RETIREMENT

Are You an Estate Planning Procrastinator? Where to Start

Quit putting it off, because it's vital for you and your heirs. From wills and trusts to executors and taxes, here are some essential points to keep in mind.

Many people procrastinate about estate planning. It’s easy to understand why; after all, it’s difficult facing our mortality, and deciding and documenting what we’re leaving behind to our loved ones can get complicated.

But without a suitable estate plan in place, sorting out your financial picture after you pass could create complications for your beneficiaries. There are numerous pitfalls with insufficient estate planning. To help avoid them, here are some key aspects you should address to ensure your plan is solid.

Choosing between a will and a trust

Wills and trusts are legal instruments tailored to pass your assets to your heirs in the ways that you wish. A will takes effect after you die, whereas a trust, with someone designated to oversee it, can manage your assets while you’re still living.

A will is often used as a cost-effective option for those with smaller estates. A trust is often implemented when one has a large estate, wants more control over asset distribution and values privacy. Trusts help to bypass probate — the court-supervised process for distributing your property. Probate is a public process that is costly and time-intensive due to professional and administrative expenses. Depending on the type of assets or items that you own, the court requires professionals to assess an accurate value and ensure that they're being distributed properly to the rightful heirs.

NYSUT NOTE: Want to better understand the differences between a will and a trust? Get expert legal advice and access to a national network of attorneys with the NYSUT Member Benefits Trust–endorsed Legal Service Plan. With this plan, NYSUT members can get help on everything from estate planning to dealing with traffic violations.

Selecting the right person to administer the estate

Often, people choose family members to administer the estate, but that can be challenging, especially if they don't understand tax laws and have the expertise to manage certain types of complex assets, real estate and retirement accounts. In some cases, the process often becomes more expensive and time-intensive.

Then there are the family dynamics to consider when you choose an executor. If family members don't get along or disagree on how the estate is being handled, that may also add more time and expense — in addition to mental anguish. If you do go the professional route to administer the estate, you want to balance the cost of paying an estate expert versus having a family member navigate the different pieces.

Understanding tax considerations and reducing the burden on heirs

You want to create the smallest possible tax burden for your heirs. Without an estate plan for tax considerations, your heirs could get hit hard.

Wills do not avoid estate taxes. Also known as the "death tax," the federal estate tax is a tax that's levied on a person's inherited assets. The federal estate tax ranges from rates of 18% to 40% but generally only applied to assets over $13.61 million in 2024 (for 2025 the estate tax exemption rises to $13.99 million for individuals and $27.98 million for married couples). Some states also levy an estate tax. An estate's value may determine whether it's exempt from the state tax or not, and those thresholds vary from state to state.

Here are some ways to lower your heirs' tax burden:

- A life insurance plan may remove tax consequences for your heirs. The death benefit, whether it's with a term or whole life policy, is generally not subject to income taxes unless the beneficiaries receive payouts in installments.

- A living trust typically will include language that may maximize the estate tax exemptions available in the state they reside in. Most states have estate tax thresholds that are much lower than the federal threshold — Oregon's exemption, for example, is just $1 million. A properly designed trust may be an important tool in helping ensure that the allowable exemptions are fully maximized, potentially saving heirs a substantial sum.

- Gifting your heirs annually while you're still alive may be the most direct way to minimize inheritance tax. For 2024, the annual gift tax exclusion is $18,000, which generally means a person can give up to $18,000 to as many people as he or she wants without having to pay any taxes on the gifts. For example, a grandparent could give $18,000 to each of their 10 grandchildren this year with no gift tax implications. In 2025, the exclusion rises to $19,000, with married couples effectively being able to double this amount to $38,000 per recipient.

- Converting retirement accounts to Roth accounts could make sense. Heirs may pay tax on any inherited retirement benefits if they are in a 401(k) or individual retirement account (IRA). But if they inherit a Roth 401(k) or Roth IRA, they will not have to pay taxes on them. If you have retirement funds that you won't need, you may want to consider a Roth conversion to help reduce the tax burden on the assets your heirs inherit.

Long-term care

Statistics show that well over half of seniors will at some point need long-term care. Planning for that possibility with long-term care insurance may be important in terms of preserving assets for your heirs. Even if you believe you have enough retirement assets to pay for your long-term care, consider the scenario if you, your spouse or both of you develop a long-term care need. What if you don't have some type of LTC insurance? Imagine working all your life to accumulate assets, then falling ill and spending everything you've earned on care, leaving significantly less or nothing to your heirs.

Think of all the time people spend planning for a vacation or buying a house or car. But ultimately estate planning is more important than all of those. Take the time to get your affairs in order and shield your loved ones from undue stress. Having a solid, comprehensive estate plan in place may give you peace of mind and could make the passing of your wealth, property and other assets to your loved ones smoother.

NYSUT NOTE: Long-tem care isn't exactly a fun topic, but it's a necessary one to have a working knowledge of. The NYSUT Members Benefits Trust-endorsed New York Long-Term Care Brokers provides access to long-term care planning specialists who can help you navigate these concerns and build a plan with your personal needs in mind.

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