Why you need an estate plan. Now.

Make things easier for the people you love.
Eight questions it’s best to answer now.

No one can predict the future, but one thing is sure: If we leave unanswered questions about how to settle our affairs, life for those we love could be even more difficult. That’s why answering questions now—and formalizing them in an estate plan—is an important step that shouldn’t wait.

1. If I’m out of it, who will call the shots?
   See Powers of Attorney page 8

2. Who gets what when I’m gone?
   See Wills page 10

3. Who knows where to find my records?
   See Asset Inventory page 20

4. Who will take care of the kids?
   See Wills page 10
5. Does everything go to my spouse? See Asset Titling & Beneficiaries page 6

6. Do I have the right beneficiaries on my accounts? See Asset Titling & Beneficiaries page 6

7. Would a trust make sense for me? See Trusts page 12

8. How can I preserve more money for my heirs? See Tax Planning page 14
What exactly is an estate plan?
An estate plan is a collection of documents that specify how you want your money and other assets distributed, making it easier for your loved ones to handle your affairs during a time of grief.

On top of that, an estate plan can:
- Identify someone you trust to make decisions for you if you become incapacitated.
- Specify who will care for your minor children if you’re unable to do so.
- Help minimize estate taxes and other transfer taxes.
- Help avoid the costs, publicity, and delays of probate, the court-supervised process used to value your estate, settle any debts, pay taxes, and transfer assets to your heirs.

Who needs an estate plan?
You do. If you’re young and single, you may need only a few relatively simple items, such as beneficiary designations and medical and financial powers of attorney. If you have children, you need a will to name a guardian. If you have substantial wealth, you may need one or more trusts to help control how your assets are taxed, managed, and distributed.

Already have an estate plan?
Great! Just be sure to review your plan regularly, and make updates as things in your life change so it continues to reflect your intentions.

Essentials for everyone
- Asset titling and beneficiary designations
- Powers of attorney

Essentials for most
- Wills
- Life insurance

Essentials for some
- Trusts
- Tax planning
What happens to your assets when you’re gone?

Where your assets go.

Assets you hold with another person, such as your spouse, can go to them directly, depending on how the assets are titled. Read more about asset titling on page 6.

Assets in accounts that designate a beneficiary go straight to that person. These can include life insurance, retirement accounts, and bank and brokerage accounts. You’ll want to keep these designations up-to-date, as they override your will.

Assets held in the name of your trust get distributed according to the terms you set out in the trust document drafted by your estate planning attorney.

All other assets, such as those held by tenants in common, will go through a legal process known as probate (see page 7 for details). This will happen whether or not you have a will. While having a will greatly helps the court to understand and carry out your wishes, it does not override decisions you’ve made to title assets jointly, name designated beneficiaries, or establish trusts.
Asset titling and beneficiary designations override wills and trusts.

Asset titling.
Titling assets jointly with rights of survivorship is an easy way to ensure that they pass without delay to your heirs. For example, assets you hold jointly with another person, such as your spouse, go directly to them without the need for a will, a trust, or probate.

Title with care.
Titles have specific legal meanings and take precedence over wills and trusts. Because your assets may have been titled years ago when you first opened an account or made a purchase, it’s important to check and make sure that titling continues to reflect your intentions.

Naming beneficiaries.
For assets such as retirement accounts, insurance policies, and annuities, you are asked to name your beneficiaries—those you want to inherit the assets. For non-retirement accounts, you probably won’t be asked to name beneficiaries, but it’s a good idea and easy to do. Just ask the firm for a beneficiary form, fill it out, and submit it. Be sure to keep all your beneficiary designations up-to-date.

What to do now.
Check and update titling and beneficiary designations for all your accounts.

Two easy ways to say who gets what.
Give your heirs faster access to your assets and avoid the costly probate process by titling assets properly and naming beneficiaries.
Why you want to avoid probate.
Probate is the legal process used to validate your will and settle your estate. It can be costly, take time, expose the details of your estate to public scrutiny, and freeze assets at a time when loved ones may need them most. Any assets that you can pass on without a will (by asset titling or naming beneficiaries) can go directly to heirs with no need to wait for the probate process.

Probate costs*: 1%–6% of estate’s market value

Time required*: 6–9 months minimum; can be 2 or more years

*The probate process varies from state to state. Cost and time required is generally determined by state law and the complexity of the estate.

How to pass assets without a will or probate.

<table>
<thead>
<tr>
<th>Hold and title assets jointly for:</th>
<th>Name beneficiaries for:</th>
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<tbody>
<tr>
<td>• Bank and brokerage accounts</td>
<td>Assets pass directly to the surviving joint tenant(s) or surviving spouse when titled as follows:</td>
</tr>
<tr>
<td>• Deeded property</td>
<td>• Joint Tenancy with Right of Survivorship</td>
</tr>
<tr>
<td>• Registered vehicles</td>
<td>• Community Property with Right of Survivorship</td>
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</table>

Assets pass directly to beneficiaries named on account beneficiary forms.
There are several types of powers of attorney (POAs) that can authorize someone to act on your behalf. However, a durable POA is the only type that is effective if you become incapacitated. It can be written to take effect now or to activate only if you are no longer able to make your own decisions. Like all POAs, a durable POA expires at death.

- **Financial POAs** can be created for your bank or brokerage accounts.
- **Medical POAs** name a trusted person to make medical decisions for you.
- **Medical directives**, while not technically POAs, allow you to state what type of medical treatment you do or do not wish to receive if you are too ill to direct your own care.

What to do now.
Ask your estate planning attorney to review or draw up POAs that are appropriate for your situation. Make sure that any financial POAs are drafted to meet your financial institution’s requirements.

A solution for unmarried partners.
If one partner is hospitalized and needs someone to make medical decisions, the other partner, if not legally a spouse or next of kin, may be unable to step in even though he or she may be most qualified to do so. Preparing a medical POA solves this problem.

Name someone to act for you.
If something happens, you may need somebody to take over.
For many of us, life insurance is a critical part of estate planning. Here are some good reasons to consider buying life insurance, and the times when you may need it most:

• **Income replacement**. Term life insurance provides a death benefit that can be a vital resource for your loved ones to help replace your income, pay off the mortgage, or fund your children’s education in the event of your death.

• **Terminal illness**. Some policies allow you to access a percentage of your policy benefit over your lifetime if you become terminally ill. The proceeds from insurance can help cover unexpected expenses or medical costs at a time most critical to you and your family.

• **Estate taxes**. Insurance proceeds can provide liquidity if your estate has to pay estate taxes.

• **You own a business**. Life insurance can be used to cover outstanding business loans, help provide financial stability after the untimely death of a key employee, or secure cash needed to fund a buyout by a surviving owner.

Not everybody needs life insurance. For example, you may not need it if you’re single with no children and no dependents, or if you have enough assets of your own to provide for family and heirs.

**What to do now.**

Schwab can help you get competitive rates on the term life insurance coverage you need from respected insurance companies. For an online quote, go to www.schwab.com/insurance.

**How much life insurance do you need?**

As a general rule of thumb, consider coverage equal to six to eight times your annual salary. For an estimate reflecting your own situation, use the life insurance needs assessment calculator at www.schwab.com/insurance.
Why create a will?
A will specifies how you want your assets distributed, including items with both financial and sentimental value. Even though some assets will pass to your designated beneficiaries or joint owners (see page 6), repeating the instructions in your will can help prevent misunderstandings with other family members.

Beyond specifying how your assets should be distributed, in your will you can:

• Name an executor to settle your estate and manage the probate process, which is a court-supervised process used to validate your will and distribute your assets.

• Name a guardian for your minor children.

• Provide direction regarding how debts, taxes, probate fees, and other costs are to be paid.

• Provide instructions for covering family member living expenses during the probate period.

• Designate assets to be placed in a trust for family members or other beneficiaries.

• Designate someone to manage the financial affairs of an incapacitated beneficiary.

How to have a will prepared.
With state-specific requirements governing the legal validity of a will, the way to ensure that your will becomes effective is to have it prepared or reviewed by a local estate planning attorney.

What to do now.
Choose an estate planning attorney who can draw up your will and help you decide whether you need one or more trusts as well. To see a list of questions that can help you choose someone qualified, see page 17 or go to www.schwab.com/estateplanning.

Leave no doubt about your wishes.
By creating a will, you can arrange for your possessions to be distributed and managed the way you want.
If you have young children, you need a will. Period.

A will is the legal instrument you can use to name guardians for your minor children. Without a will, the state will choose a guardian from among your relatives, and it may or may not be the person you would have chosen.

Decide how you want things to be.

Answering these questions ahead of time can help keep attorney fees lower:

• Who should inherit your assets and in what proportions?
• Who should care for your minor children?
• How much is needed for your children’s care and education?
• Who should manage your financial affairs if you’re incapacitated?
• Who should be responsible for distributing your assets?
Neglecting to retitle assets to a trust once it’s been set up by an attorney is one of the most common oversights in the estate planning process. Assets are not governed by the trust until they’ve been retitled in the name of the trust.

Why you may need a trust.
Depending on your circumstances, your attorney may recommend that you set up a trust or combination of trusts to help achieve one or more of the following objectives:
• Distribute assets without the cost, time delay, and publicity of probate.
• Reduce your estate tax bill.
• Provide a way to manage your assets if you are incapacitated.
• Create your own rules for how assets will be distributed and name a trustee to carry them out.

What a trust can hold.
You can set up a trust to hold and govern all kinds of assets, such as bank accounts, real estate, securities, mutual fund shares, limited partnerships, life insurance, and personal property.

Living trusts.
While there are many types of trusts, the most commonly used is a revocable living trust. With it, you transfer ownership of assets from your name to that of the trust. After you transfer the assets, you maintain the same access to and control over them as before. You can buy, sell, trade, and freely move assets in and out of the trust. You lose nothing, but you gain the assurance of knowing that your wishes will be carried out if something happens to you.

After your death, the trustee you appointed assumes control of the trust, paying taxes, managing assets, and making distributions to beneficiaries according to your wishes.

What to do now.
Talk with a qualified estate planning attorney to determine what type of trust you may need. See page 17 for suggested questions to ask when choosing an attorney.

Control and preserve your assets.
Use a trust to help minimize estate taxes and distribute assets without going through probate.
Trusts vs. Wills.
Like wills, trusts specify how assets should be distributed, but with important advantages. Unlike wills, trusts are not subject to probate—so assets can go immediately to heirs without the need for court approval. And trusts are private documents, making them more difficult to challenge. You should still have a will, but mainly to appoint guardians for minor children and to take care of other matters not covered by beneficiary designations, account titling, and trusts.

Trusts for complex family situations.
There are many types of trusts. For example, a qualified terminable interest property (QTIP) trust allows you to provide for a spouse from a second (subsequent) marriage during that spouse’s lifetime, then pass any remaining wealth on to children from the first marriage.
Take steps to help minimize estate taxes.
Here are four things you can do to preserve more of your assets for heirs.

Transfer wealth, not taxes.
Estate taxes, income taxes, and transfer taxes could diminish your estate by as much as half. While trusts can go a long way toward sheltering assets, making gifts during your lifetime can help save on taxes while giving you the added benefit of watching loved ones or charities use your gift while you’re alive.

1. Take advantage of gift-tax exemptions.
   In 2014, you can give up to $14,000 ($28,000 for spouses who “split” gifts) to any number of individuals without incurring gift tax. Amounts over the annual limit apply toward a lifetime exemption amount and will require a gift-tax return to be filed.

2. Consider custodial accounts for gifts to minor children.
   With a custodial account, you can make gifts to a minor child (tax-free up to the $14,000/$28,000 limits) and manage the account on the child’s behalf until he or she reaches majority. Withdrawals can be made at any time as long as they are for the benefit of the child, and the account must be transferred to the minor when he or she reaches 18 or 21 (or up to 25), depending on the state.
   If you want to transfer a substantial amount of wealth to a child, consider a trust, which can offer more flexibility, control, and protection than any other type of account.
3 Help fund college with a tax-free gift.
Using a 529 account, you can give five times more than the annual tax-exempt limit ($14,000 x 5 = $70,000, or $140,000 for spouses who “split” gifts) in a single year, without incurring gift tax. Simply file a gift-tax return to treat the gift as if it were made in equal payments over five years.

4 Leave a lasting legacy with a charitable gift.
Donor-advised funds, private foundations, charitable trusts, and other charitable vehicles enable you to pass on your commitment to philanthropy. Funding a charitable vehicle gives you a current-year income tax deduction while removing assets from your taxable estate.

Note: Any additional gifts over the five-year period will incur gift taxes.

Consider a Roth IRA conversion.
If you think you won’t need all the assets in your traditional IRA during your lifetime, consider converting all or part of it into a Roth IRA. Doing so could help minimize taxes for your heirs and maximize compounded growth on your investments. Learn more about Roth conversion benefits and considerations at www.schwab.com/roth.

What to do now.
Ask Schwab to help you with 529, Charitable Giving, and other tax-advantaged accounts. Discuss your tax planning needs with your tax professional and estate planning attorney.

A donor’s ability to claim itemized deductions is subject to a variety of limitations depending on the donor’s specific tax situation. Consult your tax advisor for more information.
### How to get estate planning done.

<table>
<thead>
<tr>
<th></th>
<th>What you can do (We’re here to help)</th>
<th>What an attorney can do</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Take inventory.</strong></td>
<td>List your assets, your debts, and other relevant details on the enclosed asset inventory.</td>
<td>Your asset inventory can help an estate planning attorney assess your situation.</td>
</tr>
<tr>
<td><strong>2 Create a plan.</strong></td>
<td>• Establish your needs and goals and prepare to meet with an estate planning attorney.</td>
<td>• Develop a plan to control, manage, and protect your assets.</td>
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<td></td>
<td>• Think about where you want your assets to go and who will play the following important roles:</td>
<td>• Explain your options around trusts.</td>
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<td></td>
<td>• Guardians</td>
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<td>• Beneficiaries</td>
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<td>• Power of attorney</td>
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<td></td>
<td>• Executor</td>
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<td></td>
<td>• Trustees/successor trustees</td>
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<tr>
<td><strong>3 Put your plan into action.</strong></td>
<td>• Title assets into the proper form of ownership, particularly assets that you and your attorney have identified for your trust.</td>
<td>• Draft your will to reinforce asset titling and beneficiary designations and to name a guardian if you have minor children.</td>
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<tr>
<td></td>
<td>• Make appropriate beneficiary designations.</td>
<td>• Draft medical and financial POAs, working with your financial institution to ensure that their specific requirements are met.</td>
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<td></td>
<td>• Provide for asset management if needed.</td>
<td>• Draft your trust document(s).</td>
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<tr>
<td><strong>4 Update your plan regularly.</strong></td>
<td>Review and update your documents and accounts as life events or changes in laws dictate.</td>
<td>Make sure to consult with your attorney when your situation changes.</td>
</tr>
<tr>
<td><strong>How much does it cost?</strong></td>
<td>Little or nothing.</td>
<td>About $800–$1,800 minimum. Could be $2,000–$5,000 or more, depending on complexity and ongoing services.</td>
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Choosing an estate planning attorney.

If you don’t already have an estate planning attorney, ask friends, family, or your accountant for a recommendation. It’s important to interview attorneys you’re considering to ensure that you feel comfortable with the professional you select.

Here are some good questions to consider asking the attorneys you interview:

- Have you practiced estate planning law for at least five years?
- Is at least 75% of your practice devoted to estate planning?
- Do you have state bar certification in estate planning? (Not all state bars offer it.)
- Do you carry professional liability insurance?
- Do you offer a free initial consultation to discuss my needs?
- Do you bill on a fee-for-service basis or an hourly basis?

See next page for how Schwab can help >
How Schwab can help.

Complimentary services to help you get started.
In this guide, we’ve highlighted the essentials of estate planning, and we’d be happy to discuss these concepts in more detail and answer questions you may have. We can help you both before and after you work with an estate planning attorney if you engage one, and there’s no cost for our assistance.

Before you meet with an attorney.
Schwab Trust & Estate help line representatives can:
• Work with you to explore your options.
• Help you prepare to have a more efficient and productive meeting with an estate planning attorney. Completing the enclosed asset inventory before your meeting is a good first step.

After you and your attorney have developed your estate plan.
Schwab can help you put your plan into action. We can:
• Title your Schwab brokerage account(s) to fit your plan.
• Change or add beneficiary designations to your Schwab accounts and add powers of attorney to the appropriate accounts.
• Open a Schwab trust account for various types of personal trusts, as well as accounts for family limited partnerships, private foundations, and other estate planning vehicles.
• Help you retitle stock certificates so that these assets pass according to your plan.
• Assist you in consolidating your bank and brokerage assets to help make your estate easier to manage, now and in the future.

For help along the way, call the Schwab Trust and Estate help line at 1-800-742-6262, Monday–Friday, 8:30 a.m.–8:00 p.m. ET.
To learn more about estate planning, visit www.schwab.com/estateplanning.
Take your first step in estate planning.
Tell your loved ones where they can find your legal documents, and make an inventory of your accounts, assets, and insurance policies.

Make it easy. Make a list.
Think about what it would be like if a family member or friend suddenly had to locate all your bank records, insurance policies, loan documents, and other details of your finances and personal life. By making a list of these items—an asset inventory—and telling someone where to find the items, life will be much simpler for those who may need them.

Your asset inventory can also be helpful now. If you decide to have a will, a trust, or other estate planning documents prepared by an attorney, your asset inventory enables the attorney to quickly analyze your estate before making recommendations and drafting a plan.

What to do now.
Record your personal and financial information on the asset inventory form, or download a form at www.schwab.com/estateplanning.
Take your first step now.

Complete the asset inventory and let someone know where to find it.

Additional copies of the inventory form can be downloaded at www.schwab.com/estateplanning.
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† Certain terms, conditions, and restrictions apply. Details available upon request. If you take an accelerated payment, the death benefit of the policy will be reduced by that amount upon the death of the insured.

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This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, and/or attorney.

The information provided here is for general purposes only and should not be considered an individualized investment strategy, recommendation, or personalized investment advice. Each investor needs to review their strategy in light of their own particular situation before making an investment decision.

Please note: The personal data you enter into the life insurance needs calculator is only used to help you calculate the estimated amount of life insurance you may need. It is not transmitted or sent off this site. The information in the life insurance needs calculator has been compiled from a variety of sources. It is not specific investment advice, a guarantee of performance, or a recommendation from Charles Schwab & Co., Inc. The life insurance needs calculator is a tool that can help you estimate your life insurance needs. Please consult your financial and tax advisors to structure a plan best suited to your individual situation.