ETFs.

Technically, the ETF owns underlying assets—such as stocks, bonds, commodities, or foreign currencies—and this ownership is divided into shares for investors. Therefore, you own the ETF's investments indirectly and your shares represent their market value.

What's more, ETFs let you diversify across a wide range of underlying investments, while providing investors with other advantages such as being able to buy short or on margin. And taxable gains aren't passed through to shareholders, although you will be taxed on any gains under the usual rules when you sell an ETF.

We can help you determine whether this investment "creature" is suitable for your situation.

Q's And A's About Financial Aid

Will your teenaged child be applying to colleges soon? Although you may be concerned about the ever-rising cost of higher education, your student may qualify for financial aid through various sources. In fact, billions of dollars are handed out each year, and more than half of full-time students get aid through grants and scholarships and roughly one-third via loans.

Here are the answers to some common questions about financial aid:

Q. Do we make too much money to qualify?

A. This is a concern for many parents, but don't assume you won't qualify for aid, which can come in many different forms. Your child's eligibility will depend on your family income, whether you have other family members, medical expenses, and other circumstances. Your chances may be better than you think.

Q. How do we apply for aid?

A. If you want to get financial help, your child needs to submit a Free Application for Federal Student Aid (FAFSA). The FAFSA determines eligibility for federal and state grants to students, work-study programs, and federal loans. You should complete the form as soon as possible after October 1 of the year before your child will enter college.

Q. Are there other forms to complete?

A. Possibly. Some schools also require students to submit the CSS Financial Aid PROFILE. And certain colleges and state agencies may request that other forms be filled out.

Q. How can I estimate the financial aid we will receive?

According to the College Board, the best way to estimate how much financial aid a college will offer you is to use the college's "net price" calculator, usually posted on its website. A net price calculator provides an estimate of your net price at the college (i.e., the cost of attendance minus the financial aid).

Q. Does my child have to be an A student to receive aid?

A. Not necessarily. While some colleges offer merit scholarships based on performance in high school, most governmental aid is need-based. But your kid can't be flunking out, either. In addition, to retain financial aid through college, your child needs to remain in good academic standing.

Q. Does applying for financial aid affect the chances of being admitted?

A. Usually not, although some schools may favor applicants who can pay the full cost of education. Normally schools base admission decisions on other factors, including academic performance and activities. But keep in mind that a school's available aid can be exhausted quickly, so have your child apply promptly.

Q. Can financial aid be revised?

A. Yes. This year's determination may not apply to future years, and colleges may review your financial aid package if your personal situation changes. If you have a pressing need for additional aid, you should let the financial aid office know. ●

Why Turn Down An Inheritance?

Sometimes you just have to say no, even when it might benefit you financially. Suppose you're in line to receive an inheritance—shouldn't you welcome it with open arms? In some cases there can be good reasons to turn down the money, using a "qualified disclaimer."

Why would you ever *not* take an inheritance? The best reason is to save your family money on taxes. By using a qualified disclaimer, the assets bypass your estate and go to the next beneficiary or beneficiaries. This enables you to preserve your personal estate tax exemption to use in other ways. In addition, in many states a disclaimer may be used to avoid claims of creditors.

The combined personal exemption for estate and gift taxes is $5.49 million in 2017, an amount that is indexed to inflation and normally increases every year. That gives most people plenty of wiggle room. But for those whose wealth exceeds that amount or who have already used up part of the exemption, estate and gift taxes may still be a major concern. In addition, most money you might want to transfer to grandchildren will be subject to the generation-skipping transfer tax (GSTT). The GSTT exemption is the same as the estate and gift tax exemption.

If you were going to pass along assets you've inherited to the younger generation at some point anyway, the disclaimer expedites matters. The money ends up with the contingent beneficiaries named by the person who was leaving you the inheritance without ever touching your hands.

To qualify under the strict legal definition of a qualified disclaimer, the document must meet these requirements:

- It must be made in writing and signed by the disclaiming party.
- It must identify the property, or the disclaiming party's interest in the property, that is being

Are You On Target For A Secure Retirement?

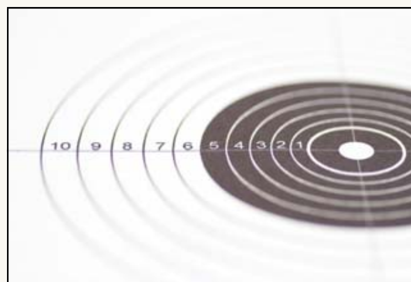
If you've been paying attention to the experts, you dutifully have set aside and invested money to provide income during your retirement years. With those savings earmarked for retirement, and what you can expect to receive from Social Security, pensions, and other sources, you figure to be in good shape. But is it enough?

The conventional wisdom is that you need to replace somewhere between 70% and 80% of your pre-retirement income in order to live comfortably during retirement. However, life expectancies are continuing to increase. For instance, a woman who expects to retire in 20 years at age 67—the current age for receiving full Social Security benefits—now has a life expectancy of more than 20 years after retirement. Your savings may have to last through much of a third decade of retirement.

Fear not. If you haven't retired yet, there's still time to take action. Here are five practical suggestions to consider:

1. Set your primary target. It helps to have a goal to shoot for and establishing this number may help you save more money. Every situation is different, so conduct an in-depth analysis of what your target should be. For instance, if you determine that you'll need to replace 75% of your pre-retirement income to create a reasonably secure cushion, continue to use that benchmark to gauge your savings.

2. Boost plan contributions. Typically, you'll be eligible to participate in an employer-sponsored retirement plan, such as a 401(k). The beauty of the deal is that the deferrals reduce current tax liability while they compound without any tax erosion inside your account. It might hurt short-term, but try to contribute as close to the maximum amount as you can, especially as you near retirement. For 2017, you can defer up to $18,000 to a 401(k) or $24,000 if you're age 50 or over. Take full advantage of matching contributions from your employer to bulk up your account even more.



3. Rely on a Roth IRA. If your 401(k) or other employer-sponsored plan isn't enough to get you where you need to go, you can supplement retirement savings with IRA contributions. The maximum contribution for 2017 is $5,500 or $6,500 if you're age 50 or over. Depending on your circumstances, you might utilize a Roth IRA, whose future payouts will be exempt from income tax. As part of your overall strategy, you could decide to convert funds in traditional IRAs into a Roth IRA. You'll pay current income taxes on the amount you convert, but you may minimize the tax damage by shifting the money into the Roth over several years.

4. Adjust your portfolio. Again, every situation is different, but it generally is recommended that you develop a diversified portfolio. Although there are no guarantees against a loss of principal, particularly in a declining market, diversification may minimize your exposure to the risk of losing money. When you assemble your portfolio, take into account all relevant factors, including your age and life expectancy, your risk tolerance, and your personal needs. Most investors tend to become more conservative during their retirement years, but investing for a long retirement may require taking some investment risks.

5. Stay on track. It's not enough simply to set a target and meet it for a short period of time. Retirement saving requires dedication and stick-to-itiveness. Maintain this as a top priority as you draw closer to the day you'll call it quits. Don't be seduced by temptations you really can't afford and really don't need. If you're suddenly able to splurge—perhaps you inherited a large sum or came into another unexpected windfall—you can treat yourself, but don't go overboard. The extra money can feather your retirement nest.

Finally, keep in mind that targeting a comfortable retirement is an ongoing process. For instance, you may have to adjust your portfolio to accommodate market fluctuations or raise or lower your 401(k) contributions if you start earning more or less in the future. Also, it's likely that your retirement isn't your only financial goal—you also may want to help your children or grandchildren, for example, or support your philanthropic objectives. Just try to take a balanced approach and keep your eye on the prize(s). ●

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disclaimed.

- It must be delivered, in writing, to the person or entity charged with the obligation to transfer the assets (i.e., the executor).
- It must be written less than nine months after the date the property was transferred or the transferor's date of death.

Note that you can't alter who will receive the property you're disclaiming. For instance, if the contingent beneficiaries are your nephews and nieces, you can't redirect the money to your own children. The designations made by the person who made the bequest control where the money goes.

Also, you can't disclaim property once you've accepted it. For example, if you receive money and use a small portion to pay for funeral arrangements for the decedent, you can't disclaim the inheritance afterwards.

Although future changes in the tax code might discourage the use of disclaimers, for now this is still a viable technique. Be sure to consult with your legal and financial advisors about any inheritance you may receive. ●

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The Core Of An Estate Plan

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used for a wide range of purposes, including (but not limited to):

- Dividing your assets and allocating them to your beneficiaries;
- Naming guardians for your children;
- Achieving estate tax benefits;
- Arranging gifts to charity;
- Creating trusts for your beneficiaries;
- Excluding certain family members from inheriting your assets;
- Avoiding a lengthy probate process; and
- Thwarting potential legal challenges.

A will may refer to other documents in your estate plan. If you don't have a legally valid will and you die "intestate," your estate will be governed by the laws of the applicable state.

5. Revocable trusts: Finally, your estate plan may include more revocable trusts, which let you change terms based on future events or preferences. Such trusts are commonly called living trusts—or, more technically—inter vivos trusts—because you create them while you are alive.

With a revocable living trust, you can transfer assets to the trust to be managed by a party you designate. The transferred assets aren't subject to probate.

Other kinds of trusts can also be created to complement the rest of your estate plan. These trusts might be designed to minimize potential state or federal estate taxes, as well as to protect assets from creditors or in the event of a divorce.

This list of estate planning basics can be a good starting place for many families. You'll need the help of an experienced attorney and other advisors to create a plan that fits your family's needs. ●

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