GLENMEDE topfive

Planning Ideas For the Ages: Your 70s

Whether you're globetrotting or nesting cozily with loved ones, consider these planning ideas to feel secure in your 70s:

1. Revisit your named Agents.

Your estate plan is all buttoned up and nothing has changed in eons… but when did you last check the Agents named under your "ancillary" documents? These documents will come into play should you become unable to handle your financial affairs or make medical decisions (think Power of Attorney, Living Will, etc.). Since we're in the business of anticipating contingencies, we'd be remiss if we didn't suggest that every named Agent needs a successor, no matter his or her current age and ability. Bear in mind that some of these tasks will be facilitated by geographic proximity, and that you can name multiple Agents to act jointly or independently, as you see fit.

2. Take your Required Minimum Distributions (or don't).

All good things, including tax deferral, must come to an end. Starting at age 70 ½, IRS rules dictate that you take required minimum distributions (RMDs) from your traditional IRA accounts. Alas, these annual distributions are taxable as ordinary income and must occur regardless of the mess they make of your Social Security benefit, Medicare premium and income tax return (there was an, uh, old woman who lived in…didn't know what to do!). What to do: if you don't need the income, make a qualified charitable distribution ("QCD") of up to $100,000 of your annual RMD from your IRA to an IRS approved charitable organization and get it off your tax return!

3. Pay some bills.

While it's true that you can fund (and likely have already funded) §529 Plans for the benefit of your grandkids' educations, if you're lucky enough to have grandkids in school now, there's an even better way to go: amounts paid to an educational institution as tuition are simply not gifts for IRS purposes. If Federal estate tax liability to the tune of 40¢ on the dollar looks like a reality for you, this "estate depletion" technique reduces your taxable assets and uses no Federal estate tax exemption. As a bonus, it leaves the funded §529s to roll to the next beneficiary or for use later on.

4. Consider the source.

Under current law, the Federal estate tax exemption amount is $11.18 million for an individual and to $22.36 million for a married couple. If you're among the lucky few facing Federal estate tax liability, or live in a high State estate tax jurisdiction, you'll want to give some advance consideration to the source of funds to pay the tax. This is especially true if your estate is comprised of active business interests, heavily weighted toward real estate or contains a substantial allocation to private equity deals. Anything that's not marketable securities or cash may suffer under "fire sale" circumstances. Planning for liquidity allows you to be measured and to maximize the value of your assets whether through the purchase of insurance or strategic liquidation over time.

5. Be picky and choose-y.

Another opportunity to be strategic presents itself every time you decide to give assets away. The ones you hold at death will receive a step up in tax cost (basis) for income tax purposes, whereas assets gifted during lifetime retain carryover basis so that built-in gain is realized upon eventual sale. The upshot here is that lifetime gifts of high basis assets are worth more to your kids than equal gifts of low basis ones, and that the lowest basis assets should be held until death, if possible. If estate tax liability is not a concern and your advisors deem it feasible, consider terminating trusts to include assets in your estate at your death to enable basis step up.

If you have further questions, don't hesitate to contact your Relationship Team or email us at Top5@glenmede.com.