GREAT PLAINS
Trust

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Customizing a Power of Attorney

A power of attorney is a powerful tool in the estate planning tool kit. But it is essential that it is drafted correctly to be effective and consistent with the principal's intent. A power of attorney is a written document in which a principal gives a designated individual the authority to perform specific actions on the principal's behalf. The individual nominated by the principal is called the attorney-in-fact. Once the principal becomes incapacitated or disabled, the power of attorney ceases to be effective, and the attorney-in-fact is relieved of any obligations. Under those circumstances, the power of attorney would be considered "nondurable".

To prevent the power of attorney from terminating upon the principal's incapacity or disability, the document must be made "durable." This is arguably one of the most beneficial features of the document as an estate planning tool, because a durable power of attorney remains valid even after the principal loses capacity. This means the attorney-in-fact may continue to act on behalf of an incapacitated or disabled principal. Once executed, a durable power of attorney is valid until the principal revokes the document or passes away. A principal must have capacity to create or revoke a durable or nondurable power of attorney.

Two areas powers of attorney are commonly utilized for are healthcare and finances. A healthcare power of attorney gives the attorney-in-fact the authority to make decisions on the principal's behalf regarding medication, life support, and artificial hydration and nutrition. A financial power of attorney gives the attorney-in-fact specific powers to manage the principal's finances. This may range from collecting retirement benefits to paying bills and filing taxes. Although nondurable powers of attorney are not useful as an estate

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Year-End Financial Planning Reminders

- As a reminder, GPTC can work with retiring or terminated plan participants to arrange rollovers to new IRAs. Plan sponsors should contact their wealth advisor for assistance.

- Deferrals to 401(k) plans for 2024 must be initiated by December 31st; however, due to some payroll cycles, funds may not reach plans until 2025. The maximum deferral amount for 2024 is $23,000 ($30,500 if age 50 or over).

- 2024 RMDs must be paid no later than December 31, 2024. Remaining RMDs will be paid at the end of November.

- Do you want to make an in kind charitable gift of stock for 2024? If so, please send your request to us no later than December 1, 2024.

- Send in any remaining IRA Qualified Charitable Distribution requests no later than December 1, 2024. Maximum total QCDs for 2024 is $105,000.

Customizing a Power of Attorney... (continued)

planning tool because it expires upon incapacity, it can work as a financial tool that grants the attorney-in-fact authority to manage the principal's investments.

In legal terms, an individual loses capacity when he or she lacks the physical or mental condition to evaluate information or communicate decisions. A disabled person is often referred to as a person who is unable to manage their regular affairs due to a physical or mental condition. This could include conditions that restrict the ability of the individual to perform normal daily tasks or threaten the individual's ability to live independently. If a court finds a principal incapacitated or disabled, the nondurable power of attorney will terminate.

Each state has its own drafting requirements to create a durable power of attorney. The legal provisions, number of witness signatures, and notary requirements may differ between states. If a power of attorney fails to comply with the state laws that dictate whether the document is durable, it may inadvertently create a nondurable power of attorney or cause the document to be completely invalid. This could lead to a significant issue if the principal intended to create a durable power of attorney and relies on that security. Therefore, it is imperative that your drafting attorney meets the requirements prescribed by state law. Regular estate planning reviews also help ensure your documents match your intentions.

We are excited to welcome Jimmy Scavuzzo & Reema Bounajem to the Great Plains' Wealth Management Team!

Jimmy Scavuzzo joins Great Plains as an Associate Wealth Advisor focused on providing comprehensive wealth management services, helping his clients and their families achieve their financial goals through creative and customized planning solutions.

Before joining Great Plains Trust Company, Jimmy was a senior staff accountant at an international public accounting firm, where he specialized in Audit and Assurance Services, as well as reporting and internal control consultation services.

Growing up in Parker, Colorado, Jimmy is an avid skier, hiker, and golfer. He is an alumni of Benedictine College located in Atchison, Kansas, where he graduated with both a B.A. in Finance and a B.A. in Accounting.

Reema Bounajem joins Great Plains as a Trust Attorney and Wealth Advisor, bringing expertise in estate planning to Great Plains' goal-based financial planning process.

Reema earned a Bachelor of Fine Arts in Dance from the University of Texas at Austin before pursuing her law degree at the University of Missouri-Kansas City School of Law.

Reema comes to Great Plains after having worked with private estate planning firms as well as Jackson County Division 19 Probate Court.

Living in Mission, KS, Reema enjoys spending time with her fiancé, John, and their two cats.

Unique Challenges in Estate Planning for Blended Families

While many people in second marriages with children from previous relationships may think that their family is perfectly blended like "The Brady Bunch," their heirs may see things differently after the passing of their parents. When stepparents and blended families are involved, fights over an estate are more common. Estate planning for blended families – families with a second marriage or children from previous relationships – is complicated, yet essential, in order to ensure that your wishes are honored and to avoid any family feuds.

Many people entering into a second marriage may already have an estate plan in place, but they fail to update it after the marriage, resulting in unintended consequences at their death. For couples with no estate plan in place, the spouse will generally inherit all or most of the assets at the first spouse's death, potentially leaving the children of the deceased spouse out of the equation.

Even in the best-case scenario where the couple does update their estate plan after their marriage, careful considerations should be made about how to structure the estate plan. A typical estate plan for a married couple usually will provide that, upon the death of the first spouse, all assets pass to the surviving spouse. In a blended family, depending on the family dynamics, this type of plan could result in the deceased spouse's children from previous relationships being essentially disinherited as the surviving spouse has no legal obligation to name the stepchildren as beneficiaries of his or her estate. If the surviving spouse remarries, then yet another interested party could make claim to the assets you intended to eventually pass to your children.

The key to preventing a family feud in blended families is complex estate planning. A good estate planning attorney can help you devise a plan to ensure that your assets pass according to your wishes. In addition to establishing a marital trust for the spouse that protects the remaining assets for the children, below are some other examples of creative ways that you can plan:

- **Life Insurance** – You can leave your assets to your surviving spouse in trust but designate your kids as beneficiaries of any life insurance policies.

- **Specific Assets** – If you own land, for example, you could structure your estate plan to allow the surviving spouse to receive income from the land during his/her lifetime, but then the land will pass to your children upon the death of the surviving spouse. If the asset is something like a vacation home or an art collection, stipulating that beneficiaries share that asset might heighten tensions and ill will. Additionally, if you want specific items of personal property to pass to a certain person, then you should specify those items on a signed written list to avoid future disputes.

- **"Gift off the Top"** – You can specify that your children receive a certain amount "off the top" before the remainder passes to a trust for the surviving spouse or you can add "pay on death" designations to certain accounts outside of your trust. Both options allow your children to receive a sum certain upon your death.

- **Retirement Funds** – By federal law, the surviving spouse will automatically inherit 401(k) accounts unless the spouse waives his or her right to these funds. If you want your kids to receive some of these funds rather than your spouse, he or she will have to sign off on the beneficiary designation.

- **Prenup** – Marriage automatically gives surviving spouses property rights and legal protections. In addition to the federal law regarding retirement funds, most states have laws that allow a surviving spouse to claim an elective share – typically 1/2 or 1/3 of the estate- unless waived. This waiver can be documented in a prenuptial agreement which can also cover the spouse's waiver of his or her share of retirement funds.

- **Separate trust for inheritance** – Oftentimes, one spouse may have inherited assets from their deceased parent and they want those assets to pass through their bloodline only. To avoid these funds being "co-mingled" with the other spouse's funds and thereby subject to claims by that spouse's children, the spouse receiving the inheritance could establish a separate trust with the inheritance that names his or her biological children as beneficiaries.

One final point regarding estate planning for blended families is that the choice of a trustee for any trusts that you establish is even more important than in the case of a non-blended family. The potential for conflict when naming your spouse or one or more adult children to fill the trustee role is enormous. Oftentimes, your adult children would not want their stepmom or stepdad overseeing their funds. A professional fiduciary may be the best option to preserve family harmony.

The key to developing a complex estate plan for your blended family is a good estate planning attorney who can assist you with formulating the best plan for your family situation. But the most important point is that you have some sort of plan and that you should communicate the plan to your heirs so they know what to expect. Families with open communication often have the smoothest wealth transfers. The attorneys at Great Plains Trust are not able to draft your estate planning documents, but they are able to review your current estate plan and make recommendations.

End of Year Tax Options

When the majority of people think of the tax calendar, April 15th is often the most important date in their minds. Although Tax Day is an important day for most businesses and individuals, the most important tax decisions are made in the final months of the year. The IRS mandates that every tax return includes all reportable activity from January 1st to December 31st (with some exceptions), so it is crucial that all tax planning strategies are initiated and completed before the end of the calendar year. Some of these strategies could be as simple as making donations to a charity or gifting to your children and grandchildren. It is not as complex as the IRS would make it feel.

As we head into those crucial final months of the year, you may want to discuss the following tax strategies with your preferred CPA or tax expert:

Roth Conversions: In case you are not familiar with the difference between Traditional vs Roth Retirement accounts; with traditional accounts, income that is contributed to the account is not taxed until it is distributed at retirement, while income contributed to a Roth is taxed in the year that you contribute funds, but you are not taxed on the contributions or the growth of the Roth account at retirement. If you have a non-Roth IRA or 401(k), it is possible to convert much, if not all, of those funds to a tax-sheltered Roth IRA. This could allow you tax-free income during those much-deserved years of retirement! It is worth noting, when a taxpayer converts to a Roth, each dollar converted is considered taxable income and could potentially move your household up into the next tax rate bracket, so please consult with your preferred CPA or tax expert before deciding to convert.

Charitable Donations: Many of our clients here at Great Plains value their philanthropic pursuits among their top financial goals. Fortunately, the IRS and US government encourage taxpayers to make contributions and donations to tax-exempt organizations by providing tax deductions for such charitable donations. Donations could include any physical objects or monetary assets that you provided to a qualified charity (you can verify if the organization is qualified at: https://apps.irs.gov/app/eos/). You may have made a qualified donation without even realizing it; this is especially true for those individuals who enjoy tithing or donating household items to donation centers. Regardless, this last-minute IRS deduction allows you to make donations in these final months of the year to lower your tax bracket, while at the same time giving back to the community and organizations that are most important to you and your family. Additionally, if you are worried about RMDs (required minimum distributions), making Qualified Charitable Distributions (QCDs) from an IRA can count toward your annual RMD. Discuss with your preferred CPA or tax expert whether QCDs are available to you or if a last-minute donation could benefit your tax status.

Gifting: Unlike the previous two strategies mentioned, this final strategy does not benefit you, but it could be a great benefit to your children and heirs. Gifting to your children, grandchildren, or other loved ones is a way to transfer wealth without passing along any tax consequences. In the current tax year 2024, the IRS allows an unreportable gift of $18,000 ($36,000 if from a married couple) per recipient to an unlimited number of recipients. If you are someone with a new child or grandchild in the current year, the gift could be placed into an education fund, wedding fund, or retirement fund without your loved ones ever needing to worry about taxes. Another reason could be large life purchases such as assisting adult loved ones in buying a house or a car. Before the year end, discuss with your CPA or tax expert the possibility of sharing your wealth with loved ones without having to share the burden of taxes.

Our Mission

To be a premier provider of wealth management and trust services to families across generations. We shall deliver responsive, reliable, and informed service combined with a commitment to achieving the stated goals of our clients and their families. We shall, at all times, deal honestly and respectfully with all clients and associates.

GREAT PLAINS
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Contact Us

Phone:	(913) 831-7999
Email:	info@greatplainstrust.com
Web:	www.greatplainstrust.com

Our Location

7700 Shawnee Mission Parkway, Ste 101
Overland, Park KS 66202

Atlantic Region	(843) 883-7410
South Dakota	(605) 271-5141