



Nine Important Estate Planning Steps



mfs.com

Your estate plan can have an impact that reaches beyond financial issues and your lifestyle to include your family. Estate planning involves many complex concepts that are regulated by varying state laws as well as federal law. As you begin to consider what kind of legacy you would like to leave your loved ones, be sure to seek insight from your team of professionals, including an estate planning specialist and tax attorney. To help you begin thinking about estate planning basics, MFS[®] has created a list of nine important steps that you may want to consider as you start on your overall estate plans.

1. Create a will

Creating a will is the first important step in planning your estate. A will provides an individual with the opportunity to nominate guardians for minor children or dependents as well as an executor for the estate. The executor serves the vital function of gathering and disbursing the assets of an estate and seeing that all of the related tax issues are handled. You may choose a professional who can handle

these matters on his or her own, or you may choose a relative or a friend who can hire any professional help he or she may need. However, you should be sure the friend or relative is willing to serve in this capacity.

2. Update beneficiary designations

Beneficiary designations should be reviewed periodically and kept up to date (especially after major life events such as births, deaths,

KEY POINTS

Estate planning steps include

- creating a will so that your wishes will be honored
- keeping beneficiary designations on your insurance and retirement accounts up to date

Talk to your professional advisors about

- consolidating your retirement assets
- using trusts and gifting to help lessen your estate taxes

Consider the benefits of protecting your interests by

- taking steps to avoid probate
- keeping a certain amount of your assets in cash



This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

Nine Important Estate Planning Steps

marriages and divorces). If beneficiary designations for such things as retirement accounts or insurance policies are outdated or inaccurate, your assets may pass to people you did not intend to benefit.

3. Establish health care directives

In the event that you become incapacitated or terminally ill, it is important to have your wishes regarding medical treatment documented. You can also designate a “health care proxy” who will be authorized to make medical decisions for you if you are incapacitated.

The rules governing health care directives vary from state to state and can be affected by federal law.

For example, the Health Insurance Portability and Accountability Act (HIPAA) restricts your physician’s ability to disclose your medical information. To prevent this from occurring, make sure to include HIPAA release language in your disability planning documents.

4. Consider a power of attorney

It is important to be certain that your financial affairs will be managed if you become disabled. Talk to your estate planning professional about creating a durable power of attorney that authorizes someone you trust to handle financial matters. Be sure to have your documents reviewed periodically to make sure they are up to date and comply with current laws.

5. Establish a trust

One of the primary purposes of a trust is to avoid probate, which may mean that your estate can be settled more quickly and at a lower cost. Perhaps more important to some individuals is that a trust is private, whereas probate proceedings are a matter of public record. Because there are several types of trusts, you should contact an estate planning professional to determine which type of trust is right for you.

6. Plan for the distribution of your retirement assets

It is important to plan carefully when completing the necessary beneficiary forms. If you are participating in an employer-sponsored retirement plan from which you are eligible to receive benefits, be sure to keep plan administrators advised of your current address and keep your beneficiary designations up to date. Also, make sure your beneficiaries know about any plans from which you may have benefits coming.

7. Use gifting strategies to reduce estate tax liability

Gifting can be an excellent way to potentially reduce the taxable amount of your estate. One common gift-giving vehicle is the 529 savings plan. In this plan, assets potentially grow tax deferred and can be withdrawn federal tax free if used for qualified education expenses. In 2024, an investor can gift \$18,000 per beneficiary on an annual basis. Couples can gift \$36,000 per year per beneficiary. Donors may make an “accelerated gift” to a 529 plan equal to five years’ worth of gifts (\$90,000 for an individual or \$180,000 for a couple) to each beneficiary. You do not incur federal gift taxes as long as no additional gifts are made to the beneficiary for four years after the year in which you make the one-time gift and the appropriate tax form is filed.¹

Charitable donations are another form of gift giving. Any assets donated can reduce the overall value of the taxable estate and are often income tax deductible.

8. Decrease or eliminate estate taxes

Property passing to a surviving spouse is generally exempt from estate taxes. As of 2024, the amount that can be passed on to a decedent’s non-spouse heirs free of federal estate tax is \$13.61 million. Discuss with your estate planning specialist the ways you might structure your bequests to take advantage of the exclusion and minimize estate taxes. There are a variety of ways to decrease the taxable amount in your estate. Many Americans can minimize estate taxes through careful estate tax planning.

¹ Consult your tax advisor about gift taxes and reporting. Amounts in an account that were considered completed gifts by the account owner will not be included in the account owner’s gross estate for federal estate tax purposes. However, if the account owner elected to treat the gifts as having been made over a five-year period and dies before the end of the five-year period, the portion of the contribution allocable to the remaining years in the five-year period would be includable in computing the account owner’s gross estate for federal estate tax purposes. Gift limits current as of 1/1/24; tax rules are subject to change.

Nine Important Estate Planning Steps

9. Determine how to draw down your assets

During retirement it is important to consider what sources of cash are being used to maintain your lifestyle. These sources often have drastically different tax consequences. Discuss with your financial advisor or investment professional the best way to draw from your tax-deferred, taxable or tax-free assets for cash flow needs to minimize your own taxes and the taxes to be paid by your heirs.

With careful planning, you may be able to avoid common mistakes and help ensure that your heirs are not burdened by unnecessary emotional and financial stress when settling your estate.

This material is provided for general and educational purposes only and is not investment advice. The investments you choose should correspond to your financial needs, goals and risk tolerance. Please consult an investment professional before making any investment or financial decisions or purchasing any financial, securities or investment related service or product, including any investment product or service described in these materials.

Contact your financial advisor or investment professional for more information or visit [mfs.com](https://www.mfs.com).

MFS® does not provide legal, tax, or accounting advice. Any statement contained in this communication (including any attachments) concerning U.S. tax matters was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. This communication was written to support the promotion or marketing of the transaction(s) or matter(s) addressed. Clients of MFS should obtain their own independent tax and legal advice based on their particular circumstances.