PINNACLE
LEGACY LAW

The Arkansas Living Trust Book

Avoid Probate. Protect Your Family.

INCLUDES THESE TOPICS AND MORE:

- Probate and Three Really Good Reasons to Avoid It
- How a Living Trust Really Works
- What a Living Trust Does NOT Do
- What to Do With IRA Accounts (and Other Tax Qualified Retirement Plans)
- Can a Living Trust Impact the Estate Tax My Heirs May Have to Pay?
- How Can a Living Trust Protect Your Spouse (And Your Assets) from the Next Spouse if You Die First?
- How Can a Living Trust Protect Your Heirs from Divorce & Lawsuits and Their Own Immaturity?

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www.pinnaclelegacylaw.com

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I. INTRODUCTION

In the last 30 years, **living trusts** have replaced wills as the preferred foundation estate planning document. This has happened as more and more people have discovered the significant benefits of living trust planning. Just as in a will, a living trust allows you to designate who will receive your assets when you die. And it also can designate the person or persons who will be responsible for taking charge of your assets, paying your debts and making certain the distributions to beneficiaries are properly made when you die.

But unlike a last will & testament, a living trust can provide personal protection for you in the event you become incapacitated without the need for a guardianship proceeding. And then, when you do pass, the property you have which is titled in the trust will not be subject to **probate**, a court-supervised legal process that is both expensive and time consuming. It is also flexible, so you can include provisions in your living trust that can leave assets in further trust to beneficiaries and protect them from divorce, lawsuits, bankruptcy and their own immaturity. Because a living trust is never filed in the public records, a living trust keeps the details of your estate private.

Creating a living trust is no more complicated than making a will.

Key Benefits of a Living Trust

- **Immediately transfers property to loved ones.**
- **Avoids court-supervised probate and significant legal fees.**
- **Is totally private (in contrast, probate is a matter of public record).**
- **A useful tool in avoiding the Estate Tax.**
- **Can be changed or revoked at any time.**
- **Transfers responsibility for management of your property if you become physically or mentally incapacitated.**
- **Can include provisions to protect assets if your spouse remarries.**
- **Can include provisions that will protect your heirs' inheritance from divorce, law suits, bankruptcy and youthful immaturity.**

II. SUMMARY COMPARISON CHART

Will Based Planning	Pinnacle Legacy Law **Living Trust**
Assets can be tied up in court for one year or, many times, much longer.	Quickly transfers property to your beneficiaries upon your death.
Can consume a large percentage of your estate's value in fees and court costs.	Avoids Probate Court, saving your family legal fees and court costs.
Is totally public.	Is totally private.
Does appoint a testamentary guardian for minor children and specifies last wishes.	Every living trust plan includes a pour-over will that nominates legal guardians for minor children.
Does nothing to protect you if you become physically or mentally incapacitated.	Protects you if you become physically or mentally incapacitated by naming successor trustee to take over management.
Can be amended or revoked at any time.	Can be amended or revoked at any time.

III. HOW PROPERTY PASSES WHEN YOU DIE

There are only four ways property is owned:

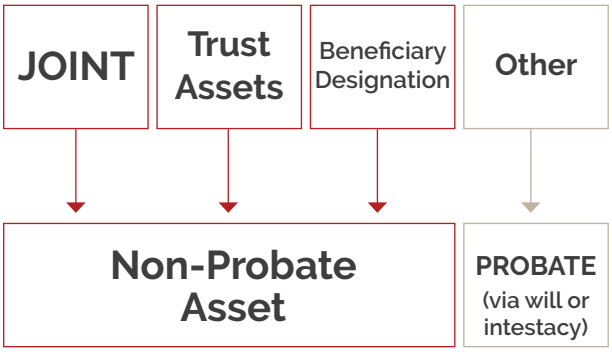
- **Joint Property**
  Here, we are referring to property that is owned in a form known as *"Joint with Right of Survivorship."* In this form of ownership, if one joint tenant dies, the property becomes the property of the other joint tenant immediately upon death. There are some hidden dangers in this form of ownership which we discuss in a video on our website which you can find here:

  www.PinnacleLegacyLaw.com/living-trusts/

- **Trust Owned Property**
  This property passes according to the instructions in the trust.

- **Beneficiary Designation Property**
  This includes property such as bank accounts, IRA accounts (and other kinds of retirement accounts), life insurance policies and annuities. Also, Arkansas law now provides for the use of *"Beneficiary Deeds"* for real property. It is a simple technique that can be useful in some situations. A living trust is preferable, in our opinion, because it allows you to leave the property to heirs in a way that protects it from divorce and lawsuits and accounts for beneficiaries who may predecease you.

- **Other Property**
  This category includes any property that is owned entirely by you. It includes real estate titled solely in your name, stocks, bonds, brokerage accounts, savings bonds and mineral interests.



A Dangerous Misperception....
Many people assume that when they execute their will, the will provides for the disposition of all their property. This is not true, and can create results that are very different than the person wanted. For example, if you want your IRA account to pass to a certain person, you need to name that person in a beneficiary designation with your bank or broker. Your will does not control who gets your IRA account when you die.

IV. WHY DO WE HAVE PROBATE COURT?

Probate is the court supervised legal process through which your property is distributed to your beneficiaries. Probate provides a necessary function to benefit the families of individuals who did not plan properly.

During the probate process, the court system must determine the validity of your will, appraise and inventory all of the assets in your estate (money, securities, real estate or other items of value), make sure your outstanding debts are paid, and then distribute whatever is left according to the instructions in your last will & testament. If you did not have a last will & testament, your assets will be distributed according to the Arkansas Intestacy Statute.

Most people think of probate as something that happens when you don't make a will, but that is a common myth. Having a will does not mean that you avoid probate. In fact, if you have a will based estate plan, and you own property titled solely in your name (that doesn't pass by beneficiary designation), then your will must be probated in order for your heirs to receive good title to your property after you die.

My Friend's Definition of Probate:

> *"A lawsuit you file against yourself, with your money for the benefit of your creditors and your disgruntled heirs."*
>
> - Peter Parenti

Probate does serve a useful function even for people who do proper planning. The probate process does effectively cut off any claim of a potential creditor of the estate within 6 months of the time the probate notice is published in the newspaper. When we work with an estate of someone who has potential claims that could be made against their estate (an architect or doctor, for example) we will frequently find a very small asset to probate for the sole purpose of eliminating the risk that the claim could be brought against the estate years later.

V. THREE REASONS TO AVOID PROBATE COURT

- **Probate is Expensive**
  This chart shows the fees that attorneys and personal representatives are permitted to charge without proving the amount of work they have done. If more than a normal amount of work is done, the court will authorize higher fees.

+ The Cost of Probate (Ark Code Ann § 28-48-108)

Gross Estate	Personal Rep. Fees	Attorney Fees	Total Fees
$100,000	$3,150	$3,300	$6,450
$250,000	$7,650	$7,425	$15,075
$500,000	$15,150	$14,050	$29,200
$750,000	$22,650	$20,300	$42,950
$1,000,000	$30,150	$26,550	$56,700
$1,350,000	$40,650	$33,550	$74,200
$2,000,000	$60,150	$46,550	$106,700
$3,000,000	$90,150	$66,550	$156,700
$5,000,000	$150,150	$106,550	$256,700

Note: Probate fees are based on size of gross estate without deducting the amount of any mortgage or other debt.

- **Probate is Time Consuming**
  In many cases, probate can take a year or longer, so the settlement (and emotional closure that comes with a final settlement) is delayed.

- **Probate is Public**
  Anyone who wants to look at (or even copy) your file can. So your assets, your debts and the beneficiaries who will receive your assets are disclosed to the world.

VI. PUBLIC VS. PRIVATE

A quick Google or Bing search for "wills of famous people" will generate dozens of hits. There you can read the details of the wills of these deceased persons, some of which are rather quirky. You can also find out what they owned and how much money they owed when they died. Does it matter if your private matters are made public? It should. Many unscrupulous sales people scour through the probate records looking for widows and children as sales prospects. We think there are good reasons to keep your private matters private.

You can see below the difference between the way The Sopranos star James Gandolfini's estate was handled and the way Apple founder and CEO Steve Jobs' estate was handled. We know a lot about Mr. Gandolfini's estate because his probate file in New Jersey is a matter of public record. We know nothing about Mr. Jobs' estate because it was kept private with his living trust estate plan.

Public

James Gandolfini

Although only pieces of Gandolfini's estate are public, including his will and the $7 million life insurance policy left to his son, it appears he was a generous and considerate man. He bequeathed two nieces half a million dollars apiece, his godson $100,000, $200,000 went to a close friend and an equal amount was left to his assistant.

- Gail Buckner - Your Money Matters
Published July 15, 2013 - FOXBusiness

Private

Steve Jobs

Steve Jobs appears to have protected his estate with living trusts.

- Forbes

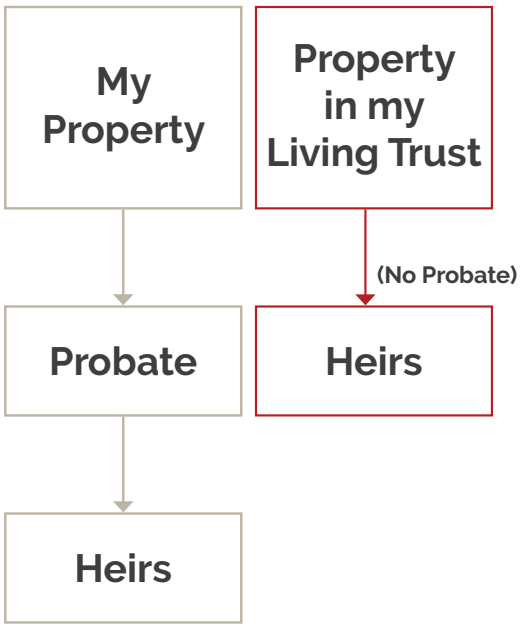
If you plan with a Living Trust, you can leave property to the people you care about without subjecting them to delays, expense, and hassle of probate court.

VI. HOW DOES A LIVING TRUST WORK

+ What is a Living Trust?

When you create a Living Trust, you are creating a separate legal entity to hold the property you choose to transfer to your trust. Our clients tell us they like the fact that they now have their assets (bank accounts, stock certificates, real estates, etc.) consolidated into one convenient "container." It does make tracking assets and personal record keeping much easier.

One of the common questions we hear is this: *"If I transfer my property to a living trust, can I get access to it if I need it?"* Our answer always is *"Of course."* It's your property. As the creator or "trustmaker" or "grantor" of the trust, you retain total control over your trust assets by appointing yourself as the initial trustee of the trust. You can do anything you choose with the property in the trust – this includes transferring the property out of the trust.



The main benefit of creating a living trust is that the property you transfer to the trust is not subject to the probate court system. By avoiding probate court, your assets can pass immediately to your beneficiaries as soon as your successor trustee prepares the necessary transfer documents.

Compared to passing property with a last will & testament, transferring property through a living trust is fast, easy, inexpensive and private.

+ The Trust Agreement

A Living Trust is created with a document known as a Trust Agreement. This is the legal document that names your beneficiaries, describes your trust property, and provides for the terms of its transfer. The living trust is managed by one or more trustees. In most cases, you will want to designate yourself as the initial trustee. You will also need to designate an individual or institution (such as a bank trust department) to succeed you as a "successor trustee." You can always change the named individual or institution whenever you'd like. The trustee is responsible for managing the property transferred into the trust.

+ What Happens When You Become Incapacitated or Die?

Upon your incapacitation or death, the person you assigned to succeed you as trustee (the successor trustee) immediately takes over management of the trust and sees that all of your instructions are carried out. This avoids the need for a court-supervised guardianship proceeding — or what we call "living probate." Your successor trustee does not have the authority to change the trust. Your trust becomes irrevocable at the time of your incapacitation or death. In other words, you can amend your trust while you're alive and competent but it cannot be amended by anyone else.

+ Your Living Trust is Flexible

The flexibility of a living trust is one of its many advantages. You can change your mind, make amendments, or terminate the trust anytime you wish. You can add property to your trust, transfer ownership of trust assets back to yourself, add or remove beneficiaries, name a new successor trustee, and sell, give, or mortgage property owned by the trust.

When the time comes, the transfer of your property will take place between the members of your family and the successor trustee that you name. In most cases, the settlement of your trust when you die is simple and can be accomplished with minimal legal fees. The transfer of assets to beneficiaries is kept confidential because a living trust does not become a matter of public record. This is important, because it is a common sales practice for many sales people to systematically review probate records (including the asset inventory that is required to be filed) to identify sales opportunities to your family members.

+ You Don't Lose Your Homestead Exemption or Tax Benefits of Home Ownership

Arkansas has a fairly generous homestead exemption that prevents judgment creditors from taking your home if you have a judgment entered against you. The Arkansas Supreme Court, in June of 2010, in the case of *Fitton* v. *Bank of Little Rock* made clear that you will not lose your homestead protection if you transfer your home to a living trust. There are also tax benefits to home ownership such as the deductibility of mortgage interest and preferential capital gains treatment when you sell your home. You retain all those benefits when you transfer your residence to a revocable living trust.

+ Living Trusts and The Estate Tax

The United States imposes a tax on the right to transfer property at death (and also by gift during lifetime). In past years, the tax has impacted a significant percentage of Arkansas families. That is less true now because the tax law change that occurred in the early morning hours of January 1, 2013, made the exemption that could be applied against the tax permanent at $5,000,000. In December of 2017, the exemption was temporarily doubled. With the inflation adjustment provision, the exemption in 2023 is $12,920,000 per person. However, under current law, the exemption will be cut in half in January of 2026.

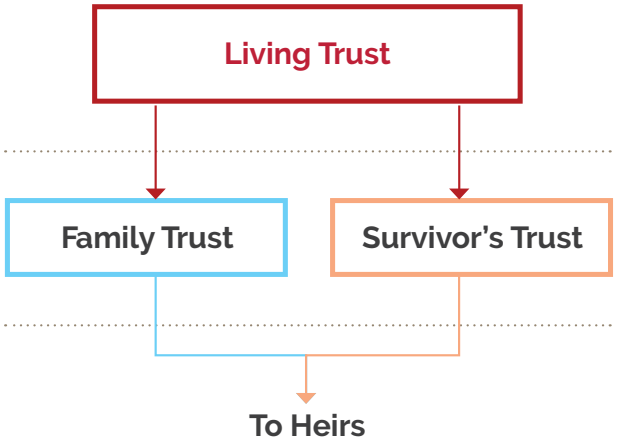
Some people have the belief that if they transfer their property into a living trust that it will protect their property from the estate tax. This belief is clearly incorrect. A living trust, by itself, does not protect your property from the estate tax because when you transfer your property to a living trust, you retain the power to withdraw it from the trust. If you retain this power, the property will be subject to estate taxation if your estate is large enough to be subject to the estate tax. There are other kinds of trusts that do provide estate tax protection, but a living trust is not one of those kinds of trusts.

However, there are certain kinds of provisions that can be incorporated into a trust for a married couple that can have a beneficial estate tax impact. But this requires a bit of explanation.

The same legislation that created the permanent $5 million exemption also made the exemption "portable." Let me explain: up until this legislation was signed into law, if one spouse died and left all of their estate to the other spouse, the Estate Tax exemption belonging to the deceased spouse was lost because it was not transferable.

A very common practice in the decades before this law change was the creation of what we estate planners called **A/B trusts**. The A/B trust structure was created in the living trust of a married couple. This trust provided that when one spouse died, the assets of that spouse would be transferred to a "By-Pass Trust" or "B" trust. We commonly referred to this trust as a "Family Trust." In this way, the deceased spouse's exemption was applied against his or her assets and actually used. The "B" trust was designed to meet particular requirements of the tax law that would prevent the assets in the "B" trust from being counted as belonging to the surviving spouse at the second death.

That arrangement looked something like this:



By using this technique, a married couple could eliminate the estate tax on almost 26 million dollars.

The new tax law mentioned, however, made the exemption transferable to a surviving spouse if the surviving spouse followed a simple procedure after the death of the first spouse. This provision in the law is called the **"portability"** provision. The "portability" provision of the law arguably eliminates the need for the use of the A/B structure as demonstrated in the illustration above. However, we don't fully trust the strategy of relying on the "portability" feature of the new law. In our opinion, there are too many ways the benefits of portability can be inadvertently destroyed. So we continue to recommend the use of the traditional A/B trust structure for our married clients who have estates that approach the value of the single exemption.

Most of our clients estates are well below the taxable levels, but many of them still have an A/B trust structure built into their living trust (or will) estate plan. We are encouraging those clients to revisit their plan and consider simplifying it to remove the A/B structure. Removing this unnecessary complexity can reduce the cost and hassle of administering the estate after death, and simplification also has some positive tax benefits as well (see the discussion later on "Basis Step-Up").

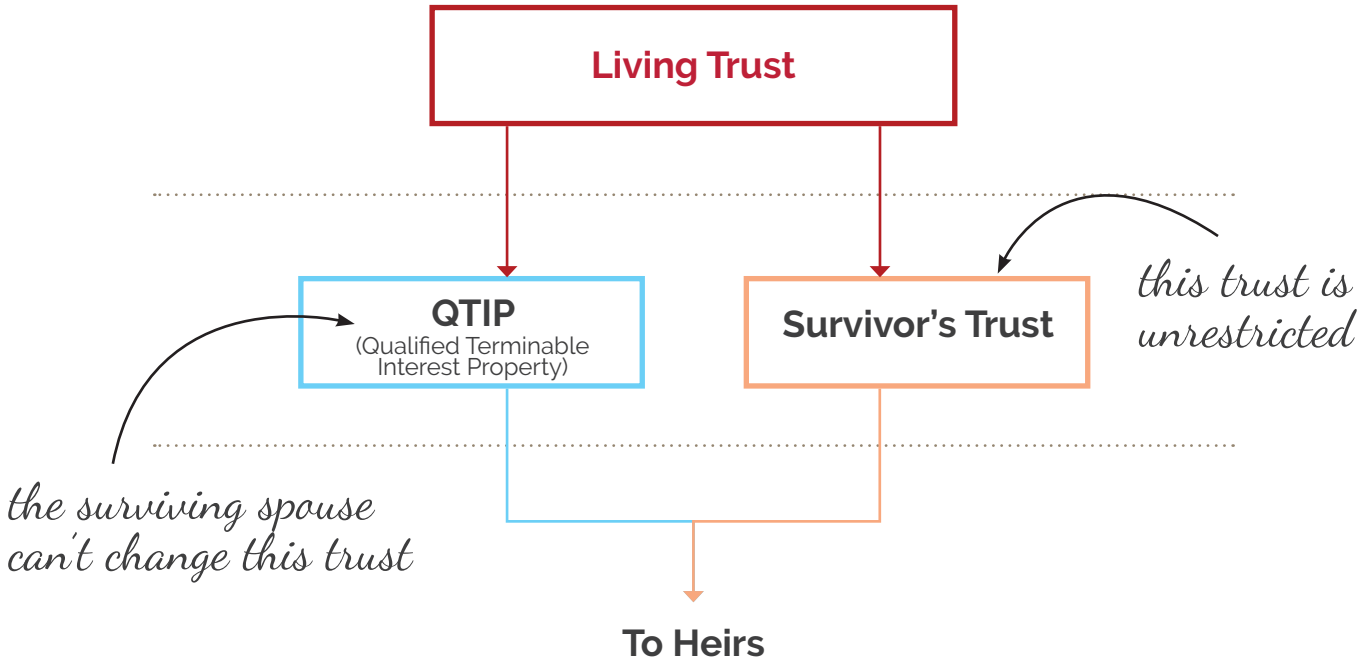
What should you take away from this discussion?

- **A living trust does not, by itself, reduce the estate tax, but that doesn't matter to most people because their estate is less than the estate tax exemption.**
- **Married couples with smaller estates that have an A/B trust in their estate plan should consider revising their plan to simplify it.**
- **Married couples larger estates that are taxable (or would be taxable when the law changes in 2026) should have an A/B trust in their estate plan in order to make certain their estate tax exemption is fully preserved.**

+ Protecting Your Assets from Your Spouse's Next Spouse

One very common objective we hear from clients is the desire to protect their assets if their surviving spouse marries again after they die. This is a legitimate planning objective. Most of us know about situations where an elderly family member remarried and then left all of his or her assets to the new spouse — and left nothing to the children of the first marriage. A fairly simple structure can be added to a living trust that will accomplish that objective. The structure would provide that the portion of the living trust belonging to the first spouse to die (usually one-half) will pass to a separate trust. That trust will be designed to qualify for the estate tax marital deduction, and the assets will be included in the surviving spouse's estate for estate tax purposes when the survivor dies. The key point here is that the assets will pass to the children of the first marriage and the survivor can't change that element of the plan.

Here is an illustration that shows how this works:






+ Protecting Your Beneficiaries

Most of our clients want to protect the inheritance their heirs receive from being lost if the heir gets a divorce, gets sued, has a business failure or is simply too young or immature to manage an inheritance. The law in Arkansas is very clear that when an inheritance is left to heirs in trust, those assets are beyond the reach of a divorcing spouse, a judgment creditor, or a creditor in bankruptcy. This is true, even if the heir is serving as his or her own trustee. These trusts are called "Testamentary Trusts" and they are designed as part of your living trust estate plan. We like to think of these trusts as a kind of safe or vault for the inheritance.

If your heir lacks personal maturity or financial skill, you can name another person or persons, or a financial institution, to serve as the trustee over the heir's trust. Sometimes we design these trusts so that the heir serves alongside another person for a period of years in order to insure that the heir gains experience managing the trust assets before the heir is allowed to serve as the sole trustee of his or her own trust.

We have been trust lawyers long enough to see what happens when this kind of trust structure is tested. Our consistent experience has shown us that this kind of planning really works.

VII. LIVING TRUSTS & INCOME TAX FILING REQUIREMENTS

Your living trust does not file a separate return. Under IRS rules, a living trust qualifies as a "Grantor trust." Under the Grantor trust rules, the trust is "disregarded" and all the items of income or expense are reported on the Trustmaker's Form 1040, as if the trust did not exist for tax purposes as long as the trust retains its "Grantor trust" status.

In order to report on Form 1040, the Grantor and/or Trustee must comply with a couple of fairly simple requirements. The Trustmaker must provide the Trustee (who is usually the same person) with a Form W-9 (the form that individual taxpayers use to provide third parties with the taxpayer's social security number). The Trustee then provides the Trustmaker's social security number (as reflected on the form W-9) to all parties making payments to the trust. While those parties may make the payments to the trust, they issue a Form 1099 to the Trustmaker that reflects the payment made by the payer to the trust. The Trustmaker reports the payments made to the trust and reflected on the form 1099 on his or her form 1040 individual income tax return. That way the income items are paid to the Trustee but are reported by both the payer and the Trustmaker to the IRS under the Trustmaker's social security number.

These rules apply even if the Trustmaker is not serving as Trustee of the trust. However, if the Trustmaker is not the Trustee, the Trustee must also provide the Trustmaker with a statement that: (1) Shows all items of income, deduction, and credit of the trust for the taxable year; (2) Identifies the payor of each item of income; (3) Provides the Trustmaker or other person treated as the owner of the trust with the information necessary to take the items into account in computing the Trustmaker's or other person's taxable income; and (4) Informs the Trustmaker or other person treated as the owner of the trust that the items of income, deduction and credit and other information shown on the statement must be included in computing the taxable income and credits of the Trustmaker or other person on the income tax return of the Trustmaker. If that statement is provided, the trust does not need to file a separate tax return.

VIII. UNDERSTANDING BASIS STEP-UP

While the estate tax is no longer a threat to most Arkansas families, the capital gains tax has become a much bigger issue. I'm not going to explain all the ins and outs of the capital gains tax in this booklet. But I do want to point out — in a slightly over-simplified way — that when an asset (such as real estate or stocks) is sold, there is a tax due that is based generally on the difference between what you paid for that asset and the sale price. The amount you paid for something is called its "cost basis" or simply "basis." This is a somewhat more complicated calculation if you sell property that has been depreciated or that has been the subject of some other tax treatment at purchase.

I wanted to include a discussion of basis in this booklet because many clients we see make the mistake of giving their appreciated assets away during their lifetime. When they do, the donee of the gift takes the asset with the donor's cost basis. However, if the donor keeps the asset, the asset receives a "step-up" in the cost basis to an amount that is equal to the value of that asset on the date of the donor's death. The asset can then be passed down to the beneficiary and subsequently sold without incurring any capital gains tax on the pre-death gain.

Here is an example to illustrate how this works:

> *Suppose Andrew owns Wal-Mart stock which he purchased several years ago for $10 per share. Today, that stock is trading at—lets say--$75 per share. If Andrew sells the stock today, the capital gain will be $65 per share,and the tax rate on that gain for an Arkansas resident could be as much as 28.7% or $18.65 per share. If Andrew gives the stock to his grandson, and the grandson sells it, he gets the same result. However, if Andrew keeps the Wal-Mart shares until he dies (and the shares were traded for $75 on that date) and leaves the shares to his grandson in his living trust or will, the grandson can later sell the shares, and the first $75 per share he receives is tax free.*

When your living trust owns an asset on the date you pass, that asset is treated in the same way as if you owned it yourself. So there is no income tax or capital gains tax advantage or disadvantage in creating a living trust.




IX. WHO ARE THE PLAYERS IN YOUR LIVING TRUST

Trustmaker: the person who creates the trust. The trustmaker is also someone referred to as the *"Grantor"* or *"settlor"*.

Trustee: the person designated to manage the trust assets. In a revocable trust, the *trustmaker* and the trustee are usually the same person.

Successor Trustee: the person who will manage the trust assets if the trustmaker dies (or becomes incapacitated). The Successor Trustee is in charge of managing the assets in your trust for the benefit of the trust beneficiaries as well as transferring the assets as directed by the trust.

Trust Protector: this is an established concept in other English speaking countries, but it has only recently found its way into use in the United States. This is a position that can be created in your living trust giving someone you know and trust the power to make changes to your trust long after you have passed. It adds additional flexibility to your living trust and also can provide some tax advantages.

Distribution Advisor: this is a useful position especially when you name a corporate trustee who may not know your heirs well. The corporate trustee can manage the assets, but trusts the advice of the Distribution Advisor on the making of distributions to your beneficiaries.

Beneficiaries: the people or entities who will receive the property in your trust. The trustmaker (you) is the original beneficiary, and those who receive benefits after your passing are known as "remainder beneficiaries".

X. TYPES OF LIVING TRUSTS

A living trust is often called a "revocable living trust" because it allows you to revoke or change the terms of the trust however you choose as long as you are alive and mentally competent. Contrast this with an irrevocable trust, which is a trust that cannot be changed, at least not by you, the Trustmaker.

Irrevocable trusts are very useful tools in many situations. However, we are not discussing irrevocable trusts here. Our focus in this booklet is on revocable living trusts.

Living Trusts Come in Three Types:

+ Individual Trusts

This is a trust created typically by an unmarried individual.

+ Joint Living Trust

This is the most common version of living trust created by married couples. We recommend it when most of the assets are viewed by the married couple as being joint assets and all the children belong to both the husband and the wife.

+ Separate Living Trust

This is generally the preferred type of living trust for a married couple if they regard their property as separate (rather than joint) and in those situations where one or both of the couple have children from a prior marriage.

XI. WHAT ASSETS WILL YOU WANT TO TRANSFER TO YOUR LIVING TRUST?

Generally speaking, a trust is created as a will substitute to hold all of the property you have which has economic value, unless there are tax reasons not to transfer it. That would include your home, your investment accounts (including stocks, bonds and mutual funds), investment real estate, closely-held business interests, money market accounts, brokerage accounts, mineral interests, patents and copyrights, jewelry and antiques, precious metals, works of art, and other collectibles.

The following assets are commonly transferred to a Living Trust:

- **Checking and Savings Accounts** (although these accounts are frequently held in our client's individual name with a beneficiary designation card providing that the account is paid to the trust at death. This is commonly referred to as a "POD" designation)
- **Real Estate** - including any real estate located in other states (to avoid multiple probates)
- **Savings accounts**
- **U. S. Savings Bonds**
- **Brokerage, mutual fund and other financial accounts**
- **Promissory Notes Receivable or Contracts**
- **Oil, Gas and Other Mineral interests**
- **Proceeds from life insurance policies and annuity contracts**
- **Stocks or bonds held directly in certificate or book form**
- **Your Interest in a closely-held business**
- **Corporation, Partnership and Limited Liability Company (LLC) Interests**
- **Your Tangible Personal Property (including antique automobiles, art, and jewelry)**

What if the Property is Subject to a Mortgage or other Indebtedness?

Often items are transferred into a living trust that are not yet owned free and clear. A good example is a home subject to a mortgage. Generally, the transfer of your residence to a living trust will not give your lender the right to call the mortgage. There is a provision in Federal Law that makes that clear. However, your home can also be transferred to your trust using other methods like as a beneficiary deed.

Transferring non-residential property to your trust or any real property to an LLC or Corporation requires extra care and process if the properties are subject to a mortgage. Improper transfers can lead to a lender having the right to call the mortgage.

XII. WHAT ASSETS SHOULD NOT BE TRANSFERRED TO YOUR LIVING TRUST?

Certain types of property should not be transferred to your living trust because the transfer will create serious tax consequences. You may choose to leave other assets out of your trust because it's simply easier to handle them outside of your trust.

These include the following:

- **Personal checking accounts** — typically these are transferred to your trust via a pay on death (POD) designation which you sign at your bank.
- **Automobiles – Arkansas law makes it easy to transfer an automobile when you die.**
- **IRAs, 401(k)s, Keogh, and other tax-deferred retirement plans.** Special planning is required for any kind of tax qualified retirement account. See the discussion in the next section.
- **Pension accounts, life insurance policies and annuities.**
- **Property held in joint tenancy.** Property held as "Joint Tenants with Right of Survivorship" passes to the surviving joint tenant when you die. This form of ownership has some real convenience, but there are also some hidden dangers.

XIII. SPECIAL PLANNING IS REQUIRED FOR IRA AND OTHER TAX QUALIFIED RETIREMENT ACCOUNTS

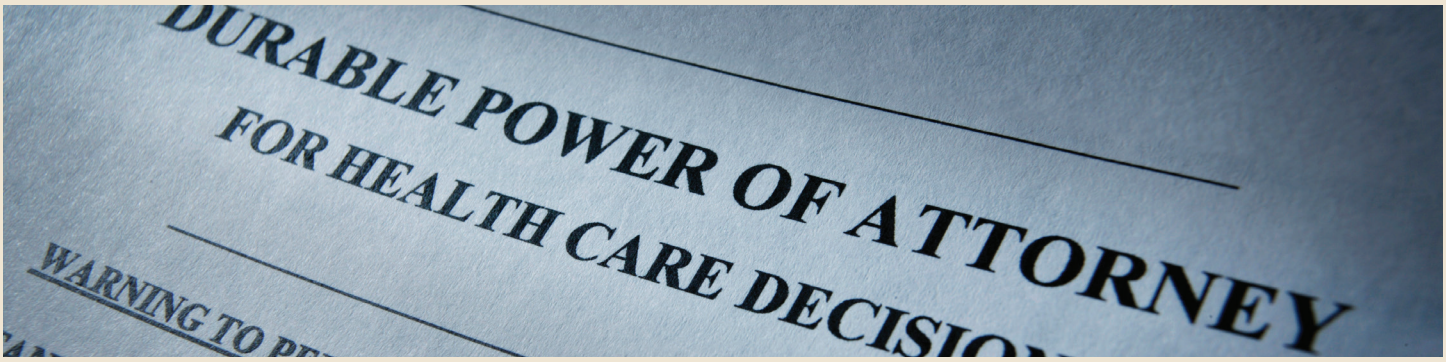
The account holder of any kind of tax-qualified retirement account cannot change the ownership of that account during their lifetime without destroying the tax-deferred status of the account. This means that your IRA or other tax-qualified account cannot be retitled into your living trust (or to any other person, for that matter). Because you can't transfer ownership of your account, this means that you have to also have a plan in place that allows someone you trust to manage that account for you if you become incapacitated. We handle this with the use of a General Durable Power of Attorney in which you will name the same sequence of individuals (or corporate fiduciary) whom you named as trustees of your living trust to serve as your agent.

At death, your account passes to the person or persons you named as the beneficiary on the account card. However, leaving IRA accounts to individuals in Arkansas can create real asset protection risks for the beneficiary. IRA accounts are not fully protected under Arkansas law (as they are in Texas and in several other states). You will also want to preserve your beneficiary's right to "stretch-out" the IRA over as much as possible to avoid having to pay tax on the account all at once. So, we usually recommend one of two solutions:

- **Name the beneficiary's trust created in your living trust as the beneficiary**
  (This option does require some special drafting in your living trust to make certain your trust satisfies the "conduit" requirement)
- **Name a Stand-Alone Retirement Trust as the beneficiary of your trust.**

XIV. WHAT IF I OWN FIREARMS

Certain kinds of firearms (but not all firearms) require special planning. If you own any class III firearms, you may need a Gun Trust to provide you with the protection you need and to allow those firearms to be passed down to the next generation without disruption. Learn more about firearms planning and Gun Trusts by scheduling an appointment with one of our attorneys.



XV. OTHER DOCUMENTS YOU WILL NEED IN A LIVING TRUST PLAN

A. A Pour-Over Will

Every living trust should include what is called a pour-over will. A pour-over will transfers or "pours" into your trust any assets not already owned by your trust at the time of death. This includes property such as checking accounts, cars and real estate you purchased but forgot to transfer to your living trust. Assets passing under your pour-over will do, however, have to go through the probate process. As long as your property is not held in joint tenancy or subject to other contractual arrangements, a pour-over will ensures that your assets are distributed to your heirs according to the terms of your trust.

A pour-over will allows you to name a guardian for minor children. Any living trust plan should include a pour-over will.

B. A General Durable Power of Attorney

You may have assets that you cannot transfer to your trust (an IRA, for example) or assets you choose to not transfer to your trust during your lifetime (such as your checking account). If you become incapacitated so that you cannot manage these assets yourself, you need a legal document that gives someone you choose the power to immediately manage those assets for you. This legal document is called a General Durable Power of Attorney. It needs to have the "durable" feature included so that it continues to work for you even if you are incapacitated. The common garden variety power of attorney typically does not have this feature. The "agent" you name in the document is typically exactly the same person or sequence of persons you named to serve as successor trustee of your living trust.

C. Health Care Decision Documents

- **Health Care Power of Attorney**
- **HIPAA Authorization**
- **Living Will**

D. Other Documents **Pinnacle Legacy Law** Provides

We do some things most other law firms don't. In addition to all the standard living trust documents, we provide our clients with several additional tools that make your estate plan more understandable and useful to you and your family. These include:

- **A color PowerPoint flow chart showing how your plan works at each stage**
- **A Memorandum providing for the disposition of your tangible personal property**
- **A comprehensive set of memorial instructions making it easy for you to provide information and instructions about your funeral and burial wishes**
- **A Legacy Organizer—a tool we developed to help you get your information organized and made accessible to the persons who will need that information should something happen to you** - we provide a place for things like your computer and cell phone passwords and your frequent flyer account information.
- **A Legacy Workbook - a tool we developed to help you identify the unique characteristics about your life, document your experiences, and ensure that your intangible assets are meaningfully transferred to the next generation -** we provide prompts, activities and examples to help identify and document the parts of your legacy that matter the most so that you can ensure they are not lost or forgotten when you are gone.
- **24/7 worldwide electronic access to all your legal and health care decision documents.** Each account has 24/7 worldwide access so you can also use it to store other important papers such as your passport, retirement papers—any document that would be difficult to replace if your house was destroyed by a fire or tornado.

XVI. THE LEGACY CARE PROGRAM

It's our mission to make sure your planning works the way you want it to work when it's tested.

With almost 100 years of experience in protecting clients, we have learned that "once and done" planning simply does not work. Planning work must be reviewed frequently if it is going to work the way you want it to work. We have developed The Legacy Care Program, a systematic checklist-driven process to account for changes that will effect your estate.

*Our **Legacy Care Program** is an annual program that ensures that your plan is always up to date.*

Our Legacy Care Program. This program includes a checklist-driven annual review process. Each year, we will conduct a diagnostic review of your planning work to determine if changes or updates are needed. This process checks for:

- Law changes that impact your plan.
- Family or relationship changes that would cause you to desire to change your plan.
- Asset changes that may require changes to ownership or beneficiary designations.
- Changes in asset values that would impact the tax planning implications of your planning.
- Changes to your health status that impact your health care decisions as well as your financial needs.
- Changes in the health or legal capacity of your successor trustees and health care agents that may result in a need to revisit your choice of successors.
- Identifying new ideas we develop or learn about at professional conferences we attend that could be useful to you.

+ Our Legacy Care Program Benefits

Every client is automatically enrolled into our **Basic Tier Legacy Care Program**. This entitles you to receive our weekly blogs, monthly newsletters and invitations to all client events.

Additional benefits, such as the ones mentioned below are available through our **Premium or Platinum Tier Program** for a small annual fee.

- **Emergency Cell Phone Access.** We provide you with the cell phone number of your attorney, your Case Manager, and your Legacy Director. We are available after hours if you need us in the event of an emergency.

- **Amendments for No Additional Fee.** Our Legacy Care Program allows you to make changes to your trust without incurring an additional fee. This would include changes in your trustees, beneficiary names and percentages and agents on your powers of attorney, as well as other needed changes.

- **No-Charge time with your legal team.** Copies, scanning to your Client Portal, answering general or trust questions, or needing a referral for another legal matter. Feel free to call us and not worry about fees.

- **20% Fee Reduction for More Complex Revisions.** If you choose to make changes to your estate plan that are beyond the scope of simple clerical changes, the standard fees we would ordinarily charge will be reduced by 20%.

- **Fast Pass to our Legacy Director in the firm.** Legacy planning question? Our Legacy Director is available to meet with you to find the best and most meaningful strategies to implement in your legacy plan.

- **24/7 Client Portal.** Your entire estate plan will be scanned into your own private, secure Client Portal where all of your documents will be available 24/7 worldwide to anyone with whom you choose to share the password. We will also scan your other valuable documents or papers for you or you may scan them to the site yourself. We will provide you with a checklist of suggested documents you should consider protecting.

- **Family Meeting upon Death or Disability.** Should you become disabled and upon your death, we will meet with your family and your trustees to outline an action plan to make certain the proper steps are taken to ensure your plan is implemented as you intended. We do not charge a fee for this meeting for our clients who are current members of our Legacy Care Program.
- **Estate Settlement Fee Guarantee. For clients who are members of our Legacy Care Program at the time of their death, we will handle the settlement of the estate for a fee that will not exceed 1% of the value of the clients' assets. We are able to provide this guarantee because we are able to ensure that your living trust will be properly funded so that a court supervised probate process will not be required. This guarantee is limited to uncontested trust settlements.**

ARE YOU INTERESTED IN ENROLLING?

If you are interested in enrolling in our Legacy Care Program, e-mail us at **info@PinnacleLegacyLaw.com** or call us at **501.221.7776**

XVII. CHANGING A LIVING TRUST

+ Amending or Restating Your Living Trust

Change in life is inevitable. There are many life changes that will require amending your living trust. A revocable living trust may be amended or revoked anytime as long as you live. This flexibility is one of the reasons that living trusts are so popular.

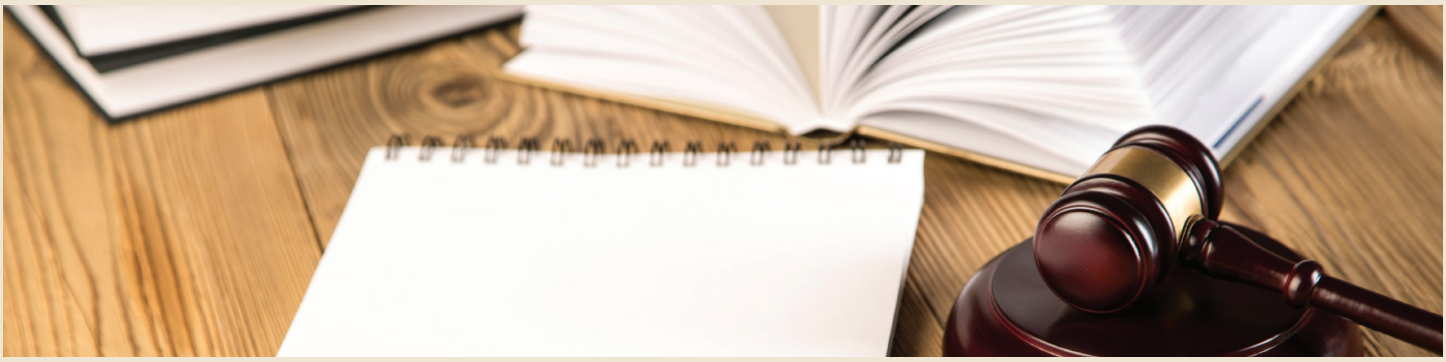
There are any number of reasons to amend your living trust. Sometimes, when there are a lot of changes to be made, or if you have amended your trust several times, it is easier and less confusing to simply "restate" your trust. When we do this, we do not change the name of your trust, but we replace the trust language with new language. Because it's the same trust as before, it does not affect the title to property you have transferred to your trust. Reasons to consider amending or restating your trust are:

- **Law changes** — the January 1, 2013 change in the estate tax law is a good example of this.
- **Family changes** — births or deaths; estrangements or reconciliations.
- **Asset changes** — your estate grew in size, for example, so now we need to consider the estat as a factor in your planning.
- **Your desires change** — you may have made a specific provision for a beneficiary, and now y have changed your mind.
- **Your beneficiaries change** — perhaps you discover your grandchild is a special you want to include a special trust for that grandchild in your living trust.

+ Revoking a Living Trust

A living trust can be revoked at any time. In some cases, you may need to make so many amendments that it's simply more practical to revoke your trust entirely. For example, you will need a new living trust if you get divorced.

If you have a individual living trust you may amend or revoke it yourself. If you are married, and you have a separate living trust, you have the power to amend or revoke your trust. However, if you are married and have a joint living trust, the trust cannot be amended or revoked unless both you and your spouse agree.



XVII. WHAT LIVING TRUSTS DON'T DO

Living trusts are very useful and powerful estate planning tools. However, they are not the right tool to accomplish every estate planning objective. Some objectives you may have will require the use of other tools. However, even when we use other tools in an estate plan, we almost always recommend that the client also create a living trust to handle the assets the client will continue to own and control.

There are four things living trusts do not do. It is important to understand this if any one of these four things is an important planning objective for you. Please know that there are other legal tools that do accomplish these objectives.

- **Living Trusts do NOT Provide You with Additional Asset Protection.**
- **Living Trusts do NOT Protect Your Assets from the Estate Tax.**
- **Living Trusts do NOT Protect Your Assets from the Arkansas Medicaid "Spenddown Rules" that Determine if the State Medicaid Program will Pay for the Cost of Nursing Home Care.**
- **Living Trusts do NOT Protect Your Assets from Your Spouse Claiming His or Her Elective Share** [You will need a Pre-Nuptial Agreement to gain that protection — see *In Re Estate of Thompson,* 2014 Ark. 237 (2014)].

+ ABOUT THE AUTHOR

Stan Miller is the CEO and Principal Attorney at Pinnacle Legacy Law -- a law firm with headquarters in Little Rock, Arkansas. Stan is passionate about the power of estate planning and the positive difference it makes in the lives of families. His trademark skill is the ability to listen *first*. He then walks his clients through the development of a custom solution for their specific estate planning needs. His second trademark skill is the ability to explain your solution in simple, understandable terms -- *you will know exactly what your plan does*.

Stan was an early pioneer in Living Trust Planning in Arkansas -- and at a time when most law firms were in favor of probating estates -- a much more costly and time-consuming alternative to Living Trusts.
He has established over 5,000 Living Trusts and helped protect more than $4.5 billion in assets.

Those pioneering successes led him to emerge as a national leader in Estate Planning. He later helped found WealthCounsel, LLC, the leading provider of education and document-drafting software for Estate and Business Planning attorneys throughout the US. In 2008, he was instrumental in co-founding ElderCounsel, LLC, which is now the national leader in technology and education for Elder Law attorneys. He served on the board of both companies prior to their sale in late 2021.

Stan is a sought-after speaker for professional audiences, individuals, families, colleagues, and contemporaries around the US, speaking on topics including estate planning, business planning, wealth planning, and legacy planning. Stan previously served as an elected member of the Board of Directors for the City of Hot Springs and as a member of the Board of St. Joseph's Regional Health Center -- now CHI St. Vincent. He and his wife Patrice are the proud parents of two sons.

Stan's passion for helping his clients build powerful legacies led him to write the national bestselling book, *Your American Legacy -- Powerful Strategies That Instill Lasting Values for Generations*. He founded the Legacy Leaders Network in 2022 and is training a national network of attorneys, financial advisors, CPAs, and realtors how to grow their business and help their clients build lasting legacies. Stan is also the co-host of the *Your Life, Your Legacy* Podcast and the *Legacy Leaders Podcast* that can be found on Apple and Spotify.

Education
+ Vanderbilt Law School
+ Arkansas Tech University

Licenses & Bar Admissions
+ Licensed to practice before the United States Tax Court, Eighth Circuit Court of Appeals, the United States Supreme Court and before all Arkansas Courts.

Professional Affiliations
+ Member of STEP (Society of Trust and Estate Practitioners)
+ WealthCounsel/ElderCounsel
+ Arkansas Bar Association
+ American Bar Association

Business Initiatives
+ Co-Founder:WealthCounsel
+ Co-Founder: ElderCounsel
+ Founder: Legacy Leaders Network

Charitable Initiatives
+ Miller Center for Global Engagement at Arkansas Tech University
+ Cars for Ukraine

+ PINNACLE LEGACY LAW

Pinnacle Legacy Law provides a variety of estate planning, business planning and tax solutions for clients worldwide. Learn more about the firm at: www.PinnacleLegacyLaw.com

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Powerful Strategies that Instill Lasting Values for Generations

PINNACLE
LEGACY LAW

Questions? Call us at

(501) 221.7776

or visit us at

www.PinnacleLegacyLaw.com

NO FEE SURPRISES.

We offer a free, no-obligation consultation for your first time visit to discuss your living trust estate plan. If you decide we are a fit for you, we will quote you a fixed fee to create or update your living trust. Our fees vary depending on the complexity of your plan. But you always know in advance exactly what our fees will be.

A living trust is the most powerful basic estate planning tool that exists today.
We pioneered the use of living trusts in Arkansas. We can help you create a living trust estate plan that provides you with the protection and peace of mind you want.

To get started, give us a call today!

Pinnacle Legacy law

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