TABLE OF EXPERTS

Estate Planning

The Minneapolis-St. Paul Business Journal held a panel discussion recently about estate planning. Panelists included Jennifer A. Lammers, attorney and partner, Best and Flanagan; Becky Krieger, managing partner and shareholder, Accredited Investors Wealth Management; Tara Torseth, CPA, MBT, partner, Abdo; Samantha Graf, estate planning and family law attorney, Hellmuth & Johnson; and Jeremy Wells, Senior Vice President of Philanthropic Services, Saint Paul & Minnesota Foundation. Dyanne Ross-Hanson, president and founder of Exit Planning Strategies, served as moderator.

DYANNE ROSS-HANSON: Estate planning is a topic that can be easy to ignore or postpone. But it's a critical component of financial management that should not be overlooked, regardless of age, health, or wealth status. Unfortunately, a significant portion of Americans don't have a proper or updated estate plan. So, my first question is, "Who should have an estate plan?

JENNIFER LAMMERS: I think everybody over the age of 18. As you grow, your estate is going to change, as everything in your life changes. People assume estate planning is only about your assets. It's also about what happens if you're disabled, when you can no longer care for yourself.

BECKY KRIEGER: Some of the decisions can be challenging. Those who have minor children often say, "I don't know who to name as a guardian if I pass." Naming someone to fill that role can be a sticking point in getting the estate plan completed.

JEREMY WELLS: We should all be as articulate as we can be [for] when we are no longer here to make those decisions for ourselves.

SAMANTHA GRAF: It's a very common misconception that elderly people are the ones who need an estate plan. And certainly they do. But my concern is always the parents of young children. In my opinion, there is a bigger risk to a parent with a minor child that does not have an estate plan and guardian designated. We've also been doing a lot of planning for parents who have college-age kids. Parents often don't realize that they can't call the doctor for their son or daughter in college to get updates or make appointments, or help with financial questions because the child is now 18 and an adult. Getting at least a power of attorney or health care directive for the child can resolve these issues fairly quickly

WELLS: I often tell people that we will all be planned giving donors at our passing. Any assets left in an estate after one's passing need to go somewhere, and we encourage people to be thoughtful and planful about these during their lifetimes.

TARA TORSETH: With kids, it's even scarier if you don't have a plan; they could potentially receive the assets when they turn 18. With a plan you could have the funds held in trust until a specific age.

LAMMERS: People will say, I drafted a will. But they've named their children as beneficiaries under their IRAs or 401(k) s or life insurance. And you're like, you get that they get that money outright? So we have to incorporate that into their estate plan and figure out a way to get those to the children if you wanted to keep them in trust.

> "As you grow, your estate is going to change, as everything in your life changes."
>
> **JENNIFER LAMMERS**
> Best and Flanagan LLP

KRIEGER: I can't tell you how many times I've met with a new client who created a revocable trust to avoid probate, without having assets property titled naming the revocable trust as an owner. Implementation is imperative and speaks to the importance of having collaborative relationships with the full team of professional advisors.

ROSS-HANSON: Where should clients start with estate planning? And how do you guide them in the development of a comprehensive estate plan?

WELLS: We don't create the legal documents associated with a formal estate plan, [but] we have great expertise in walking individuals and couples through identifying their values, assessing their interests, and determining how they would like to incorporate philanthropy into their estate plans. If you already have a trusted advisor, such as an attorney you work with, that can be a great place to begin. Reaching out to your local community foundation is also a great starting point. These institutions have great experience in working with people to create a philanthropic legacy through their estate plans.


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LAMMERS: When we start with meeting a client, we send out a questionnaire for information gathering, in the sense of, what are your assets? Who's in your family? Clients will come in, and they don't want to do their estate plan, because they can't think about who they want their guardians to be. And I always say, come in, we'll figure it out. I've done this for 25 years, we'll figure it out. And I always say to clients, remember, we're not doing your estate plan for you when you die 30 years from now. We're going to plan out, in the next five years, what would you want to happen? If something happens to you, where do you want your assets to go? When clients come to me [and say], do I want to give my kids money outright? I say, remember, holding money in trust, you're not doing it as a punishment. You're doing it as a gift. While that money is in trust, it's protected from creditor claims, divorce, bankruptcy, even student loans.

KRIEGER: It begins and ends with goals and values. Understanding what the client is trying to accomplish is key to coming up with appropriate opportunities and solutions. Going through a deep estate planning process can identify and elevate emotional undertones that certain assets, such as the family cabin, may have. There are many planning and legacy techniques surrounding the family cabin that can be implemented once desires and considerations are vetted by all parties involved. For our client families that own a business, it's important to map out how the business impacts the personal estate and outline how business governance overlays with family governance. Also, as we are working with a lot of Minnesota families, Minnesota has some unique estate planning techniques to be aware of. We appreciate our community of legal experts to engage and collaborate with to keep these plans flexible and nimble.

> **"We have great expertise in walking individuals and couples through identifying their values, assessing their interests, and determining how they would like to incorporate philanthropy into their estate plans."**
>
> **JEREMY WELLS**
> St. Paul & Minnesota Foundation

GRAF: I have clients who come in and say, I need to set up a trust. Okay, let's talk about why and what are your goals. Well, my neighbor has a trust, so I need

THE EXPERTS:

JENNIFER A. LAMMERS
Attorney and Partner
Best and Flanagan LLP

Jennifer Lammers is a partner in the Private Wealth Planning practice group at Best & Flanagan. She assists her clients with drafting wills and trusts, wealth transfer techniques, estate and gift tax issues, charitable planning, probate, trusts administration, disability planning, guardianships and conservatorships, and elder law matters including medical assistance. Jennifer is recognized by Best Lawyers as one of the Best Lawyers in America (2019-present), and her Private Wealth Planning practice has been ranked in the Chambers High Net Worth guide since 2021. She has also been selected to the Minnesota Super Lawyers list (2018-present) and was listed as a 40 Under 40 honoree by Minneapolis/St. Paul Business Journal (2011). For her reputation, skill, and contributions to the legal field through lecturing, writing, teaching, and leadership activities, Jennifer was recently elected a Fellow of the American College of Trust and Estate Counsel.

BECKY KRIEGER
Managing Partner and Shareholder
Accredited Investors Wealth Management®

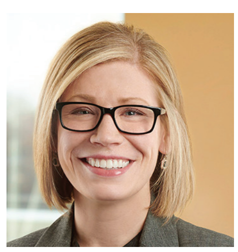
As Managing Partner, Becky co-leads Accredited's Executive Committee, setting strategy and culture, while also driving Business Development, Marketing, and Communications initiatives. Clients of Accredited are served by a dedicated team of advisors, and Becky's client advisory role is centered on providing strategic direction and advice. A 19-year veteran of the firm, Becky has tenured relationships with client families and thrives in helping them discover healthy ways to engage with their wealth.

Growing up in her own family business, Becky brings a unique perspective on the financial and emotional implications of business transition planning. Becky navigates these issues for the business owners the firm serves, drawing upon the in-house planning experience within Accredited and by bringing in the right outside advisors to collaboratively address complex situations.

TARA TORSETH, CPA, MBT
Partner,
Abdo

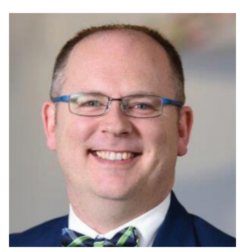
Tara is an accomplished accounting and consulting professional who has been lighting the path forward for clients at Abdo for the past 18 years. She is the firm's trust and estate practice leader, and she is passionate about helping families navigate the complexities and considerations involved in the process. Tara is also Abdo's manufacturing segment leader, where she has proven to be adept at developing tailored accounting, tax, and advisory solutions for a broad range of businesses in that industry area. She finds it rewarding knowing that she adds value to her clients by being a resource for new ideas.

Tara is a member of the Finance Committee for the Mankato Area Foundation, the Board Chair of Estate Planners Council of Southern Minnesota, Inc., and she a member of the Board and Finance Committee for Children's Museum of Southern Minnesota.



SAMANTHA GRAF
Estate Planning & Family Law Attorney
Hellmuth & Johnson

Samantha Graf is a partner at Hellmuth & Johnson, focusing her practice on Estate Planning, Probate and Family Law. She represents clients in a variety of contested probate matters and assists clients in administering estate plans. Additionally, she represents clients in family law matters including divorce, post-decree matters, and custody issues. Her goal in all cases is to educate, counsel and empower clients to make informed, intelligent decisions about their case based on practical understanding and application of the law to their unique circumstances. She is a Rule 114 Qualified Family Mediation Neutral and is admitted to practice in the Federal & State Courts of Minnesota and Wisconsin.



JEREMY WELLS
Senior Vice President of Philanthropic Services
St. Paul & Minnesota Foundation

Jeremy R. Wells, MA, CFRE, currently serves as Senior Vice President of Philanthropic Services at the Saint Paul & Minnesota Foundations, one of the largest community foundations in the country. In this role, Jeremy serves as the chief fundraising and donor stewardship strategist. He leads the philanthropic services team to ensure donors, advisors, and organizations receive the highest quality service.

Wells is an adjunct faculty member at the University of St. Thomas and is a frequently requested speaker on a variety of advancement and fund development topics, including charitable tax policy, development planning, utilizing volunteers, donor engagement, stewardship, ethics, and campaign strategy.

MODERATOR:

DYANNE ROSS-HANSON
President/Founder
Exit Planning Strategies, LLC

Dyanne Ross- Hanson is President & Founder of Exit Planning Strategies, LLC. A firm dedicated to helping business owners navigate the most significant financial transaction of their lives, exiting their business. She works with owners and their Advisory Team who are 3-10 years from divesture in capital and/or contribution. Helping to evaluate options and to create an Action Checklist. So that owners can depart on their terms, to their party of choice and for the dollars they deserve.

a trust. Okay, well, let's back up.

TORSETH: Or they just want to avoid probate. It seems most individuals have heard probate is scary and something to avoid.

GRAF: Yes! You get a lot of that. So tell me about your assets. Well, I added my son onto my account, because this avoids probate. And you say, yes, that does avoid probate, but if avoiding probate is the goal, let's talk about more about this and the options available. But let's also talk about the potential consequences of these options. If you have a joint owner on your account, that person will receive the balance of the account upon your death. And your client understands this but also fully believes they'll share it with their siblings. Once you explain to a client that legally, there is no requirement that the account be shared with anyone, and you tell them of some of the unfortunate situations you've seen similar to this, you see that look in their eyes that, maybe this isn't the best plan. So that first meeting is truly about just talking with your client, learning about their family, their desires and educating them about the estate plan and probate process. I tell clients that I am truly not intending to overcomplicate their plan, but want every client to understand the potential implications involved because some decisions carry significant risk. This can be hard to do when you haven't established a relationship or that trust with a client yet, so it can often take time.

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> **TATA TORSETH**
> Abdo

ROSS-HANSON: What is probate? Where do assets go otherwise?

TORSETH: People misunderstand what probate means. I hear from clients, if it goes through probate, then the state takes everything. Probate is not the end of the world. Minnesota has a good probate system, but it's expensive, with filing fees and publications, and everything becomes public. Anybody can now see a copy of your will, an inventory of your estate, and have access to all that information. Now you've opened the door to a court case, and anybody – whether they've got a legal basis or not – can file an objection or cause problems. So, is it the end of the world? No, but if you can avoid it, it's certainly better.

ROSS-HANSON: Why is titling assets and beneficiary designations so important?

LAMMERS: There's a misconception that if you have an estate plan, that is going to trump everything else. Actually, it's the opposite. If you put a transfer on death designation on an asset, that goes directly to the beneficiaries. If you own things in joint tenancy, regardless if you have a prenup, or your will or your trust says everything goes to the kids, they're going to get it. So if you don't have the titling of your assets working in conjunction with that plan, it doesn't work. If you don't get a will, then the state gives you one. Thank God that our purple friend Prince was able to show what happens during intestacy. [But s] ometimes, when people do their own planning, I wish we would have just gone intestacy. It can be so much easier.

GRAF: When you explain to clients how their assets will transfer or who could receive their assets without an estate plan in place, you see clients suddenly recognize why it is so important to put their wishes into writing. When a client realizes that without a plan, their assets will distribute to a sibling that they haven't talked to in 20 years, the necessity of their plan hits home. And you also have to educate and help clients understand that establishing the estate plan is only part of the process. Ensuring that asset titling is updated afterwards to ensure the plan works is just as important.

TORSETH: Divorce? All of us have probably seen assets go to ex-spouses. Make sure beneficiary forms are updated.

LAMMERS: And then you have the opposite of that, too, when you get the divorce decree that says you have to have your spouse as a beneficiary. And we've had it where they've missed it, they've died and now we've got a claim on that end of it too. Just get some advice.

ROSS-HANSON: One of the things that seems to motivate a lot of individuals to engage in estate planning are estate taxes. What are the current exemptions amounts for Federal and state of Minnesota? And what's changing?

TORSETH: For 2023, the current exemption for federal is $12.92 million, and for Minnesota, it's $3 million with the possibility of an additional $2 million if you meet the small business or farm exemption. Unless congress acts before the end of 2025, this higher federal exemption will sunset, and revert back to where they were in 2017 with inflation, around $6.5 million. With this we are going to see a lot of estate planning over the next couple of years.

ROSS-HANSON: Becky, given this anticipated sunset on the current federal exemption, what are you and your team focusing on right now?

KRIEGER: If I am a Minnesota resident and my estate is $4 million plus today, and I'm married, I would be calling my attorney to ask, "Is there something that I should be doing?". Married couples can have a $6 million estate in Minnesota and with proper planning, they aren't subject to Minnesota estate tax. If one has roughly $15 million in their estate, there's value in determining whether planning should be done to optimize current favorable rules, given potential changes on 12/31/2025. We are having conversations early, because we don't want to be thinking about this for the first time in 2025. We ask questions like: "Do you feel financially secure with the assets you have?" We work through techniques to help identify appropriate assets to gift if that's a goal and help understand how one may feel about giving up control of those assets. There's often a delicate balance between sharing wealth with the next generation without extinguishing the fire in their belly to create their own path in life.

ROSS-HANSON: What are some of the benefits of working charitable giving into your estate plan?

WELLS: The vast majority of people are charitable throughout their lifetimes. People give to organizations that are meaningful to them or they feel are creating important community good. Incorporating charitable giving into an estate plan is potentially advantageous from a tax perspective, but also a way for individuals to share their values with family and friends. These gifts [may] be the largest gifts an individual will ever make. There are countless examples where individuals have used charitable bequests as a way to avoid estate taxes and create an incredible philanthropy legacy. Tax law is always changing. That's one more reason why it's important to regularly review your estate plans with your trusted advisors. Some of the nonprofit organizations you support today will not be the same organizations you'll support in the future. Nonprofit organizations close their doors, sometimes nonprofit missions change, and new ones are established every year.

TORSETH: If clients have charitable intent, it can be a wonderful thing to work into their estate plan. We want to make sure we're gifting in the most tax-effective way we can. Some examples include donor-advised funds, charitable trusts, gifting appreciated stock, and listing charities as beneficiaries of IRAs/401k accounts.

KRIEGER: We are working with many families that appreciate giving to charity during their life and not waiting for a legacy bequest. They have a high level of satisfaction by seeing these dollars work in their community today. One planning technique includes "Qualified Charitable Distributions" (QCDs), which are distributions from tax-deferred account, such as an IRA. The IRA required minimum distribution rules have changed in the last couple of years. Previously, clients were mandated to take distributions from their IRA by age 70 and a half. That age has increased to 73 in many cases. However, you are still able to take QCDs from your IRA at age 70 and a half. You can donate as much as $100,000 a year from your IRA directly to a nonprofit organization, a 501(c)3, in any increment of your choosing. It's a tax win for everyone as the charity get the full value of the donation, and you do not realize any taxable income on

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> Accredited Investors Wealth


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SAMANTHA GRAF
Hellmuth & Johnson

the distribution made from your IRA.

TORSETH: The itemized deduction rules changed in 2018, with the increased standard deduction fewer individuals are itemizing their deductions therefore not receiving a tax benefit for their charitable contributions. Making QCDs from your IRA is a great option when this is the case.

ROSS-HANSON: Jeremy, what are some easy ways to include the causes you care about in your estate plan?

WELLS: A simple bequest provision in your last will and testament is one of the easiest ways. It costs nothing, can be amended, and can amplify your giving to causes you care about in a way you may not feel comfortable doing during your lifetime. Another easy way is to include organizations as remainder beneficiaries on a retirement account or life insurance policy.

ROSS-HANSON: Jennifer, what do you find are some of the most common misconceptions when planning an estate?

LAMMERS: That the will or the trust is going to trump your asset titling. Also, that what your assets are today is what your assets are going to be when you pass away. The most important thing is flexibility to take into consideration changing estate taxes and family dynamics. I want you to grow into your estate plan, [not] grow out of it.

WELLS: One of the biggest misconceptions is that philanthropy shouldn’t be a core part of the plan. Philanthropy can and should be woven in from the beginning.

GRAF: [A big misconception is that] creating your estate plan is a really scary and intimidating process. Understandably, it is not always pleasant to talk about death or disability. But often times once we start the process and start working through these things, I see my clients realize that it is not as scary or as cumbersome as they thought it was going to be. If I can find a way to just start a conversation with them, I often hear that it was a fairly easy process and not only that, but they feel so much better afterwards knowing that things are taken care of it something were to happen to them.

WELLS: I think there is a misperception that philanthropy is an afterthought, something you look at once the estate plan is done. Thankfully, a number of trust & estate attorneys I know are changing this dynamic, which is great for individuals and families, but also for nonprofit organizations and communities who will be the beneficiaries.

KRIEGER: Estate planning documents should not be locked in a vault never to see the light of day. We encourage clients who feel good about their estate structure to bring the family into the discussion and articulate in their own voice the history of the wealth, what’s important to them, and how the estate plan has been structured to align with ultimate wealth transfer goals. We’re not talking about “There’s X dollars in the estate, and you’re going to receive Y dollars upon your parent’s death.” If you don’t talk about the people involved in your estate and the structures created in advance of your death, you run the risk of potential unintended consequences, such as the inheritor feeling confused or hurt by what they learn. For example, if assets are being held in a trust, communicating why the trust was set up, the benefits, and intentions can be important.

TORSETH: Trusts need to be reviewed periodically. Especially when there is major tax reform or family changes, it’s a good idea to review the trust to make sure it still accomplishes what you wish. I really love Jennifer’s comment about “we don’t want you to outgrow it, we want it to grow with you.” Most of the time trusts are created to account for some change. But they can’t account for all changes. I recommend reviewing it every few years, or at least when those major life changes such happen.

WELLS: Circumstances change, priorities change, and regular review of these plans ensures the best possible likelihood that an individual’s estate plans align with their priorities and values.

ROSS-HANSON: Any other thoughts before we wrap up our discussion?

GRAF: Include your whole team: your financial advisor, your tax person. We all come from a different perspective, and somebody will see something that somebody else doesn’t. Including everyone in the planning process ensures that the plan works as desired, without unintended consequences, and everyone on your team is aware of the plan.

LAMMERS: I would also offer, it’s not this laborious. People think it’s going to take them months to bring all their boxes of documents in. It’s two meetings and then some follow-up. If you own a family business, we’ll probably have to have a couple of extra meetings. But for a “normal” client, it’s not painful or as difficult as people think it is.

KRIEGER: My only addition would be: If you don’t create your estate plan, the federal and state government will create it for you.

LAMMERS: They sure will.