



ESTATE PLANNING SERVICES

RYAN BECK & CO.
Excellence in Financial Services

At Ryan Beck, we understand that the demands of today often get in the way of planning for tomorrow. We also know that many people find it uncomfortable to plan for the transfer of their assets for the benefit of their heirs and beneficiaries.

Estate planning. Who is it for?
When should it begin?



Estate planning can begin the moment you start accumulating assets, investing in your company's retirement program, putting money away for a child's education—any life event that involves investing in the present with the future in mind.

Designing and implementing your estate plan will help to create a comfortable future for you—and a more secure future for your loved ones.

Now is the time to prepare.
Now is the time to get down to work with Ryan Beck.

THE IMPORTANCE OF ESTATE PLANNING

A common misconception about estate planning is that, for most, it connotes simply developing a written will and the eventual distribution of one's wealth. Unfortunately, this is an oversimplification that can prove costly to an individual's estate after their death. Estate planning encompasses more than many people imagine. It can also include:

- Maintaining proper insurance coverage
- Funding a child's education
- Diversifying investment assets
- Establishing gift-giving guidelines
- Legacy planning
- Protecting retirement accounts
- Reducing the impact of tax implications

And there are more considerations. Who will manage your estate? Who will care for your children? How do you provide for your own healthcare should you be incapable of voicing your opinion?

Proper estate planning can help to ensure that these questions are answered and that your assets are preserved and properly managed.



THE WILL

AN OUTLINE FOR THE FUTURE

Proper estate planning focuses on two closely related subjects: preserving and protecting your assets and ensuring that those assets are available to you and your family when you most need them. The first step you should consider is drafting a will.

At least 70% of Americans do not have a will, even though the facts (and laws) point to the importance of having one. A will is a legal document that outlines how you wish your estate to be administered and distributed. If an individual dies without a will, the state, and not the individual or their family, will decide what happens to his or her assets, property and, if applicable, children. Should there be no relatives to whom to distribute the estate, it becomes the property of the state.

Without a will, a court will appoint an administrator who will follow legal guidelines and formulas to determine the distribution of your estate, regardless of what your wishes might have been. The administrator will also appoint a guardian, if necessary, for your children.

A will allows you to dictate not only how and to whom your estate should be distributed, but allows you, and not the state, to establish an executor or personal representative. This person will ensure the proper execution of your will. The role of executor carries many responsibilities, including estate management, record-keeping, tax filing and much more. It is important that you take the time to carefully consider the person whom you will appoint as your executor and that you discuss their role and responsibilities.

If you have children, a will gives you the opportunity to ensure that, if necessary, the guardian of your choice will be appointed. You can also use a will to establish trusts for minor children. Your will can also name a trustee, whose role is to prudently manage your assets until your children are of age to inherit them.



THE LIVING TRUST ALTERNATIVE

A living trust is simply a trust set up outside the boundaries of your will. It allows you to transfer your assets to a trust and name a trustee as its manager. However, this type of trust does not replace a will. The primary benefit of the living trust is that, unlike a will, it avoids the necessity for probate, the court-supervised process of administering your will and distributing your assets. Probate can be time-consuming and costly. In addition, when an estate is in probate, it becomes a part of the public record. A living trust avoids public scrutiny of your estate, its composition and distribution.

A will is still necessary, as it is impossible to ensure that all of your property and assets are incorporated in a drafted document at the time of your death. Without a will in place, your family faces your state's intestacy laws (laws created for those without a will) and your assets may not be distributed as you intended.

A living trust protects you in the event that you are physically unable to make your own investment decisions. By establishing a "standby" or "self-trusteed" trust, you are the manager until the occurrence of a predetermined event identified in the document, i.e. you become incapacitated or are unable to manage your daily affairs or assets. The trust is then handed over to the designated trustee, who will oversee the assets until you recover and can resume your duties as trustee.



PROTECTING YOUR FAMILY—
AND YOU



Having the appropriate insurance coverage can help preserve your family’s assets. Unlike assets in a will, which must undergo the probate process, proceeds from life insurance become available at the time of an individual’s death and serve as a source of cash for the family which can help to defray debt, tax and funeral costs. Proceeds from life insurance can help support your family and assist in financing your children’s education. If you own a business, insurance can help ensure a steady cash flow and maintain its operations if anything happens to you or your partners.

The Living Will

Estate planning isn’t only about providing for your family; it’s also about providing for yourself. And nowhere is this more evident than in ensuring that, in the event you are incapable of making your own healthcare decisions, you have given directions as to your wishes.

A healthcare directive, also called a living will, is a legal instrument that sets forth your wishes for healthcare and medical treatment. It is usually comprised of two sections or documents—the first is the declaration that clearly defines your medical instructions and the second is the durable power of attorney that establishes, in effect, a “trustee” who makes sure that your instructions are carried out.

A healthcare directive can help give you peace of mind, knowing you will be treated in the manner you wish and removing the burden of such decisions from your family.



ESTATE TAXES

A REALITY OF LIFE

Estate taxes are a complicated and integral part of the Economic Growth and Tax Relief Act (EGTRA) and, without proper planning, can deplete the overall value of your assets. This legislation, passed in 2001, will repeal the federal estate tax by the year 2010. However, Congress left the door open to reviving the tax in some form before 2010 and left no guarantees that it would extend the repeal after that date.

The chart below outlines the amount that can pass to your heirs free of estate tax.* Thus, if in 2006, your estate is worth less than or equal to \$2 million, no federal estate tax will be due. In the case of gifts, the lifetime gift tax exemption allows you to make a total of \$1 million of taxable gifts over your lifetime before owing any federal gift tax.

Other tax implications from the 2001 EGTRA legislation include the generation-skipping transfer (GST) tax and the “step-up” rule for inherited property. Your estate is subject to GST if you wish to leave assets to your grandchildren.

The “step-up” rule states that when someone inherits property, the taxes are calculated based upon the market value of the property on the date of death. If the property is sold at some point after it is inherited, the tax basis is “stepped-up” to the date of death. In other words, capital gains tax will only be based on the appreciation generated from the date of death.

After 2010, up to \$1.3 million of inherited property may be taken on a “stepped-up” basis. Anything in excess of that figure will be subject to additional taxation.*

Year	Estate tax exemption	Gift tax exemption	Highest estate and gift tax rate
2004	\$1.5 million	\$1 million	48%
2005	\$1.5 million	\$1 million	47%
2006	\$2 million	\$1 million	46%
2007	\$2 million	\$1 million	45%
2008	\$2 million	\$1 million	45%
2009	\$3.5 million	\$1 million	45%
2010	Estate tax repealed	\$1 million	Top individual income tax rate (gift tax only)

* As of 2004, subject to changes in legislation.

GIFTING

FAMILY, CHARITIES AND TAX REDUCTION



There are many ways that your assets can support or work for the people and charities or organizations you choose, both during and after your lifetime. Establishing a plan of gifting not only benefits others by providing them with financial support, it can also help save and/or reduce estate and gift taxes, ultimately preserving more of your assets.

The opportunities for gifting are diverse, each with its own set of rules and tax benefits. They include:

- annual gifts to individuals of your choice without federal transfer tax
- gifts to your children that are managed by a custodian (Uniform Transfers to Minors Act or UTMA) or a trustee (living trust) until they are of legal age
- 529 plans that will help fund your children's education
- setting up a trust for a charity of your choice

Which gifting option you choose greatly depends on your personal and financial profile, both of which should be discussed with a trained professional to help you better understand your goals and choices.

ESTATE PLANNING

GETTING DOWN TO WORK

People often don't realize that their estate is a complex entity that changes almost daily. Acquisition of new property, growth of assets, the addition of a child or a change in marital status are all events that directly impact the composition of your estate.

But you aren't alone. Often, there are several trusted advisors who are directly involved in helping you manage your needs—an accountant who handles your taxes, a lawyer for your will and your financial consultant for your investments.

While you may regularly communicate with these people, do they communicate with each other? Do they all work together to develop and execute a comprehensive strategy for your future?

Ryan Beck's Estate Planning Consultant works directly with you, your Ryan Beck Financial Consultant and with all of the professionals involved in your finances to make the most of their knowledge and insight in managing your estate.

Tomorrow comes faster than anyone expects. The sooner you begin, the sooner you will have a plan in place to benefit you and your family for years to come. Now is the time to work with an estate planning professional to analyze your assets and determine the best way to set a plan in motion for the future. Call your Ryan Beck Financial Consultant today to make an appointment for a complete estate plan analysis.



Neither Ryan Beck nor its Financial Consultants provide tax or legal advice. Please consult your tax advisor prior to making any decisions.

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