



Estate Planning for Feds

A NARFE Federal Benefits Institute Webinar

Presented by

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Federal Retirement Benefits Expert



An effective estate plan deals with death *and* incapacity.

It provides a framework for

- Dealing with administrative issues when settling an estate
- Distributing assets to intended heirs
- Minimizing taxes
- Financial decisions
- Health care decisions

Key Estate Planning Documents



- Will
- Durable Power of Attorney
- Health Care Power of Attorney
- Living Will

Your estate plan may also include

- Revocable living trust
- Irrevocable life insurance trust
- Other complex arrangements

Dealing With Death



Will

- Names personal representative/executor to administer estate after death
- Names guardian for minor children
- Provides instructions for transfer of probate assets



Court-supervised process that identifies and oversees distribution of probate assets

- As communicated in will, or
- By state law if no will exists

Probate is public record

Ancillary probate

- Own real estate or other tangible property in multiple states



State law dictates distribution

Probate process does not ensure assets pass to spouse

- Maryland
 - Spouse receives about 1/2 and children get other 1/2
- Virginia
 - Spouse gets everything, unless there are children from previous relationship
 - Spouse gets 1/3, children get remaining 2/3
- Washington, DC
 - Spouse gets 2/3 and common children get 1/3
 - Spouse gets 1/2 and children get other 1/2 if not all common

How Assets Pass at Death



Probate assets

- Titled individually in decedent's name
 - No beneficiary designation
 - No joint owner
 - Not held in trust

Non-Probate assets

- Joint ownership with rights of survivorship
- Beneficiary designation
- Trust

Dealing With Incapacity



Durable power of attorney

- Designation of agent to manage legal and financial affairs
- Durable
- Springing
- Need additional documentation for some federal benefits

Health care power of attorney

- Designation of agent to make health care decisions

Living will

- Sets forth choices regarding medical care and end-of-life decisions

Federal Benefits and Incapacity



Thrift Savings Plan

- POA must include specific language relevant to the TSP
- Use TSP's Special Power of Attorney

SPECIAL POWER OF ATTORNEY

The purpose of this document is to designate a person as your agent to act on your behalf with the Thrift Savings Plan (TSP). You may revoke this power of attorney in writing if you wish.

If there is anything about this power of attorney that you do not understand, you should ask a lawyer to explain it to you. To make this document official, you must sign it—or acknowledge having signed it—in the presence of a notary public.

Mail or fax the form to: **TSP Legal Processing Unit, P.O. Box 4390, Fairfax, VA 22038-4390.**
Fax number: (703) 592-0151.

For overnight delivery: **TSP Legal Processing Unit, 12210 Fairfax Town Center, Unit 906, Fairfax, VA 22033.**

Assignment of the Power of Attorney

A TSP participant, his or her spouse, or his or her payee may complete this section. Please type or print.

I, _____ of _____ do hereby appoint
First name Middle initial Last name City State
_____ my true and lawful agent to:
First name Middle initial Last name City State

(Please hand write your initials on the line in front of the power you are granting.)

_____ obtain information about this TSP account.
_____ borrow or withdraw funds from this TSP account.
_____ take any other action(s) relating to this TSP account.

This power of attorney relates to the TSP account of _____
Participant's first name Middle initial Last name
whose Social Security number is _____.

This power of attorney will not be affected if I subsequently become disabled, incapacitated, or incompetent. It is effective immediately, and, unless revoked or terminated by me earlier in writing, will expire on _____
(If no date applies, write "indefinite".)

Signature of person giving power of attorney: _____ Date: _____

Statement of Notary Public

A notary public must complete this section; no other acknowledgment is acceptable. Please type or print.*

This document granting a power of attorney was signed, or acknowledged to have been signed, before me on _____ by _____
Month/year Day/year First name Middle initial Last name
who is personally known to me or has properly identified himself/herself to me.

Jurisdiction (County) _____ Notary public's signature _____

SEAL

My commission expires: _____

* This document will be filed with the Federal Retirement Thrift Investment Board (FRTIB) in Washington, D.C. The FRTIB is an agency in the United States Government established by 5 U.S.C. 1407.
GC 01-10 (2/2017)

Revocable Living Trusts



Estate planning tool used to provide control and direction of assets at

- Death
- Incapacity

Avoids probate = private

Simplify estate administration at death

- Real property owned in multiple states

Does not replace a will

Is a Revocable Living Trust Right for You?



- Estate tax planning
- Complex assets
- Minor children
- Control money from grave
- Blended family
- Significant assets
- Real estate in multiple states
- Avoid probate

Probate and Non-Probate Assets



Asset	Probate Transfer	Non-Probate Transfer
Assets titled in an individual's name	X	
Assets owned tenants-in-common (TIC)	X	
Assets owned joint with survivorship rights		X
Assets with beneficiary designations		X
*Life insurance contracts		X
*Annuity contracts		X
*Thrift Savings Plan		X
*IRAs		X
*401(k)s and other retirement plans		X
* POD (Payable on Death)		X
* TOD (Transfer on Death)		X
Assets held in trust		X

Beware of Titling Mistakes



Not properly funding revocable living trust

Joint with survivorship versus tenants in common

Adding kids as joint tenants with right of survivorship (JTWROS)

- Objective is to avoid probate

Nuances of Joint Ownership



Not all joint ownerships have survivorship rights

- JWROS = joint with right of survivorship
- JTWROS = joint tenants with right of survivorship
- TBE = tenants by entirety

No survivorship

- TIC = tenants in common

Legal owner

Partial loss of cost basis step-up

Unintended inheritance consequences

Understanding Beneficiary Designations



Common beneficiary distribution structure (non-federal benefits)

- Primary beneficiaries
- Contingent beneficiaries
 - Only receive a share if no primary beneficiaries

Federal benefits (TSP, FEGLI, CSRS, FERS)

- Link contingent to primary beneficiaries
 - May receive a share even if a primary beneficiary exists

Per stirpes designation


- Latin for “by roots” or by representation
- Descendants of a deceased beneficiary receive deceased’s share

Understanding Beneficiary Designations




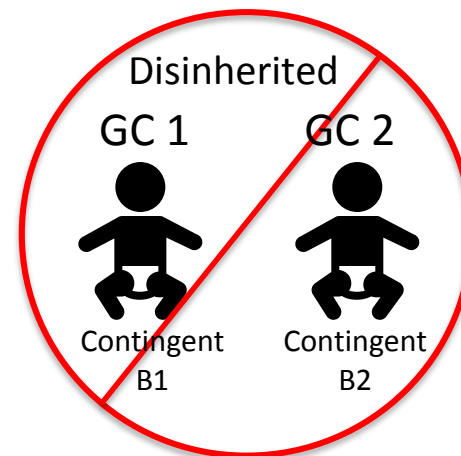
Common Beneficiary Distribution Structure

**Designated
primary and
contingent
beneficiaries**

Son

Primary A
50%
+ 50%

100%

~~Daughter~~

~~Primary B~~
50%



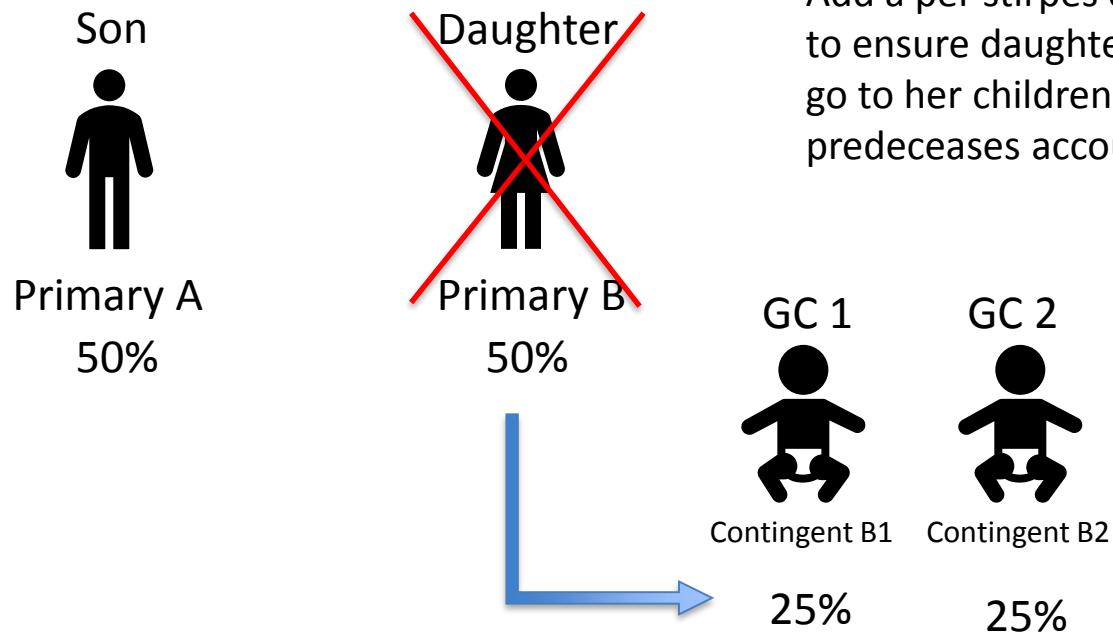
Typically, contingent beneficiaries aren't linked to a primary beneficiary and will receive a share only when all primary beneficiaries are gone

Understanding Beneficiary Designations



Common Beneficiary Distribution Structure

**Designated
primary and
contingent
beneficiaries**



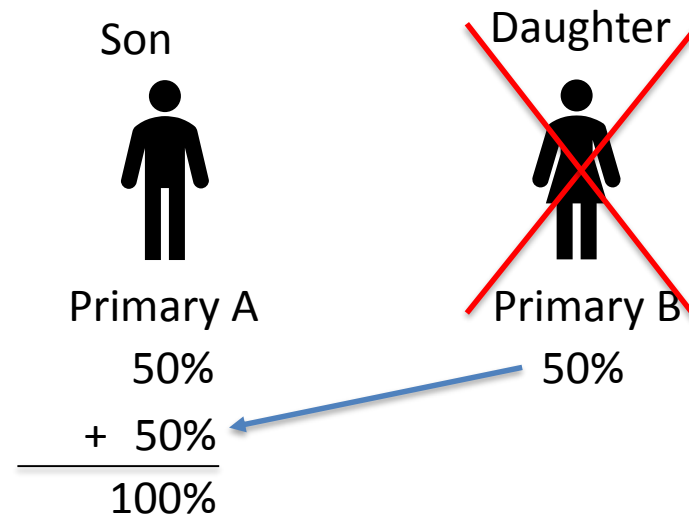
Add a per stirpes designation to ensure daughter's shares go to her children if she predeceases account owner

Understanding Beneficiary Designations



TSP Beneficiary Example

- Designated primary beneficiaries only

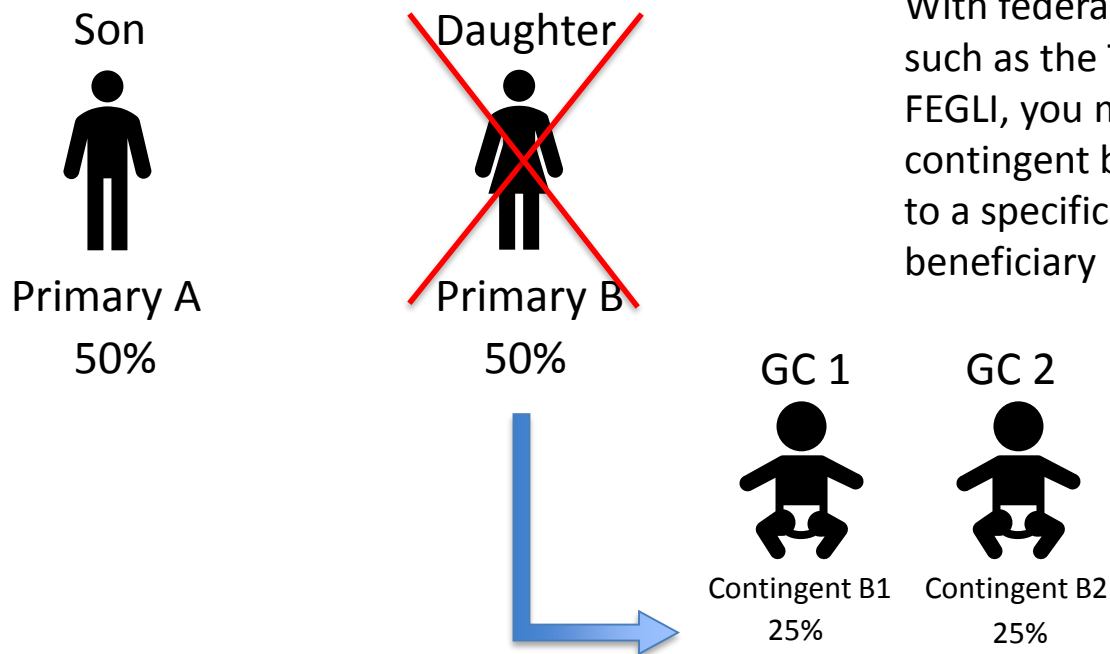


Understanding Beneficiary Designations



TSP Beneficiary Example

- Designated primary and contingent beneficiaries



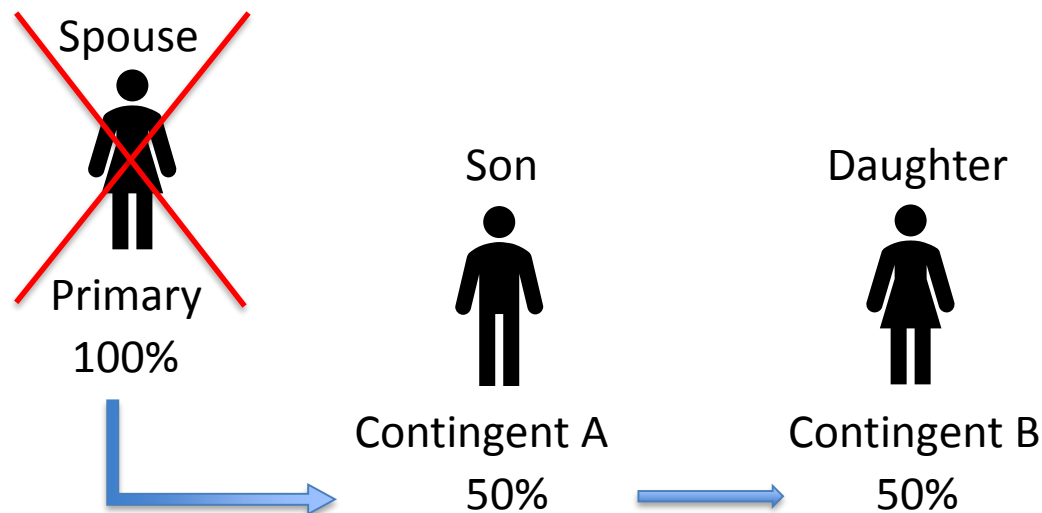
With federal benefits, such as the TSP and FEGLI, you may link contingent beneficiaries to a specific primary beneficiary

Understanding Beneficiary Designations



TSP Beneficiary Example

- Designated primary and contingent beneficiaries

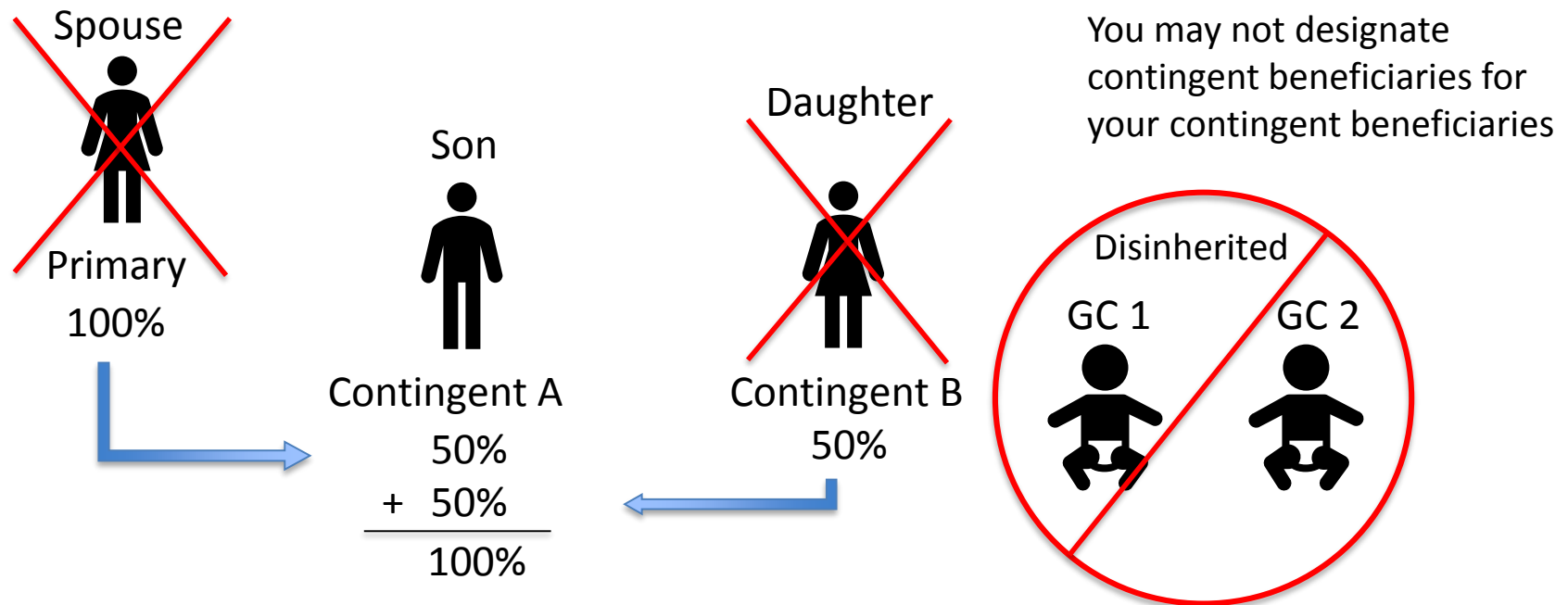


Understanding Beneficiary Designations



TSP Beneficiary Example

- Designated primary and contingent beneficiaries



Understanding Beneficiary Designations



Order of precedence

- As set forth in 5 U.S.C. §8424(d)
- Applies when there's no beneficiary designation or all beneficiaries have died

TSP

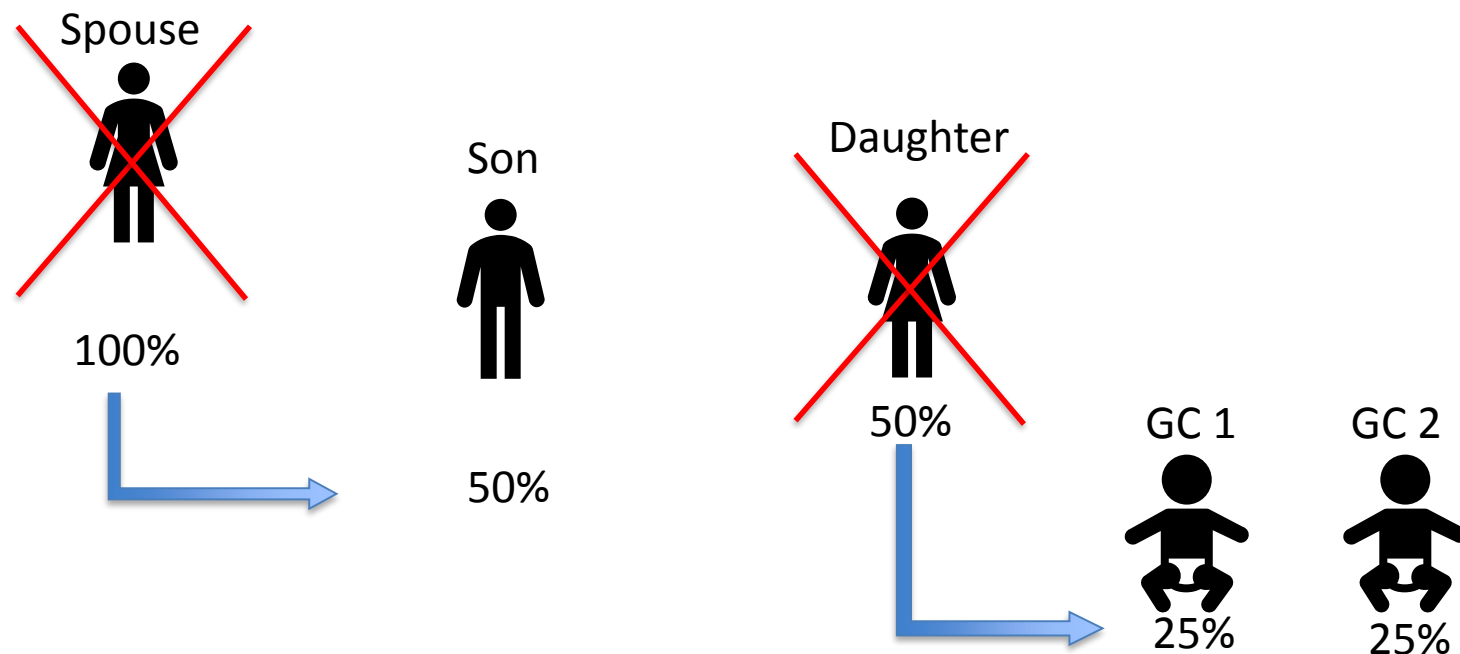
1. To your spouse
2. If none, to your child or children equally, and to the descendants of deceased children
3. If none, to your parents equally or your surviving parent
4. If none, to your appointed executor or administrator of your estate
5. If none, to your next of kin, who is entitled to your estate under the laws of the state in which you resided at the time of your death

Understanding Beneficiary Designations



TSP Beneficiary Example

- No beneficiaries designated – order of precedence



Payout Options for TSP Beneficiaries



Two types of TSP participants

1. TSP Participant
2. TSP Beneficiary Participant

Payout Options for TSP Beneficiaries



Beneficiaries of TSP participants

- Spouse beneficiary
 - TSP will be transferred into a Beneficiary Participant TSP account
 - May transfer to own IRA later
- Non-Spouse beneficiary
 - Lump sum distribution
 - Transfer to Inherited IRA

Payout Options for TSP Beneficiaries



Beneficiaries of TSP beneficiary participants

- Spouse beneficiary
 - Full Distribution
 - Payable to self
- Non-Spouse beneficiary
 - Full Distribution
 - Payable to self

TSP Beneficiary Participant RMD Rules



Participant died before required beginning date

- RMDs start by the later of
 - Dec. 31 of the year the TSP participant would have turned 70½, or
 - Dec. 31 of the year following the year of the TSP participant's death

Participant died after required beginning date

- RMDs must begin by Dec. 31 of the year following the year of the TSP participant's death

Use Single Life Table versus Uniform Lifetime Table

TSP Beneficiary Participant RMD Calculation



Prior year's ending balance divided by life expectancy factor from Single Life Table

Uniform Lifetime Table versus Single Life Table

Age	Uniform Lifetime Table	Single Life Table
70	27.4	17
71	26.5	16.3
72	25.6	15.5
73	24.7	14.8
74	23.8	14.1
75	22.9	13.4

TSP Beneficiary Participant RMD Rules



Wife inherits husband's TSP account

- He died in 2018 at the age of 71
 - Wife must take a RMD from the beneficiary participant account by 12/31/2019
- She was 71 as of 12/31/2019
- She had her own TSP account from which she had to take an RMD as well
- RMD from the beneficiary participant account was almost twice as much
 - Single Life Factor = $\$350,000 / 16.3 = \$21,472$
 - Uniform Table = $\$350,000 / 26.5 = \$13,208$

TSP Beneficiary Participant Account



Two important documents to read

- A Guide For Beneficiary Participants
www.tsp.gov/PDF/formspubs/tspb33.pdf
- Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants
www.tsp.gov/PDF/formspubs/tsp-776.pdf

Keep Estate Plan Up-to-date



Estate planning documents

- Federal
 - 2000 exemption = \$675,000
 - 2019 exemption = \$11.4 million
 - Exemption is portable
- States
 - Rules vary by state
 - Inheritance tax



Beneficiary designations

- Asset passes to named beneficiary regardless of what your will says
 - Life events
 - Divorce
 - Marriage
 - New children/grandchildren

Recent developments

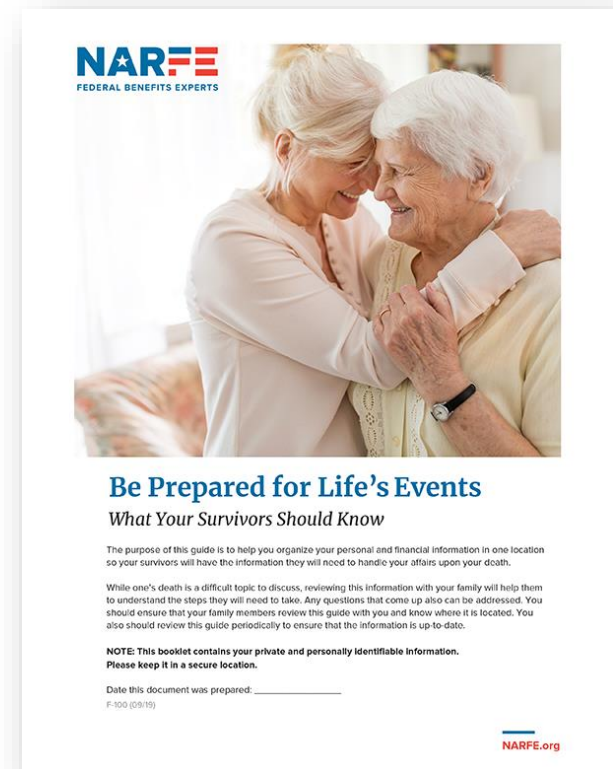
- SECURE Act

Keep Accurate Records



NARFE Resource

“Be Prepared for Life’s Events” (F-100)



Thank You!

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