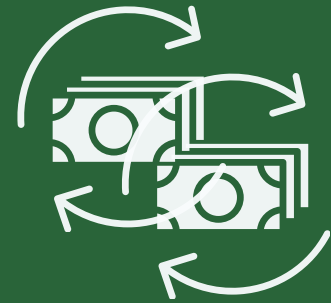


# Wealth Transfer Guide: Designing Your Family's Financial Future

## WEALTH TRANSFER



Understanding how Uncle Sam views your legacy is the first step to protecting it. Use this sheet to distinguish between the two types of taxes your heirs may face and how your IRA type changes their experience.

### Protecting Your Legacy

Your legacy is more than just a list of assets. It is the culmination of a lifetime of hard work, discipline, and personal values. Wealth transfer is the intentional process of transitioning these assets to the next generation—whether during your lifetime or as part of your estate—to ensure your impact continues long after you are gone.

Without a formal, written strategy, you essentially leave your legacy to chance. In the absence of your instructions, state law and court systems will dictate who receives your assets, often leading to results you never intended.

### What Is Wealth Transfer?

Wealth transfer is the process of passing assets to the next generation during life or at death in a way that:

#### The Five Pillars of a Successful Wealth Transfer

1. Honors Your Wishes: Removes ambiguity to ensure the right people receive the right assets at the right time.
2. Minimizes Taxes: Uses strategic distribution to keep more wealth in your family and less with the government.
3. Avoids Court Involvement: Bypasses the public, costly probate process to keep your family matters private and efficient.
4. Protects Beneficiaries: Adds safeguards against creditors or financial inexperience so your inheritance remains a blessing.
5. Preserves Family Harmony: Prevents disputes by providing clear instructions, giving your loved ones a peaceful path forward.

**Without a clear plan, state law determines who receives your assets.**

# The Two Core Estate Planning Tools

## Wills

A will is a legal document that:

- Names who receives your assets
- Appoints guardians for minor children
- Names an executor to manage your estate

### How a Will Works

You Pass Away



Will Filed in Probate Court



Court Supervision



Assets Distributed

### Pros

- ✓ Simple and foundational
- ✓ Essential if you have minor children

### Cons

- ✗ Public record
- ✗ Can be slow and costly
- ✗ Subject to probate

*Important:*

*A will does not avoid probate.*

## Trusts

A trust is a legal arrangement where a trustee holds and manages assets for beneficiaries. Many trusts avoid probate.

### How a Revocable Living Trust Works

You Create Trust



Transfer Assets Into Trust



You Control as Trustee During Life



Successor Trustee Distributes at Death  
(No Probate)

## Common Types of Trusts

### Revocable Living Trust

- You maintain control
- Can be changed anytime
- Avoids probate
- No immediate tax benefits

*Best for: Avoids probate and smooth asset transfer*

### Irrevocable Trust

- Cannot easily be changed
- Removes assets from taxable estate
- May offer asset protection

*Best for: Estate tax planning and protection*

### Special Needs Trust

- Protects eligibility for government benefits
- Provides financial support without disqualifying assistance

### Charitable Trust

- Supports charities
- May provide tax advantages
- May generate income for family members

# Beneficiaries: The Most Important Detail

## This is one of the most misunderstood rules:

- If an account has a named beneficiary, that designation overrides your will and trust.
- Even if your will says otherwise, the beneficiary trumps controls.

## Primary vs. Contingent Beneficiaries

- Primary = First in line
- Contingent = Backup if primary has passed
- Always name both.

## Per Stirpes vs. Per Capita

These determine how assets pass if a beneficiary dies before you.

- **Per Stirpes** (By Family Branch)  
Children inherit their deceased parent's share.
- **Per Capita** (By Headcount)  
Surviving beneficiaries split assets evenly.

# IMPORTANT!

## Assets That Pass by Beneficiary Designation

- IRAs
- 401(k)s
- Life insurance policies
- Annuities
- Transfer-on-Death (TOD) accounts
- Payable-on-Death (POD) accounts

## How It Works

Does Asset Have a Named Beneficiary?



YES → Goes Directly to Beneficiary (No Probate)



NO → Controlled by Will or Trust

# How Taxes Work When Wealth Is Transferred

**Traditional IRA vs. Roth IRA**  
Understanding tax treatment is critical — especially for retirement accounts.

## Traditional IRA

- Contributions were pre-tax
- Grows tax-deferred
- Beneficiaries pay income tax on withdrawals
- Most non-spouse beneficiaries must withdraw within 10 years

### How It Transfers

Traditional IRA



Beneficiary Inherits



Withdrawals Taxed as Ordinary  
Income

## Roth IRA

- Contributions made with after-tax dollars
- Grows tax-free
- Qualified withdrawals are tax-free
- Still subject to 10-year distribution rule (for most non-spouse beneficiaries)

### How It Transfers:

Roth IRA



Beneficiary Inherits



Withdrawals = Tax-Free

Tax Type	What It Is	2026 Context
Estate Tax	A tax on the total value of your assets at death.	Only applies to estates exceeding the federal exemption (roughly \$14.39 million per person).
Income Tax	A tax on withdrawals made by beneficiaries.	Paid by the person who inherits the account when they take the money out.

## Step-Up in Cost Basis

Applies to taxable investments and real estate (not retirement accounts).

### Example:

- You purchased stock for \$100,000
- It is worth \$300,000 at death
- Beneficiary's new cost basis = \$300,000

If sold immediately → little or no capital gains tax.

Retirement accounts do NOT receive a step-up in basis.

# Strategic Wealth Transfer Planning

## LIFETIME GIFTING

You can transfer assets during life using annual exclusion gifts.

### Benefits:

- Reduces taxable estate
- Allows you to see the impact of giving
- Moves future appreciation outside your estate

## ADVANCED TRUST STRATEGIES

- **Irrevocable Life Insurance Trust (ILIT)** - Keeps life insurance proceeds outside your taxable estate.
- **Grantor Retained Annuity Trust (GRAT)** - Transfers asset appreciation to heirs with minimal gift tax.

## Common Mistakes to Avoid



- Failing to update beneficiaries
- Not funding your trust
- Ignoring tax implications
- Leaving minor children assets outright
- Not coordinating asset titling
- Not reviewing plan after major life events

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# What a Coordinated Plan Looks Like

**Will** → Catches anything not in trust

**Trust** → Avoids probate

**Beneficiaries** → Control retirement & insurance

**Proper Titling** → Aligns assets with plan

**Tax Strategy** → Minimizes erosion

**All components must work together.**

## Final Takeaways

1. **Beneficiary designations** override your will.
2. **Trusts** can avoid probate and provide control.
3. **Traditional IRAs** create taxable income for heirs.
4. **Roth IRAs** can provide tax-free inheritance.
5. **Coordination** is more important than any single document.
6. **Review** your plan every 3–5 years or after major life events.

## Other Helpful Resources

- Social Security Administration (SSA) 800-772-1213
- Medicare 800-633-4227
- U.S. Department of Labor Employee Benefits Security Administration) 866-444-3272
- Thrift Savings Plan (TSP) 877-968-3778
- AARP (American Association of Retired Persons) 888-687-2277
- State Health Insurance Assistance Program (SHIP) 800-803-7174

Contact us today for a free consultation and start planning your financial success with confidence

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