



Key fundamentals of estate planning

Estate planning is an important step that will help formalize how you wish to settle your affairs. Without a plan in place to protect, preserve, and transfer assets, decisions about us and our property are made based on the law — not according to our wishes. Additionally, our estate values could rapidly diminish due to estate settlement costs and taxes. Everyone should have a plan in place, no matter what income or wealth level. Guardian can help you take charge.

Estate planning basics — the top five

First let's look at the top five tools everyone needs to implement as the foundation of a sound estate plan:

1) Last Will and Testament	Basic legal document providing directions on who will receive the assets you own. Specifies an estate executor, and a guardian for minor children.
2) Living Will and Health Care Proxy	Designates an individual to make health care decisions for you, and in the case of a terminal illness or permanent unconsciousness, specifies the medical care you want or don't want.
3) Durable Power of Attorney	Appoints an individual to make financial decisions in case of incapacity or unavailability.
4) Unlimited Marital Deduction	Allows for transfer of all assets to a spouse, free of estate or gift taxes.
5) Credit Shelter Trust	Preserves the federal and/or state estate tax exemption amount of the first spouse to die by using it to fund a trust for the benefit of the surviving spouse and children. ¹

Other strategies you can use

While a Will can designate who receives assets, there are a number of strategies to transfer assets tax-efficiently,¹ removing them from your estate while preserving their value for future generations. They range from simple solutions to more sophisticated techniques. We can help you determine the best combination for your situation.

Gifts	Regular gifting helps transfer assets gradually in a tax-efficient way, using the annual gift tax exclusion and/or the lifetime gift exemption amount. ^{1,2}
Irrevocable Life Insurance Trust	A mechanism to help pay estate tax costs, equalize bequests among heirs, replace wealth, or help build a legacy.
Grantor Retained Annuity Trust	Lets you transfer wealth while benefiting yourself through annuity payments for a period of time. The balance goes to heirs.
Charitable Remainder Trust	Provides a benefit for you, your family, and the charity you choose.
Dynasty Trust	For those with significant assets, this trust helps create a financial legacy for future generations.
Note Sale to an Intentionally Defective Grantor Trust	Transfers wealth to beneficiaries while you maintain a stream of income by selling assets to a trust through installment notes.

Careful choices now protect your family then

The individuals whom you designate as executor for your estate and guardian of your children are key considerations. Appointing an executor is a personal choice. In your Will, you nominate an individual or financial institution that you wish to handle your affairs after death. Their job is to:

- Identify and help locate all of your assets
- Pay your debts
- Conclude the distribution of your estate by making distributions as you have directed

You want to ensure that the individual or institution interprets your wishes as you have discussed and written them, and that they are competent to execute the responsibility.

Your Will also designates a guardian for your minor children. This should be an individual who agrees to bear the grave responsibility of raising your children in the event that you and your spouse or partner are no longer alive or able to care for them. It is wise to name contingent individuals, in the event that the original choice is unable to fulfill this crucial obligation.

The value of life insurance

Life insurance is a powerful tool in estate planning strategies. Permanent (cash value) life insurance provides an income tax-free death benefit, which can help sustain a family in the event of premature death.

It can also help recoup expenses that could result from an estate settlement. In addition, the policy grows income tax-favored during your lifetime and provides accessible cash values that can be borrowed or withdrawn to supplement income.^{3,4}

Another careful choice

The company you choose to buy from is as important as your life insurance purchase. When selecting a company, look for one that will be there when needed — a company such as Guardian.

- Mutual insurer founded in 1860
- Broad portfolio of quality products and flexible riders and options that enables you and your financial professional to customize a product that fits your goals
- Knowledgeable representatives and professionals

Next steps

Creating and implementing an estate strategy may seem like a long, time-consuming task. We can help make it easier, by working with you and your other tax and legal advisors to help you align your goals with your situation. And if you already have a plan in place, isn't it time for a review?

Take control. Discuss what may be right for you with a Guardian Financial Professional today.

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¹ Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

² In 2021, individuals can transfer up to \$15,000 in cash or other assets to any number of others without paying gift taxes. The lifetime gift exemption amount is \$11.7 million for individuals (indexed annually for inflation).

³ Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under age 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty. Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

⁴ Some whole life policies do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information.

⁵ Riders may incur an additional cost or premium. Riders may not be available in all states.

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