

charles
SCHWAB

Why you need
an estate plan.
Now.

Make things easier for
the people you love.

Own your tomorrow.



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.



Doesn't everything go to my spouse?

See Asset Titling & Beneficiaries
page 6



If I'm out of it, who will call the shots?

See Powers of Attorney
page 8

Do I have the right beneficiaries on my accounts?

See Asset Titling & Beneficiaries
page 6



Who will take care of the kids?

See Wills
page 10





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Who gets what when I'm gone?

See Wills
page 10



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How can I preserve more money for my heirs?

See Tax Planning
page 14



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Would a trust make sense for me and who should be my trustee?

See Trusts
page 12



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Who knows where to find my records?

See Asset Inventory
page 20

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 manage and plan for 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 a will, 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
- Will
- Power of attorney
- Advanced directives

Essentials for most



- Life insurance

Essentials for some



- Trusts
- Estate 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 typically 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 typically 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

Two easy ways to say who gets what.

Give your heirs faster access to your assets and manage or minimize the probate process by titling assets properly and naming beneficiaries.

Asset titling and beneficiary designations typically override wills and trusts.

Asset titling.

Titling assets jointly with rights of survivorship will pass the assets outside of probate to the joint owner, but unless the joint owner is a spouse, joint titling may be exposing the assets to risk. The surviving owner is not legally obligated to dispose of those assets according to instructions left in a will or trust, and may face gift tax consequences if the instructions are carried out. Please review all titling with your attorney to make sure it's consistent with your overall estate plan.

Title with care.

Titles have specific legal meanings and typically 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 because these assets pass according to the distribution provisions in your will. If you have a revocable living trust,

your attorney may ask you to re-title non-retirement accounts into the name of the revocable living trust or name your trust as a beneficiary. If you name beneficiaries on non-retirement accounts, please review with your attorney to make sure they are consistent with your will and estate plan.

What to do now.

Check and update titling and beneficiary designations for all your accounts.



Powers of Attorney

Name someone to act for you.

If something happens, you may need somebody to take over.

There are several types of powers of attorney (POAs) that can authorize someone to act on your behalf. A POA can be written to take effect now or to activate only if you are no longer able to make your own decisions. A *durable* POA takes effect once it is signed. All POAs expire 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.



Life insurance

Protect the future for your loved ones.

Use life insurance to help provide financial security for those who depend on you.

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.** 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.¹ 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 receive guidance on insurance from highly rated carriers in the event of the unexpected. Insurance available through Schwab includes:

- Term life insurance
- Permanent life insurance
- Long-term care
- Hybrid long-term care
- Universal life
- Disability

Learn more, go to www.schwab.com/insurance.



Wills

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.

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/estate-planning.

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?

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.



Trusts

Gain more control, reduce estate taxes, and manage probate.

A trust gives you control of your assets throughout your lifetime and beyond.

Why you may need a trust.

Depending on your situation, you may want to consider setting up a trust to:

- Manage your assets if you become incapacitated.
- Manage assets for a minor child.
- Reduce your estate tax bill.
- Distribute assets without the cost, time delay, and publicity of probate.
- Indicate how you want assets distributed, and who you want to carry out your wishes.

What a trust can hold.

You can set up a trust to hold all types of assets, including bank accounts, real estate, securities, mutual fund shares, ETFs, limited partnerships, life insurance, and personal property.

How a living trust works.

While there are many types of trusts, the most common is a revocable living trust. It allows you to transfer ownership of assets from your name to the trust—while naming yourself the trustee.

After you establish the trust, you have the same access and control over your assets as before. You can buy, sell, trade, and move assets in and out of the trust. And you have the security of knowing your wishes will be carried out if something happens to you.

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

Choosing a trustee.

Choosing a successor trustee to manage your trust when you no longer can is a crucial part of estate planning. The ideal candidate should be able to execute all of the trust's provisions, manage its assets and investments, and handle a variety of administrative duties, including recordkeeping, reporting and taxes—all while maintaining an impartial relationship with your beneficiaries.

There are three common approaches to selecting a successor trustee: You can designate an individual trustee—such as a family member or close friend, or hire a professional—corporate trustee, or consider a combination of the two, naming co-trustees consisting of an individual and a corporate trustee.

See page 19 for information on how Charles Schwab Trust Company can serve as your successor/corporate trustee.

Which type of trustee is best for you?

| Benefits | Individual Trustee | Corporate Trustee |
|---------------|---|--|
| Cost | May be less expensive if family members or friends serve as trustee at a lower cost, based on their skill set | Varies based on providers' fee schedule |
| Expertise | May understand the unique family dynamics and specific needs of the beneficiary Can hire CPAs, attorneys, brokers or bankers to assist with fiduciary responsibilities | Manages all types of trusts and is skilled at: <ul style="list-style-type: none"> ▪ Preparing and filing state and federal tax returns ▪ Handling complex recordkeeping responsibilities ▪ Prudently investing assets for beneficiaries ▪ Staying current on trust administration laws |
| Impartiality | Provides a personal touch and safeguards the interests of current and future beneficiaries | Makes objective decisions without emotional involvement or bias and can balance the competing interests of your beneficiaries |
| Best interest | Is familiar with the beneficiaries, understands the family history, and may be privy to sensitive family dynamics | Has the legal duty to act in the best interest of the trust, which includes making sound decisions and maintaining confidentiality about asset distribution |
| Continuity | Maintains family involvement | Provides professional stewardship for generations to come |

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. Other common complex trusts include a Qualified Domestic Trust (if spouse is not a U.S. citizen), and special needs trusts for family members who may require state/federal benefits.

Trusts vs. Wills.

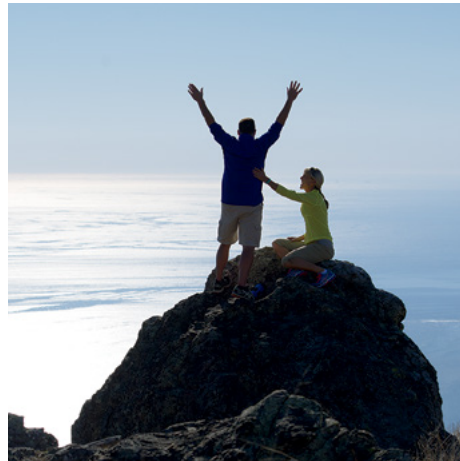
Like wills, trusts specify how assets should be distributed, but with important advantages. Unlike wills, trusts are not subject to probate—so assets can go immediately to heirs without the need for court approval. And trusts are private documents, making them more difficult to challenge. You should 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.

If you would like to take advantage of a corporate trustee's experience yet still have an individual involved, consider a co-trustee structure. A working relationship between an individual and corporate trustee could provide an opportunity for the professional trustee to become more familiar with the objectives of your trust, and the needs and personalities of your beneficiaries—while still providing the expertise of a professional.

Tax planning

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 significantly diminish your estate. 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. In 2023, the gift and estate tax exclusion amount is \$12,920,000 (adjusted for inflation).

1 Take advantage of gift-tax exemptions.

In 2023, you can give up to \$17,000 (\$34,000 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. In addition, if you split your gift, you will likely need to file a gift-tax return.

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 \$17,000/\$34,000 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 $\$17,000 \times 5 = \$85,000$, or $\$170,000$ (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.

Note: Any additional gifts over the five-year period will decrease your available gift-tax exemption and require a gift-tax return.



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 with appreciated assets held long-term gives you a current-year income tax deduction and potentially eliminates the capital gains tax liability while removing assets from your taxable estate.

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.

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.

How to get estate planning done.

| | What you can do (We're here to help) | What an attorney can do |
|--------------------------------------|--|--|
| 1 Take inventory. | List your assets, your debts, and other relevant details on the enclosed asset inventory. | Your asset inventory can help an estate-planning attorney assess your situation. |
| 2 Create a plan. | <ul style="list-style-type: none"> ▪ Establish your needs and goals and prepare to meet with an estate-planning attorney. ▪ Think about where you want your assets to go and who will play the following important roles: <ul style="list-style-type: none"> –Guardians –Beneficiaries –Power of attorney –Executor –Trustees/successor trustees | <ul style="list-style-type: none"> ▪ Develop a plan to control, manage, and protect your assets. ▪ Explain your options around trusts. |
| 3 Put your plan into action. | <ul style="list-style-type: none"> ▪ Title assets into the proper form of ownership, particularly assets that you and your attorney have identified for your trust. ▪ Make appropriate beneficiary designations. ▪ Provide for asset management if needed. | <ul style="list-style-type: none"> ▪ Draft your will to reinforce asset titling and beneficiary designations and to name a guardian if you have minor children. ▪ Draft medical and financial POAs, working with your financial institution to ensure that their specific requirements are met. ▪ Draft your trust document(s). |
| 4 Update your plan regularly. | Review and update your documents and accounts as life events or changes in laws dictate. | Make sure to consult with your attorney when your situation changes. |
| How much does it cost? | Little or nothing. | About \$800–\$1,800 minimum. Could be \$2,000–\$5,000 or more, depending on complexity and ongoing services. |

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?
- Are you in good standing with your state bar?
- 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 more information on how Schwab can help with trustee services, please see the next page.

For help along the way, call the Schwab Trust and Estate help line at 1-800-742-6262.

To learn more about estate planning, visit www.schwab.com/estate-planning.



Schwab
Personal Trust
Services

A trusted partner for your family's future.

As experts in personal trust, we can help you meet your long-term estate-planning goals.

Offered through Charles Schwab Trust Company (CSTC), Schwab Personal Trust Services is backed by our proven reputation for fiscal responsibility, industry innovation, and client service. Depending on your needs, Charles Schwab Trust Company can serve in three separate trustee capacities:

| | |
|--------------------------|---|
| Sole trustee | Charles Schwab Trust Company assumes all the investment, administrative, and fiduciary responsibilities of managing your trust according to the terms defined in your trust document. |
| Co-trustee* | Charles Schwab Trust Company acts as a co-trustee with the individual(s) you designate. As a co-trustee, Charles Schwab Trust Company assumes full investment management and administrative responsibilities for the trust but may share discretionary disbursement decision-making with the co-trustee(s) according to the trust provisions. |
| Successor trustee | Charles Schwab Trust Company steps in once you or the individual you name as sole trustee or co-trustee is no longer willing or able to serve. |

*A co-trustee may advise as to distributions but may not have any authority pertaining to investments.

Asset inventory

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 document 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/estate-planning.



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/estate-planning.

Brokerage and insurance products: Are not deposits ▪ Are not FDIC-insured ▪ Are not insured by any federal government agency ▪ Are not guaranteed by the bank or any affiliate of the bank ▪ May lose value

Charles Schwab & Co., Inc., a licensed insurance agency, offers insurance products that are issued by insurance companies not affiliated with Schwab.

†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.

Charles Schwab & Co., Inc. ("Schwab"), in association with the Small Business Insurance Agency, Inc. SBIA, provides clients with access to term life insurance issued by respected insurance companies. Schwab and SBIA are not affiliated. Both are licensed insurance agencies.

Schwab Personal Trust Services are provided by Charles Schwab Trust Company (CSTC). CSTC and Charles Schwab & Co., Inc. are separate but affiliated companies and wholly-owned subsidiaries of The Charles Schwab Corporation. Charles Schwab & Co., Inc. and Charles Schwab Bank provide custody, securities brokerage, and related back-office services to the trusts for which CSTC serves as trustee. All trusts are subject to review prior to acceptance.

The term life products available are underwritten and issued by the participating life insurance companies listed on Schwab's website at www.schwab.com/insurance. Not all policies and product features are available in all states. This is not an offer or solicitation in any jurisdiction where the policies are not approved for sale. Any obligations under the policies are the exclusive obligations of the insurance company and are subject to the financial condition of the insurance company.

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.

