Protecting your wealth

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TRANSCRIPT

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Views expressed are as of 3/10/2022 and based on the information available at that time and may change based on market or other conditions. Please read the last page of this transcript for important additional information.

Ally Donnelly: I'm Ally Donnelly with Fidelity Investments. Thanks for being here. We really appreciate your time. There is so much happening in the world right now as we know. The war in Ukraine has entered its third week, and a horrific humanitarian crisis is unfolding by the hour. Our thoughts here at Fidelity are with the Ukraine people and their friends and family near and far. As the war continues we're keeping an eye on market volatility which is likely here to stay for a bit. Also we're keeping an eye on inflation, energy, and the Fed, all while being knee-deep in tax season which April 18th is just weeks away. But as always Fidelity is here to help make sure you and your family have a plan in place to reach your goals and help safeguard your assets. To that end today we're talking about protecting your wealth using a strategic and comprehensive approach. Over about this next hour we'll cover what protection means. We'll go through the basics. Cover what you need to know to put a strong plan in place no matter where you are on your journey. We'll talk tax-smart investing techniques, dealing with unexpected health challenges, incorporating wealth transfer strategies, and successful estate planning. And of course how you can connect with one of our financial professionals for planning conversations tailored to your specific needs. First I want to say something before we begin. I'd like to mention that Fidelity does not give tax or legal advice. And nothing we discuss today should be interpreted as tax or legal advice. The information we're providing is going to be general in nature and it may not apply to your situation. So if you have legal or tax questions about your specific situation we encourage you to talk to your tax adviser or attorney. We've got a lot of ground to cover with you today and a terrific panel to do it. So let me welcome Chris Dodd, vice president financial consultant at Fidelity Investments. Hi, Chris.

Christopher Dodd: Hi, Ally, happy to be here.

ALLY: Thanks for being here. Heidi Seely, attorney with the law firm Day Pitney specializing in estate planning. Hi, Heidi, welcome.

Heidi Seely: Thank you, Ally, nice to be here.

ALLY: And Bill Grady, director at the tax and assurance firm Baker Tilly. Hi, Bill.

Bill Grady: Hi, Ally, thanks for today.

ALLY: Thanks for being here, all of you. As we said at the start of this webinar, protecting your wealth is comprehensive and strategic, it's a verb. So Chris, let me start with you. No matter our net worth, what are the first things we should be considering when we think about protecting it?

CHRISTOPHER: Yeah, it's a great question, Ally, and in the intro you mentioned starting with the basics. Getting your house in order, figuring out what your situation is. A lot of times you go through the motions of going to work, and life happens, but you don't gather your information. That's kind of a term we use, is gather your details. What is your background, your budget, cash flow needs now versus later, general health, are you carrying student debt from college, or do you have a mortgage, which most everybody has out there, but if you don't have those are there other family dynamics or considerations that are out there. So gathering those details I think is the first step. Certainly emotions can sometimes come into play as well if somebody has passed or it's too overwhelming. For a lot of folks this is overwhelming. I always tell stories when I'm talking with clients and at a young age unfortunately my mother passed of cancer when I was 15 and she was 38. So you're constantly getting thrown with different scenarios and situations, but it's first gathering that plan, detailing the information, whether it's a spreadsheet or online calculators or databases, or sometimes just writing it down. So getting your house in order I think is the first step.

ALLY: Yeah. Thank you, Chris, and I think we should say you're all coming at this from different perspectives, which is wonderful for people watching so they can take a bit from each of you to make a comprehensive plan for themselves. But Bill, when we talk about protecting what we have, as Chris just laid out, it's not a clinical question, it digs into very human issues. Where do you start with clients?

BILL: Yeah, thanks, Ally, and I'm going to start with something maybe that we're a little bit weary about, and that is the pandemic. There have obviously been a lot of challenges with what we've gone through for the last couple of years. But there have been some positives that have come out of the last couple of years and one of those is time. We've had time to think about what's important to us. Many of us have had conversations with loved ones, our spouses, our kids, our grandkids. In conversations with many of my clients they have finally made the decision to transfer their businesses. They've made the decisions to give money to charity. Whatever your goals and objectives may be, your next question may be what are the next steps. And I think for me I start with a comprehensive financial plan. Regardless of your net worth or your goals and objectives I think working with a planning professional to create a plan that you can then figure out how to achieve your goals and objectives is critical. You're going to check in with that plan from time to time. It's not set it and forget it as I know Heidi will talk about with regard to estate planning. And

then finally protect your plan. We're going to talk about insurance. We're going to talk about emergency funds. We're going to talk about cash reserves in retirement. So for me financial planning is the starting point for these conversations.

ALLY: Terrific. Heidi, let me bring you into the conversation. Not everyone of course is looking through that same lens. So give us the estate planning perspective on how to start.

HEIDI: Right, absolutely. So as an estate planner my job is to try to understand what are we protecting and why. So taking all that financial information that your financial professional is helping you pull together and then applying that to the people in your life. I need to sit down and really understand your family tree. I need to understand if there's other people in your life that you're thinking about. I need to understand if you have a small business to plan for or any other assets that are a little bit tricky to think about. And then taking all of that information and synchronizing it together, applying that information to create an estate plan that we can put together that reflects all of those things. Like Bill said, all of those things are a moving target. They change constantly. As a general rule of thumb we always encourage our clients to come in and see us every five to seven years. I will admit I know that that is not something that people want to think about. My own planning, I'm a cobbler whose children have a hole in their shoes. I need to update my estate plan that hasn't been done since my 14-year-old was born. So it's hard to think about doing but it's so important to keep it updated as things change over time.

ALLY: Yeah, you've got work to do, Heidi. And we'll hold you accountable next time we meet. But I think the phrase you used about what we're protecting and why is almost critical to pin at the top of this discussion in every answer and issue we dig into. But Bill, once we've honed in on those fact-finding answers of what we're protecting and why, how should we be looking at our portfolio as a tool to help us protect that?

BILL: Yeah, great question. As you highlighted at the beginning, the current market environment has been very volatile. We talk about Ukraine, we talk about what we've experienced now for the first what, two-and-a-half months of this year. I think balance is very appropriate. I talked about financial planning. Part of that conversation will be presumably a risk tolerance questionnaire. And working with your financial professional on what's right for you. I know many of you have been through that conversation. There's the standard question as part of the risk tolerance questionnaire. If you had $500,000 to exist do you want your upside to be $750,000 with a downside of $250,000 or maybe conversely maybe an upside of $600,000 with a downside of only $400,000? So now is the time if you haven't revisited that conversation with your professional to get back in. That will dictate your asset mix, the types of investments that you've got. So I encourage all of you if you've not had that conversation recently do it. Now is the time. And then that begs the second question which is what types of assets do we need to be planning for. Just think about everything that you own. And I know me, I tend to go to okay, my retirement assets, so my 401(k), my IRAs, the after-tax investments. But there's so much more. Vacation homes and real estate. Maybe business interests. So we've got a lot of other assets to plan for. I know Heidi

is going to talk about that a little bit on the estate planning conversation as well. And then as an attorney and as someone that has done estate planning, I think my elevator speech is giving the right assets to the right people at the right time and in the right way. So maybe with that just as you think about your own situation and what you own in terms of planning.

ALLY: Yeah. There's a lot of for lack of a better term jargon. Upside, downside, assets, allocation. Chris, obviously protecting what we have and what we're building is critical and vital to people's lives. So how do you talk through the process with clients so they don't get intimidated and say, "I'm out, I'm not going to look at it"?

CHRISTOPHER: Yeah, it's a tough question. I start at the foundation. You can't have a plan or house without a foundation. So just the basics. Us as professionals in the industry, we understand the terms and the jargon. But everyone else doesn't, or a lot of folks don't. So allocation to me may mean something completely different to a client we're talking with. And could be allocation means I've got cash in the bank and my house and I'm comfortable with that, I don't want to take risks. Or it could mean I'm an entrepreneur and I'm starting a business and I'm 100 percent OK with risk. So just talking through basics of what does it mean to you. And a lot of times it is education. It's how is a mutual fund different from an exchange-traded fund, just the basics of understanding what the underlying investments are and then how does that fit into your story. You don't know what you don't know. I think rules, Congress changes them constantly, we have to adapt to them, and then pass that information as professionals to the folks we're dealing with and trying to help and assist. So drawdown strategies, age requirements, the nitty-gritty of asset titling. And Heidi and all of us are going to talk more about that from the estate planning side. But depending on which state you live in do you have the right beneficiaries and the right title on your assets? And are they named everywhere? So I think those are just some of the basics. It's not getting too overwhelmed or intimidated. And using professionals as a crutch. That's what we're here for. And I know Heidi will talk a little bit more on the estate planning side.

ALLY: Yeah. So you're not an estate planner specifically but Heidi is. Which is wonderful to have you here, Heidi, today. What are the beginnings, what are the foundations and the building blocks we all need to make sure that's covered, that's covered, that's covered of an estate plan?

HEIDI: Yes. Absolutely. And the key is that everybody needs an estate plan. Whether you're married and have kids or not, everybody needs to have a plan in place to ensure that your assets are passing the way that you're intending them. So like we were talking about this education idea. My job as an estate planner is to educate you on what creates a core estate plan. So every single person that walks into my office is likely going to need at the very least a will. Possibly and most likely a revocable trust. That depends on where you are in the country, what your state rules are. But at least in Massachusetts where I practice almost every client needs a revocable trust. And then we talk about our lifetime documents. So those include your durable power of attorney, health care proxy, and living will. So those documents all working together can protect you during your lifetime with the durable power of attorney and health care proxy, and then at death with

the will and the revocable trust. The key though to all of that is just like Chris and Bill were saying. Making sure that once you have that plan in place, your assets are titled properly, so that the plan has something to work on. So for example, if you have all of your assets held jointly with your spouse or somebody else, when you pass away those joint assets will just pass automatically to that other joint owner. Unfortunately what that means is that those assets won't flow through that trust or through that estate plan that we just worked so hard to put in place. So retitling assets, and making sure that your beneficiary designations are properly updated, again to reflect the estate plan that we just put into place.

ALLY: Yeah, and I think you guys all hit on this at different times and I'm sure we'll say it again and again during this conversation. But if you don't take care of it someone else will is what I hear from the three of you quite a bit. Let's talk more about protection. And knowing that each of you bring different cards to the table and distinct perspectives, I'll ask each of you to answer this question. What does protection mean to you? And Bill, let's start with you.

BILL: Yeah, for me protection is all about planning. You'll continue to hear me say that word. And managing risk. And I'm going to come at this in a couple different ways. We're going to talk about it from the preretirement and postretirement perspectives. I think regardless budgeting is critical. Whether you are still in your working years or you are in retirement. I think budgeting is very very important just from a protection standpoint. Making sure that you're not spending too much money. And we'll get into some of the downsides of what happens if you don't have that budget in place. And this is a pretty common thing. But if you don't already have one, you're in your working years, consider creating an emergency fund. There's a bunch of different methodologies on this but I think three to six months' worth of income set aside during your working years in case something happens, for me that's protection, for those of you that are still in your working years. And you think about retirement. And I'll use my father as an example. He was an employee of a Fortune 100 company. And he was very fortunate. He retired about 12 years ago. Relying on Social Security. Had a great pension plan and after-tax investments. That's that three-legged stool that we used to refer to. And in many cases that's broken. I don't have the ability to rely on that pension plan. So as most of us know I'm on my own. I've got 401(k), I've got IRA assets. But it's kind of a different game. I think flexibility is now key. Of course working at an accounting firm I'm going to come at this from a tax perspective. And I think variability. So you think about the various assets that you can use to save for retirement. Maybe some capital gains from investments. We've got ordinary income. To the extent that I maybe take distributions from my 401(k) or IRA. There's also maybe a tax-free option. You think about the Roth alternatives and I'll talk about that in a few minutes. But that's going to allow us to manage our income taxes as we approach retirement. Good conversation to have now for those of us who are saving for retirement. And then likewise protection means working with a professional. Rebalancing is going to be critical. And that's something that probably occurs more frequently than what Heidi and I have referred to with regard to your financial plan or your estate plan. Making sure that you're working with your professional to make sure that things aren't out of whack with regard to the balance of your

portfolio. Likewise taking advantage of techniques like tax-loss harvesting. Selling off those losses to help offset your gains. And take advantage of what's available to us on the tax front. And of course there's always insurance, which I'll hand off to Chris to discuss.

CHRISTOPHER: Yeah, thanks, Bill. All those topics, emergency funds, 3 to 6 months, 6 to 12 months. Some clients are happy with a year or two years. And I think that's where every client and every situation is different. And protection does mean something different to everybody. If a family is married and have young children it may be life insurance and health insurance are more a priority. If somebody is close to retirement maybe it's an income annuity because they don't have a pension from a company out there. So a lot of times it is just that figuring out what fits the needs. And like anything there's two or three ways to get to a comfortable spot for clients. And it's just education, letting them know what's available. Taxes are something that continually changes. The rules change. Medicare as you get older. Health care credits or education credits for having younger children out there. So we try to talk through what are the goals now versus later. One topic we talk quite a bit about is the estate tax threshold for not only the federal level but state levels. Heidi will talk more about that I think in depth in a few minutes. But right now $12 million plus per person is exempt from death or estate tax. But that changes constantly as laws change. That may go something less in the future. And at the state level that number can be even lower than that. So a lot of times it's just refocusing what are your needs. Focusing on yourself versus a family member. And every family is different. So we've got to protect that. If there's a family that has a special needs child and they need to care for that child for years, we're going to have a different conversation than somebody that doesn't have that situation out there. So Heidi, what are some of the things you talk through in planning, taking protection into account?

HEIDI: Yeah, absolutely. I love listening to you and Bill, Chris, talking about what you think about for protection, because I come at it from such a different perspective. So from an estate planning perspective of course we're talking about tax planning. Making sure that we're protecting assets from taxes to the greatest extent possible. But I also think about things like creditor protection. If you're in a high liability business what kind of creditor protection can we provide for you? What kind of protection can we provide from divorcing spouses? We utilize lots of different trust structures to help with that. Not only for you but for multiple generations down the line. We think about protecting assets from unintended tax consequences whether that's capital gains taxes that we're triggering that we don't want to trigger or income tax results of various types of decisions that we're making. There's all kinds of protection that we need to think about. But I think the biggest one that I come at from an estate planning perspective is protecting family harmony. I know it sounds a little bit cheesy. But putting a good plan in place can give your family this comfort in knowing that they understand what you're trying to do and you're trying to make sure that everybody else understands that you know what you're trying to do. So protecting that family harmony is also such a huge part of this.

ALLY: Yeah. I think that's so integral to so many of these conversations. And how people want to think about their family while they're living and after they're gone. So I think that's a great perspective. Thanks, Heidi. So we've talked about what protection means to each of you. And now I want to dig into tax-smart investing. We hear a lot about it throughout the year but particularly now toward the end of the year. I want to hear what tax-smart investing is, and how you put it to work for your clients in real-world examples. Chris, let's do another round-robin here and start with you.

CHRISTOPHER: Yeah, sure, and I think that you'll hear common themes. Every family is unique. Every situation is really different. So there is no one size fits all. So I'm based in Houston. Most of my clients are in Texas. But they retire elsewhere, maybe have a second home, or have children that live elsewhere. So Texas is one of those states that is a community property state. We'll talk about the differences between community property and non-community-property states. But a lot of clients that maybe are thinking for their children and what their tax consequences are going to be later on down the road, so an example may be a client lives here in Texas. And their children are in California. Here in Texas there's no state income tax. So when that client passes away and leaves their IRA assets let's say to their children in California, those children are now responsible for federal and state income tax. And there's certain rules with time frame of withdrawals, 10 years or lifetime, and there's been a lot of changes with the SECURE Act here of 2019. So again that goes back to what I talked about earlier with education based on rule changes that get thrown at us constantly. And estate taxes. Right now $12 million is a big number. But in the future that's going to drop down to a lesser number with either 2026, the Trump tax cuts going away, at that point or sooner if Congress changes that, so gifting strategies. A lot of times is it smarter to give assets away now? And again an example would be if you're close to that estate threshold should you wait and keep that money in your possession, let it continue to grow, and then there's an estate tax potential out there, or maybe children are younger and they need those assets now, or you'd like to maybe pass those assets on while they're starting their families. They may not need those assets as much when you're 90 and they're in their sixties at retirement age. So giving assets away now directly to individuals, gifting maybe to an irrevocable trust. And we partner with estate attorneys since we're not lawyers to draft documents. But conceptualize and strategies. Logistics. Talking through that, that's part of what we talk through every day. And again is the priority giving now or giving later? So Bill, I know that's something that we hit on as we prepared for this conversation today. Do you want to hit on some of the options or impacts of tax-smart investing out there?

BILL: Yeah, thanks, Chris. Here's what we've been having conversations with clients about. Not a new idea but I mentioned the three-legged stool. I mentioned flexibility for those of us that maybe don't have the ability to rely on that three-legged stool. And you think about your marginal income tax bracket. From ordinary income, capital gains. And then the need may be to generate more in income in a tax-free perspective. So the idea of getting money into a Roth vehicle of some sort. And I'll come at this in a number of different ways. One is if you've got younger kids who have started to earn ordinary income, they've got a first job. Make contributions to Roth IRAs. Get them

started. That's only going to enable them to pull the earnings out income tax-free sooner rather than later. Some of you may be employed by an employer that has a Roth 401(k) option. If you've got the ability to do it yes, you're paying tax, but that's going to set you up later. And then another option, the third option, would be—and I know there's the conversation around where your tax bracket will be. But if the numbers work out think about a Roth IRA conversion where you're paying tax now in anticipation rather than later of being able to get that tax-free income out later. So that's a conversation we've had with quite a few clients. Heidi, interested in your ideas on this topic as well.

HEIDI: Yeah, absolutely. It's so fascinating how much income tax planning has become part of estate planning. Even when I started practicing we focused so much more on the estate tax because the estate tax exemption levels were so much lower. As you guys have mentioned a couple of times with the federal threshold at more than $12 million per person we can spend a lot more time thinking about tax-smart planning as well. So just a couple of examples that I can think of off the top of my head. Capital gains. One of the great tricks of the tax code is that when you pass away any assets that you have capital gains on you get what's called a step-up in basis. They go up to that value at your date of death. So thinking about capital assets like your house or highly appreciated stock. Does it make sense to hold on to those assets until you pass away so that you get that step-up in basis? What if you don't want to hold on to those assets? What are some planning options that you have then? Giving them away to charity for example, so you can get those highly appreciated assets out of your estate. That's one of the options. The other thing that we really think about from an income tax perspective, and I know that Chris talked about this a bit. When you're thinking about who to name as beneficiary of retirement accounts, I unfortunately look at retirement accounts as giant bags of taxable income that somehow has to be paid out to somebody. And so from a planning perspective we really want to think about who are you naming as beneficiary and what are the income tax consequences of that. So again if you're naming somebody that lives in a high-income tax state like California or Massachusetts, what are the consequences of that going to be? And how can you maybe shift gears by naming other people or naming charities again as a beneficiary of that account so that you can take advantage of reducing that income tax? So there's a lot to think about. But income tax certainly has become a bigger part of our planning conversations, absolutely, over time.

ALLY: Yeah, thanks, Heidi. And we're going to get deeper into charitable giving, a little deeper into this conversation. So stay tuned for that. But again everyone's putting this to how it applies to them, where they are in their journey. But no matter where you are, all of us have to think about aging and our health care. So Chris, I want to start with you and ask you about planning for the expected and unexpected health care expenses in retirement.

CHRISTOPHER: Yeah, and I think it's not just retirement, Ally. It's through all courses of life. When we think of what are the different choices that you have, we have alphabet or acronym soup. There's HSAs, a health savings account. An FSA, a flexible spending account. More and more companies are having maybe not retiree medical plans but a health care reimbursement account

or a pool of money that can be used if certain criteria are met. So when we start looking through the advantages of one over the other, I use the story again of my situation. As a younger person, early twenties, newly married, new child, my three-year-old son had a brain tumor, needed brain surgery. And thankfully I had access here at Fidelity to a flexible spending account. And a flexible spending account is where you do put money aside from your paycheck, like a 401(k) on a pretax basis, but those funds have to be used up each year. So there are reimbursement plans. You have to have a qualifying expense and file a claim to get that money back. The difference of an HSA, which wasn't around 30 years ago or 25 years ago when my son needed it, but HSAs, health savings accounts, now allow you like a 401(k) to put pretax money aside now to be used for a health care expense in the future whether that's this year or 20 years from now. And personally I don't use my HSA year by year. But I'm saving that as another extension of my retirement benefits. Something that I'll need later on in life. But some clients do use them as an access vehicle today, putting pretax money aside to take those funds out. So it's very important to understand each year if you're working for an organization that has usually open enrollment once a year, understanding what your company or institution gives you as a benefit. Is there a match or is there a dollar amount that potentially goes into one plan? If you don't have those it goes back to budgeting. Should you have not just an emergency fund set aside for yourself but have some funds that are there for that unintended or unexpected health care consequence that's out there? So it all goes back again to the differences. What are the differences? What's your goal now versus later? And should you have one at a certain stage in life versus another? I personally haven't done my FSA for 15 years because the health savings account has worked for my needs. But that's where talking with a professional, figuring out what's good now versus later.

ALLY: I love that you gave us the definitions and how they're used, because now at Fidelity I'm relatively new and it's the first time I've had an HSA. And I'm constantly looking at the bills and the credit cards and thinking what goes where, I don't know. So I love that you mapped that out. And I think that happens so much with financial conversations. We all assume everyone knows everything and we're the ones that are confused. But Bill, you have a great story about having an HSA and digging into it for yourself. Tell us that.

BILL: Yeah. And I'll admit a little embarrassing. But as a frequent author and speaker on what Chris described as alphabet soup, I changed employers in July of this past year, and became eligible for an HSA for the first time ever. A couple points to make here. I was on the provider site and there was a really cool calculator, which you enter your coinsurance amounts, your deductible amounts, and effectively the idea is what should you be contributing to that HSA. But further education. It's not just my provider site, but there's a lot of good information out there and even for someone like me who's an expert, I learned quite a bit. There's a balancing act here. The HSA really is a great retirement savings tool. It's not just about your current health care expenses and what you might expect in say the current year, but rather as a savings tool to build up wealth over time. One thing I did not know was those amounts that you've saved can be accessed. Now granted there's going to be a penalty if they're not used for health care expenses. But that was really eye-opening for me. And I just leave you with that. There's a lot of great resources out there. Turn to your provider

and figure out what's available to you. I'd not viewed the HSA really as a savings vehicle in the past. More of a year-to-year thing. And I would be remiss not to mention long-term care expenses. We talked about financial planning. One of the unexpected events that can have the biggest impact on your financial plan is of course long-term care expenses. If you or your spouse has an event, very expensive, can be in the hundreds of thousands of dollars depending on the type of event, the duration of the event, etc. There's a lot of different options for planning. Start to have those conversations now. I know we tend to think about kids will take care of us or we've got savings. Insurance is an option as well. But I would again be remiss not to say we should be thinking about long-term care expenses and events as we think about planning.

ALLY: Yeah. Those conversations are so critical to have. Many of us don't want to have them because we think it makes things a reality. But it's just great advice. I think end-of-life planning I've heard you guys all talk about as well in that same conversation. Which I think, Heidi, leads us to a good place to talk about how do we protect what we're—or how to maximize what we're leaving behind.

HEIDI: Right, absolutely. And this is a conversation that not a lot of people want to have. But when it comes down to it it's such an important conversation to have. And I promise that we will be nice to you and we will talk you through it so that you can understand it all. Like we said earlier education is key. So what do we do to maximize what we're leaving behind? From an estate-planning perspective the answer to that question is how do we reduce and defer estate tax. I know that I've kind of been saying, "Oh, the federal estate tax exemption is so high, some of our clients might not need to think about that anymore." The fact of the matter is that number one, that exemption is scheduled to be reduced at the end of 2025. And number two, there are 17 states in the country right now that still have state level estate tax that you have to worry about. Again coming from Massachusetts, our state level estate tax exemption is only $1 million per person. So if you own a home and have a retirement account all of a sudden you're worried about Massachusetts estate tax. So the tools that we can use to help you plan for that. I mentioned the revocable trust. Especially if you are in a married relationship. Taking advantage of using that revocable trust can allow you to take advantage of the estate tax exemptions in both partners' estates and that can be hugely valuable over time. I think it's overwhelming for people to think about using trusts and oh my God, this estate tax, and how do you plan for it. Don't let the perfect be in the way of the good. We can help you put together a plan that works now and understand that it can be updated and changed over time. I sound like a broken record but every five to seven years really take a look at it, because your assets are going to change. The tax laws are going to change. And your people are going to change. So it's a process but it's one that can be broken down into pieces and it can be manageable over time. So it's really important to dive in and do it.

ALLY: Yeah, I love that I've always kept a notebook and a pen during our conversations to write down notes for myself. I think, Chris, help us understand what we need to look at, no matter A, what stage we're at, or our net worth, as we're talking about maximizing what we leave behind.

CHRISTOPHER: Yeah, it's a great question, because when you look at getting started, it's overwhelming. I think one of the resources that Fidelity provides is an estate planning tool. So you can do data entry and save information not only for yourself but maybe to provide to an estate attorney that you're going to talk to. It's a good way to get your affairs in order, get your assets listed down on paper. But it's also something you can come back to and review periodically as needs change or life changes. Children and grandchildren come along. Could be a divorce or a death. Could be a business or inheritance asset that's coming in at different periods of time. Or there's no heirs at all. We're going to talk a little bit more on giving to charity or giving to other family members, but there may not be any family to leave assets to. And then it's just understanding what the rules are, going back to the state you live in versus where you may live in the future. And that's that review process, community property state versus a non-community property state. Or a state like Louisiana which has completely different rules based on their structure. So I think using the Fidelity estate planner is one resource. And again spreadsheets or just writing it down like you said. Taking notes and asking questions of your professional. But don't avoid it. I think the challenge that we see is it's overwhelming and it's kick the can down the road. I'll put it on my to-do list. I'll get it done next year. And it doesn't get done and something happens. So if you don't make those decisions for yourself, unfortunately the courts sometimes have to step in. So it is an ongoing process but having it written down or saved somewhere electronically. So I keep going back to the Fidelity estate planner tool. It's a great resource that's out there for you to use. Save information for now. But it's there for the future as well.

ALLY: Yeah, Chris, you talk about kicking the can down the road. Protecting your wealth isn't a passive endeavor. It's not a self-driving car. So Bill, how do we look at it through a lens of empowerment on what we can do to be a good part of this whole process, to be the part of this whole process?

BILL: Yeah, thanks, Ally, and thinking about my remarks for this presentation, looking back over my 20-plus years as an attorney and a financial planner, the opportunity has never been greater. There's so many arrows in the quiver so to speak. Lot of things to mention here. Interest rates while rising are still relatively low historically speaking and they drive a lot of the strategies that we all have available to us. And there are as many strategies really as there have ever been to help us accomplish our goals. Thinking about again going to a different version of acronym soup, we've got our grantor retained annuity trusts and our charitable remainder trusts and installment sales to intentionally defective grantor trusts. All that technical speak, but they are all available and have not been curtailed. I think about Build Back Better and those proposals—and there were different proposals at different times—could have been pretty fundamentally damaging to the way that we estate plan. And the grantor trust rules were one proposed change. But a lot of stuff there that's kind of on pause right now. And I'm optimistic about that. I think we have a window of time. I think there's been some recognition of how important those strategies are. Then I will also repeat what I think my colleagues have said which is that exemption is still as high as it's ever been, the gift and estate tax exemption. Going to go down in 2026 as we've said. Likewise your ability to make

annual exclusion gifts just went up from $15,000 to $16,000. I think there's so many tools available to you right now as you're thinking about your estate planning. This is a very opportune time for clients.

ALLY: Terrific, thanks. Heidi, I wanted to circle back to something Chris was talking about about community property states. It seems like a lot. And I know you have a love-hate relationship. Bring us through on your perspective there.

HEIDI: Yeah, absolutely. Thank you, Ally, because I did want to circle back on this. So like Bill was just saying, the time that we are in right now I think based upon the pandemic, so many things are changing, and one of those big things that's changing is where we live. We may have moved from one state to another during the pandemic. Maybe you're living in your vacation home now. And a big change that that can effect for your estate planning is whether or not you're moving to or from a community property state. I can't get into the whole details of it right now. It's somewhat complicated. But basically community property allows you to essentially take advantage of a double step-up in basis that I was talking about earlier. And so if you're moving into a community property state or moving out of a community property state, there's a lot of great opportunities but unfortunately a lot of pitfalls that you can fall into. So you really just need to be aware of where you are and what that means. So talking to your professional about that, talking to your estate planner about that can be a really important conversation down the road.

ALLY: Terrific. Bill, we hear opportunities, we hear quiver, arrows in the quiver. Help us understand how you look at giving away wealth as an arrow in the quiver.

BILL: I talked earlier about time and what the pandemic has really allowed us to do. And for many clients that I've had conversations with it is about finally accomplishing their charitable planning endeavors. Charitable planning is one of those arrows in the quiver. And many of you have chosen to be even more charitably inclined than you've been in the past. I think that's one of the things that we've seen during the course of the pandemic. There are such a variety of ways to accomplish charitable planning. I've used the term continuum. And I know Heidi is going to touch on a couple of those other methodologies in just a minute. But just a lot of options to benefit charity. It can increase the amount that you're giving to heirs. Deductions are still available. I know in 2020 and 2021 you had the ability to essentially use 100 percent of your adjusted gross income. I know that amount is down now to the regular amounts in 2022. But the ability to minimize your taxable income as a result of giving to charity in a given year is a tremendous advantage. If you should bump up against those limits, the five-year carry-forward will allow you to carry those deductions forward for up to five years. And then Heidi, you talked about the giant bag of taxable income. For those of you who are thinking about leaving money to charity, and are in your required minimum distribution years where you're forced to take that money out of that giant bag of money, one technique that's been around now since the Pension Protection Act of 2006 is the charitable IRA rollover, your ability to send effectively $100,000 worth of assets from your IRA to charity without

recognizing that income is a powerful strategy. So talk to your professional about the ability to do the charitable IRA rollover if those are the things that you're thinking about and you're in your required minimum distribution years.

ALLY: Terrific, Bill. Heidi, did Bill cover all the tools from your perspective?

HEIDI: He mentioned a lot of them, but there are so many ways that you can give money to charity. And I love the word continuum that he used there. Starting on one end of that continuum, it can be as simple as just giving money away during your lifetime. What an amazing feeling it is to be able to give money to a cause that you care about and see it being used in the ways that you're hoping that it's going to be used. What a special feeling that is. From there we can get more and more complicated. Utilizing trusts as a way to give money away. I think Bill mentioned charitable remainder trusts, charitable lead trusts. Those are great options if you're looking to be able to give some money away now while still retaining a few strings so that you can benefit from those assets during your lifetime. Naming charities as beneficiaries of your retirement accounts. I talked about that a little bit earlier but that's a really great way to not only reduce estate taxes but also reduce that income tax hit that we were talking about. And then we can get to the other end of the spectrum. A lot of clients used to talk about setting up private foundations for their long-term charitable needs. And while I still see some clients doing that, more and more I'm seeing clients looking to donor-advised funds. These are amazing tools that a lot of financial institutions are allowing clients to set up. And essentially what you're doing is creating your own foundation or ability to give money now, knowing that those funds will be given out over time in accordance with your wishes. So there's a broad range of doing it. There's a lot of incentives to doing it. Not only from feeling good but also obviously from a tax perspective.

ALLY: Terrific, thanks. Chris, you talk about looking down the road. How do you help clients A, look down the road, and B, think about their situation as it progresses?

CHRISTOPHER: Yeah. I know. Most times we're talking through with clients, we're trying to solve something, whether it's a need today or need this year or need over the next few years. But I'm always looking 5, 10, 20 years down the road, sometimes 50 for two generations down the road. And as assets continue to grow or they don't get used up, what are those tax consequences that may be there down the road? So I mentioned earlier. Should you be gifting now versus later? Using some of that annual gift exclusion, which right now is $16,000 per person, there's no gift tax for that amount. So you can give that out now to as many people as you want. Or if you keep it in your assets until you pass away, potentially there's an estate tax before it gets to those heirs. So gift now or gift later. That's a big discussion we talk through. But it's really focusing on what is the goal, what is the priority of each individual client. A lot of times it is education though. You don't know the rules that are there now versus later. And one of the biggest challenges or topics we're getting to in retirement as people live longer are health care costs. Or tax issues with surviving spouses. So understanding the single tax brackets versus the joint tax brackets. Or the Medicare thresholds. Just education on those levels. And then discussing should we be doing a Roth conversion or not.

Now that's where again between—we mentioned the three-legged stool. You should have your financial professional, your tax professional, and your estate professional working together. And it may be conference calls within or in between each other, or passing information back to clients and asking those questions. So I think those are a few of the items that I start to look at when I'm looking again down the road.

ALLY: That's terrific. I want to stay true and honor our commitment to the viewers of how much time we're going to spend here. So we've got about 10 minutes left. So I'd like to ask each of you. If you could leave people watching today with one final thought, what would it be? Bill, let me start with you.

BILL: Great question, Ally. I'm probably shooting myself in the foot here as a tax attorney who works in public accounting. Taxes are important. We've focused a lot on that today. But my advice would be don't let the tax tail wag the dog. We've probably all heard that before. Earlier in the conversation we talked about focusing on your goals and objectives. I would circle back to that and highlight that. It's about what you want to accomplish. Maybe not as much about the rules. Of course we need to abide by them. Or the supposed-tos. Working with many clients who were doing what they thought they were supposed to do as opposed to what they wanted to accomplish. And it's about rerouting. So I'd encourage all of you to not let the tax tail wag the dog.

ALLY: Terrific. Heidi, final thought?

HEIDI: As an estate planner obviously I do think about taxes all day long. But my main focus is always on the people. Who are the people that you're planning for? Who are the people that you're naming in your documents? These are really the key questions that you need to be thinking about. And from there we can put together a plan that works. Thinking about that idea that Bill just mentioned of your supposed-tos. Can give you just a really simple example. When you're going through your estate planning documents, and you're thinking about who to name in them, who are you naming as your executor or your trustee or your health care proxy. A lot of my clients feel the need to appoint certain people. Oh, I should appoint my kids. Or I should appoint my brother in that role. That might not necessarily be the right thing to do. You really have to think about what's the job. Do these people have the time and energy to really dive in and give that effort that they need to? So thinking about not what you're supposed to do but what really makes sense in the situation is what I'm looking for. And thinking about the people that you care about. And we can put together a good plan to do that. One last thing on the people, sorry to ramble here. Another huge piece of this is the team that you have surrounding you. The great idea of having not only an estate planner and a financial planner but also an accountant and working together with that team is absolutely key. And it's so wonderful to work with other professionals so that we can have a holistic team helping you accomplish your goals.

ALLY: Terrific, Heidi, thanks. Chris, how about you?

CHRISTOPHER: Yeah, and I'll echo what Bill and Heidi have said. It's a team approach, it's a people approach. But I think a lot of times we're so focused on others, we forget to take care of ourselves. Especially after the last two years of the pandemic. And what we are seeing in Ukraine right now. So financial health is very important. Mental health I think is even more important. So understanding what your needs are, what your wishes are, what you want your legacy to be. Don't just focus on others. Make sure you're doing that self-realization or internalization that's needed I think more and more these days.

ALLY: Taking care of you. It's a terrific sentiment to wrap things up on. And Heidi, Bill, Chris, they've given us so much information to dig into and to take notes on. But know that you don't have to go at this alone. Fidelity is here to support you every step of the way. We have links to more information on the key topics we discussed. And Fidelity professionals are always ready to help you navigate your particular planning process. This has just been a wonderful conversation. So Heidi Seely from Day Pitney, thank you so much.

HEIDI: Thank you, Ally, really enjoyed being here.

ALLY: Bill Grady from Baker Tilly, thanks.

BILL: Thank you, I appreciate the opportunity to be here as well.

ALLY: Thank you. And Fidelity's Chris Dodd, we're so grateful.

CHRISTOPHER: Thank you, Ally, it's been great talking about all these important topics.

ALLY: And many thanks to you our audience for tuning in. I hope you enjoyed the conversation as much as we did. Now again let's circle back to tools. Note that there's a button on the bottom right-hand corner of your screen. And you can download today's presentation. So you can access all the links and content shared in the presentation. And if you're interested in following up on some of the topics or on the resources shared here, you can reach out to a Fidelity professional. You can navigate to *Insights from Fidelity Wealth Management* or of course please do subscribe to the Wealth Management webinar series for more of these great conversations. I'm Ally Donnelly. Thank you so much for being here. I hope we see you again soon.

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