




OAKCREST INSIGHT


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A CHECKLIST FOR WHEN A SPOUSE OR PARENT PASSES

When you lose a spouse, partner, or parent, the grief can be overwhelming. In the midst of that grief, life goes on. There are arrangements to be made, things to be taken care of – and in recognition of this reality, here is a checklist that you may find useful at such a time.

First, gather documents. Ask for help from other family members if you need it. Start by gathering the following:

- A will, a trust, or other estate documents. If none of these exist, you could face a longer legal process when settling the person's estate.
- A Social Security card/number. Generally, the person's Social Security number will be retired shortly following the death. If you are uncertain, consider checking with the Social Security office.

Then, gather these additional highly important items.

- Any account statements
- Deeds/titles to real estate
- Car titles or lease agreements
- Storage space keys/account records
- Any bills due or records of credit card statements
- Any social media platform information, if applicable

Last, but not least, look for a computer file or printout with digital account passwords. Prior to their loved one's passing, some family members may try to centralize all this information or state where it can be found.

In addition, see if the person left a letter of instructions. A letter of instructions is not a legal document; it's a letter that provides additional and more-personal information regarding an estate. It can be addressed to whomever you choose, but typically, letters of instructions are directed to the executor, family members, or beneficiaries.

Next, take care of some immediate needs. One, contact a funeral home

to arrange a viewing, cremation, or burial, in accordance with the wishes of the deceased.

Two, call or email the county clerk or recorder to request 10 to 12 death certificates; a funeral home director can often help you with this matter. (Counties usually charge a small fee for each copy issued.) Ten to 12 copies may seem excessive, but you may need that many while working with insurance companies and various financial institutions.

Three, if the person was still working, contact the human resources officer at your loved one's workplace to inform them what has happened. The HR officer might need you to fill out some paperwork pertaining to retirement plans, health benefits, and compensation for unused vacation time.

Four, consider speaking with an attorney – this can be the lawyer who helped your loved one create a will or estate plan. Should your loved one die without a will, you may want to contact a lawyer for an overview of how the probate process will work and see to what degree you might become liable if your loved one had any outstanding debt obligations.

Five, resolve to keep track of any recurring debts that your loved one had set to autopay. Consider placing the monthly bills for these debts in your name (or another family member or the executor).

Notify creditors and credit card companies that were part of your loved one's credit history. Creditors may want to know when existing debts will be paid, either by you or your loved one's estate. You can also notify the "big three" credit bureaus – Experian, Equifax, and TransUnion – of their passing, which can usually be done online, over the phone, or by letter.

Following these steps, address financial, insurance, and credit matters. Investment and retirement plan accounts and insurance policies should have beneficiaries, so reach out to the financial and insurance professionals who helped your loved one as well as the person overseeing their workplace retirement plan. Talk with these professionals to learn about the possible tax implications from inheriting these assets.

State and federal taxes for your loved one will also need to be paid, and possibly, other taxes for the year of their death.

Remember, this article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your any tax or estate strategy.

If your loved one owned a small business or professional practice, a discussion with business partners (and clients) may be necessary as well as a consultation with the attorney who advised that business.

Look after your future. Working through several of these issues may help bring closure to your loved one's estate.

WHAT CAN YOU BUY WITH 529 DISTRIBUTIONS?

Some of the biggest challenges many face when it comes to education are financial. Luckily, a 529 college saving plan can help. And they're not just for college anymore - added to the tuition eligibility are K-12, private and religious schools. These funds can also be used for four and two-year colleges, trade schools, graduate programs, and some international institutions.

A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different from federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

Here's a list of 529 qualified educational expenses:

Educational Strategy

To take advantage of the 529 distribution for educational costs, you must submit your request for the funds during the same calendar year. If you request cash during the academic year, you may end up owing taxes as a non-qualified withdrawal.

- **Higher Education** - Post-secondary students (after high school) are eligible to participate in the federal student aid program administered by the U.S. Department of Education and qualify for the use of 529 funds.
- **Vocational or Trade School** - Culinary students can draw from their 529 accounts to pay expenses related to culinary institute courses. The institution must participate in the U.S. Department of Education for federal student aid.

RETURNS (AS OF 07/31/24)

ASSET CLASS	INDEX	4 WEEK	YTD	1 YEAR	3 YEAR
US Large Cap	S&P 500 TR	1.13%	15.78%	20.34%	7.91
US Large Cap	Dow Jones TR	4.41%	8.37%	14.86%	5.35
US Small Cap	Russell 2000 TR	10.10%	11.22%	12.55%	0.42%
International	MSCI EAFE NR USD	2.89%	6.50%	8.28%	0.86%
Taxable Bonds	Barlcays US Agg Bond TR	2.42%	1.69%	5.08%	-2.63%

- **Early Education** - K-12 schools, public, private, and religious institutions can now use 529 plan distributions up to \$10,000 per student for tuition.

Lifestyle and School Supplies

Learning how best to use your 529 distributions while establishing a manageable budget for qualified and non-qualified purchases can be tricky. Here are some tips to keep in mind.

- **Housing** - Campus housing can be paid through 529 distributions, including college room and board fees. Off-campus housing rentals qualify up to the same cost of the room and board on campus.
- **Books and Supplies** - paper, pens, and textbooks required by the specific course are qualified expenses. Schools set the budget limit for books and supplies.
- **Needs and Services** - Special needs equipment and services qualify for 529 distribution. Students using equipment for mobility may be eligible for 529 distribution purchases. Depending on the circumstances, other modes of transportation may also apply.

Welcoming Technology

Finally, many don't realize that computers and some electronics are included on the list of qualified education expenses. Keep in mind that these items must be required as part of the students' study programs to qualify.

- **Personal Computer** - Computers must be used primarily by the student during any of the years the student is enrolled at the eligible educational institution.
- **Software** - software may qualify as a 529 distribution expense, but only if it's used by the student and required by a class. For example, technical engineering or design classes may involve computerized assignments.
- **Internet** - Lastly, under certain circumstances, internet services can be paid for using 529 funds. Check with your internet service provider (ISP) for more details.

The above tips are sure to help get you started, but make sure to check with the school as well as chat with your financial professional to learn more. As mentioned earlier, each state and school may have different restrictions on using 529 funds. If you are unsure about anything, your plan sponsor may be able to provide some guidance.

A BRIEF HISTORY OF ESTATE TAXES

U.S. was founded.

In 1797, Congress instituted a system of federal stamps that were required on all wills offered for probate when property (land, homes) was transferred from one generation to the next. The revenue from these stamps was used to build the Navy for an undeclared war with France, which had begun in 1794. When the crisis ended in 1802, the tax was repealed.¹

Estate taxes returned during the build-up to the Civil War. The Revenue Act of 1862 included an inheritance tax, which applied to transfers of personal assets. In 1864, Congress amended the Revenue Act, added a tax on transfers of real estate, and increased the rates for inheritance taxes. As before, once the war ended, the Act was repealed.¹

In 1898, a federal legacy tax was proposed to raise revenue for the Spanish-American War. This served as a precursor to modern estate taxes. It instituted tax rates that were graduated by the size of the estate. The end of the war came in 1902, and the legacy tax was repealed later that same year.¹

In 1913, however, the 16th Amendment to the Constitution was ratified – the one that gives Congress the right to “lay and collect taxes on incomes, from whatever source derived.” This amendment paved the way for the Revenue Act of 1916, which established an estate tax that in one way or another, has been part of U.S. history since then.¹

In 2010, the estate tax expired – briefly. But in December 2010, Congress passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The new law retroactively imposed tax legislation on all estates settled in 2010.²

In 2012, the American Tax Relief Act made the estate tax a permanent part of the tax code.³

As part of the 2017 Tax Cuts and Jobs Act, estate tax rules were adjusted again. The estate tax exemption was raised to \$11.2 million, a doubling of the \$5.6 million that previously existed. Married couples were able to pass as much as \$22.4 million to their heirs. As of 2023, that rate has risen to \$12.92 million per individual (and \$25.84 million for married couples). The Act is set to expire in 2025. If you’re uncertain about your estate strategy, it may be a good time to review the approach you currently have in place.⁴

Estate Taxes and Overall Federal Revenues

Estate taxes typically account for about one percent of total federal revenue.⁵

Chart Source: USASpending.gov, 2023

Exemption through the Years

Federal estate taxes exempt a share of estates from federal estate taxes. For the 2023 tax year, if an estate is worth less than \$12.92 million, no federal estate taxes may apply.⁴

YEAR	EXCLUSION AMOUNT	HIGHEST TAX RATE
2013	\$5,250,000	40%
2014	\$5,340,000	40%
2015	\$5,430,000	40%
2016	\$5,450,000	40%
2017	\$5,490,000	40%
2018	\$11,180,000	40%
2019	\$11,400,000	40%
2020	\$11,580,000	40%
2021	\$11,700,000	40%
2022	\$12,060,000	40%
2023	\$12,920,000	40%

Chart Source: TheBalance, November 15, 2022

Citations

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