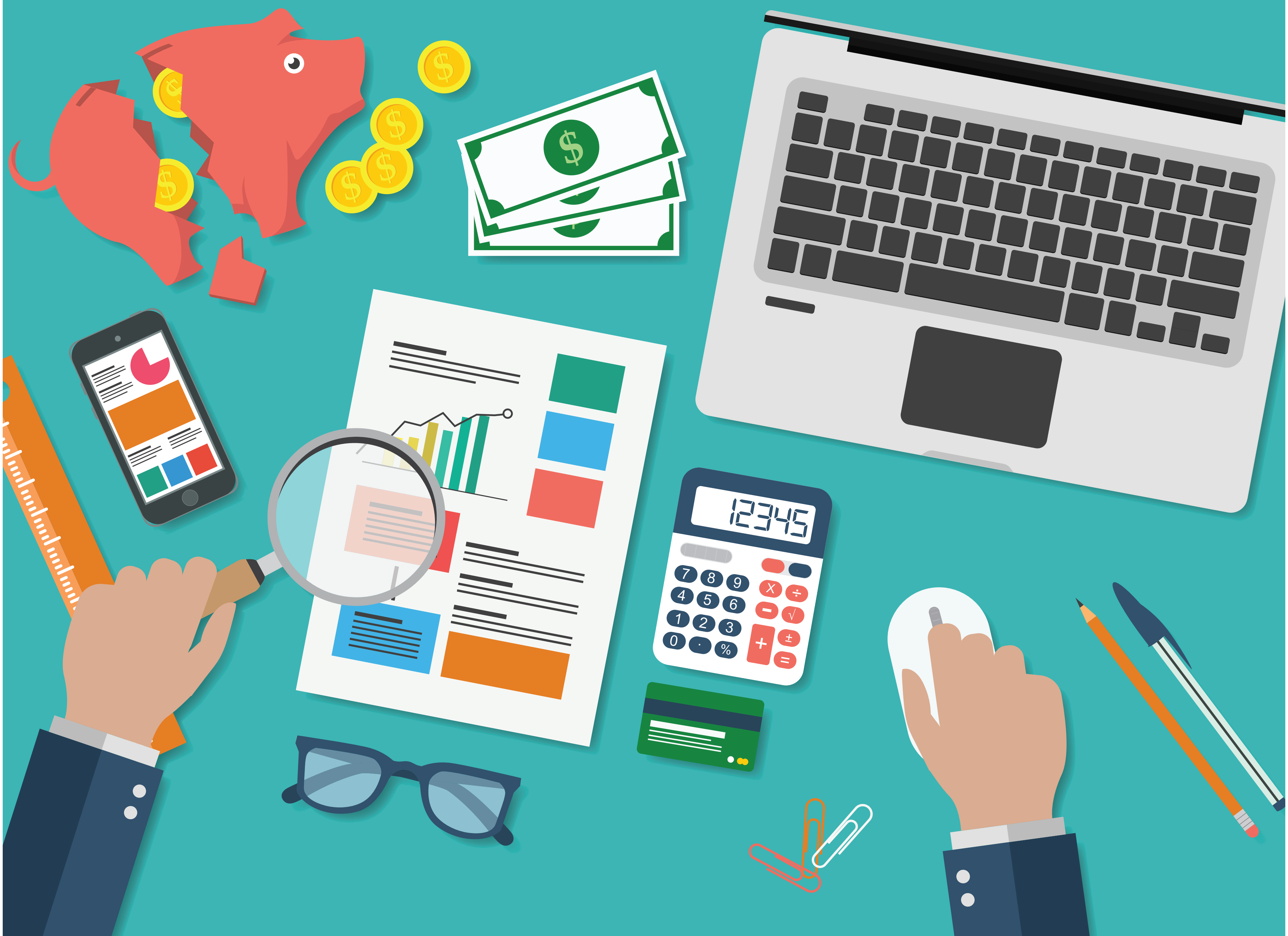
2025 Financial Estate & Tax Guide



Independent Record

Financial strategies to consider as retirement draws near

Freedom is often cited as a benefit of retirement. Many professionals look forward to the day when they retire and have more free time and the freedom to spend that time however they choose. Of course, the opportunity to spend retirement how one sees fit typically requires considerable financial freedom.

Financial planning for retirement is often emphasized to young professionals beginning their careers. But it's equally important that people on the cusp of retirement continue to look for ways to protect and grow their wealth. As retirement draws near, professionals can consider these strategies to ensure they have the financial freedom to make their golden years shine even brighter.

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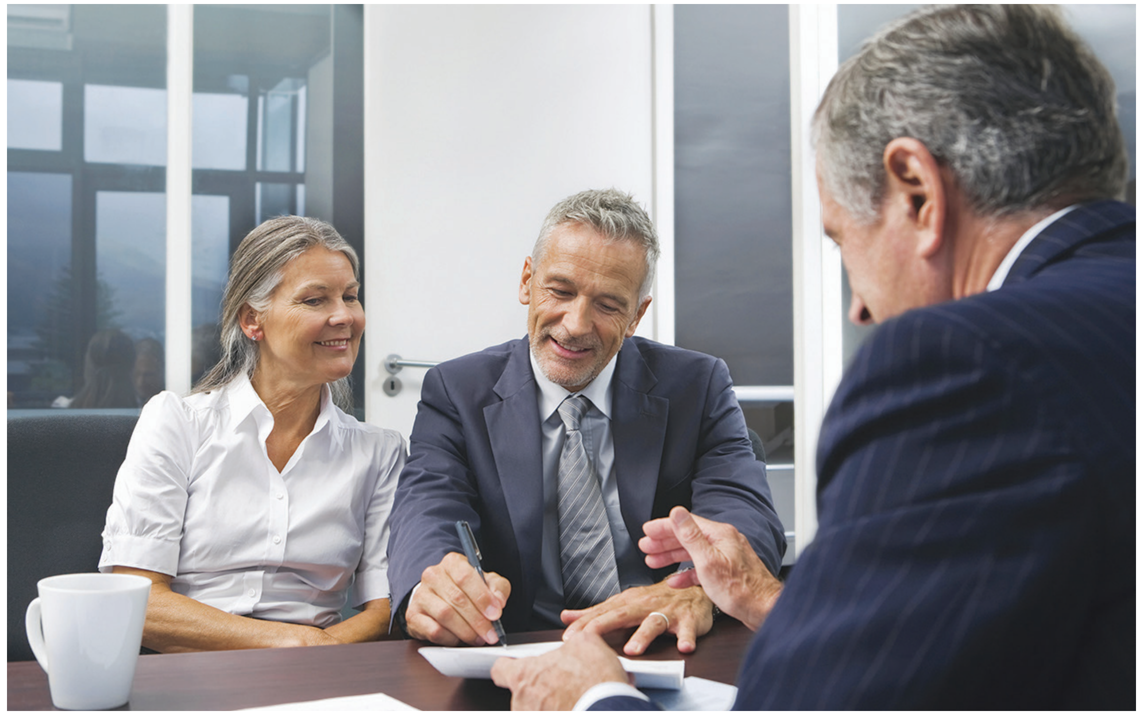

% Plan to grow your wealth in retirement. It's widely assumed that retirees need less income after calling it a career because the need to save for retirement is no longer present. However, some expenses, including health care, may rise in retirement, which underscores the need to continue growing your wealth. Cost-of-living also will increase over the course of your retirement years, which highlights the need to keep growing wealth in retirement. It can be tricky to protect your existing retirement savings as you approach the end of your career while also growing that wealth, so it is best to work with a financial planner to navigate that situation.

% Maintain a mix with your investments. A model from the Schwab Center for Financial Research indicated that a hypothetical retiree with a $2 million portfolio in year one of retirement will have slightly less than $1 million left 30 years later if her portfolio maintains a mix of 60 percent stocks and 40 percent bonds and cash. The model found that a second hypothetical investor with the same size portfolio in year one of retirement will run out of funds prior to year 29 if his portfolio is 20 percent stocks and 80 percent bonds and cash. Though conventional wisdom suggests limiting risk as retirement nears and eliminating it entirely upon retiring, modern retirees are living longer and may therefore need to maintain a mix of investments to ensure they don't outlive their money.

% Make the maximum allowable contributions. Many aging professionals may not have saved as much for retirement as they might have hoped to upon starting their careers decades ago. In fact, a 2024 survey from Prudential Financial found that many 55-year-olds have fallen far short of establishing the level of financial security they will need in retirement. The Prudential survey found that 55-year-olds had a median retirement savings of less than $50,000, a number that falls considerably short of the recommended goal of having eight times one6 annual income saved by this age. If that situation sounds familiar for professionals nearing retirement age, then now is the time to begin catching up. Make the maximum allowable contributions to a 401(k) plan ($23,000 in 2024) and/or an IRA ($7,000). In addition, the Internal Revenue Service notes that IRA catch-up contributions remained $1,000 for individuals age 50 and over in 2024.

Retirement can provide a sense of freedom professionals have worked hard to achieve over the course of their careers. Some simple strategies can help professionals on the cusp of retirement achieve the financial freedom they'l need to enjoy their golden years to the fullest extent.

What we can learn from Prince's failure to plan his estate

When Prince Rogers Nelson (the artist known as Prince) passed away in April 2016, the world lost one of the greatest musical icons of all time. The artist behind "Purple Rain" and "When Doves Cry" captivated millions with his talent, independence, and meticulous control over his music and image. However, Prince left behind no will, no trust, and no clear plan for his estate.

TONY DALTON

What followed was a tangled legal battle that lasted over six years, draining tens of millions of dollars in legal fees, court costs, and taxes. His family fractured, his estate was divided among individuals and entities he never explicitly chose, and the wealth he spent a lifetime building became the subject of bitter disputes.

Prince's estate battle is more than a celebrity headline—it's a stark warning for anyone who assumes their legacy will automatically fall into the right hands.

The cost of dying without a plan

Prince made the same mistake that many Americans do—he assumed he had more time. When he died intestate (without a will), state intestacy laws dictated how his assets would be divided. With no spouse or children, his estate defaulted to his closest living relatives—his six half-siblings.

While this might seem like a reasonable outcome on the surface, intestacy laws don't consider personal relationships, business interests, or the complexities of wealth management. Prince's siblings suddenly found themselves in charge of an estate worth an estimated $156 million, with no clear instructions from him. Disagreements quickly arose over how to manage his vast catalog of unreleased music, his iconic image, and his real estate holdings.

The legal battle that followed

The fight over Prince's estate was as dramatic as the performer himself. More than 45 people initially came forward claiming to be rightful heirs, leading to lengthy court proceedings to determine legitimate beneficiaries. Years of legal battles and disputes chipped away at the estate's value. The IRS and the state of Minnesota also took their share, with a final tax bill reaching an estimated $82 million.

It wasn't until 2022—six years after his death—that the estate was finally settled. By then, two of his siblings had passed away, and the remaining heirs had to accept a compromise that was largely out of their control. What should have been a lasting legacy of musical brilliance and financial security became a lesson in what happens when a lack of planning meets bureaucracy and legal red tape.

The emotional toll of uncertainty

Estate planning isn't just about numbers and assets—it's about the people you leave behind. One of the most tragic aspects of Prince's estate battle was the emotional strain it placed on his family. Siblings who had once celebrated his success together became entangled in lawsuits, accusations, and financial disputes. The emotional burden of fighting over a loved one's legacy is something no family should have to endure.

Beyond the family drama, Prince's fans also suffered. His vast archive of unreleased music was locked in legal limbo, unable to be shared with the world as he might have intended. The control he fiercely guarded in life was lost in death, leaving his artistic legacy in the hands of lawyers, accountants, and court-appointed administrators.

The lesson we can all learn

Prince's estate battle serves as a powerful reminder that no one—no matter how famous, successful, or in control—can escape the consequences of failing to plan. Estate planning isn't just for the wealthy; it's for anyone who wants to ensure their wishes are honored, their loved ones are protected, and their legacy remains intact.

A well-prepared estate plan can prevent family disputes, minimize taxes, and ensure assets are distributed according to one's wishes. It provides clarity and guidance in difficult times, sparing loved ones from the burden of making tough decisions without direction.

The truth is, none of us know when our time will come. But we do have the power to make things easier for those we leave behind. Prince's story is a cautionary tale—but yours doesn't have to be.

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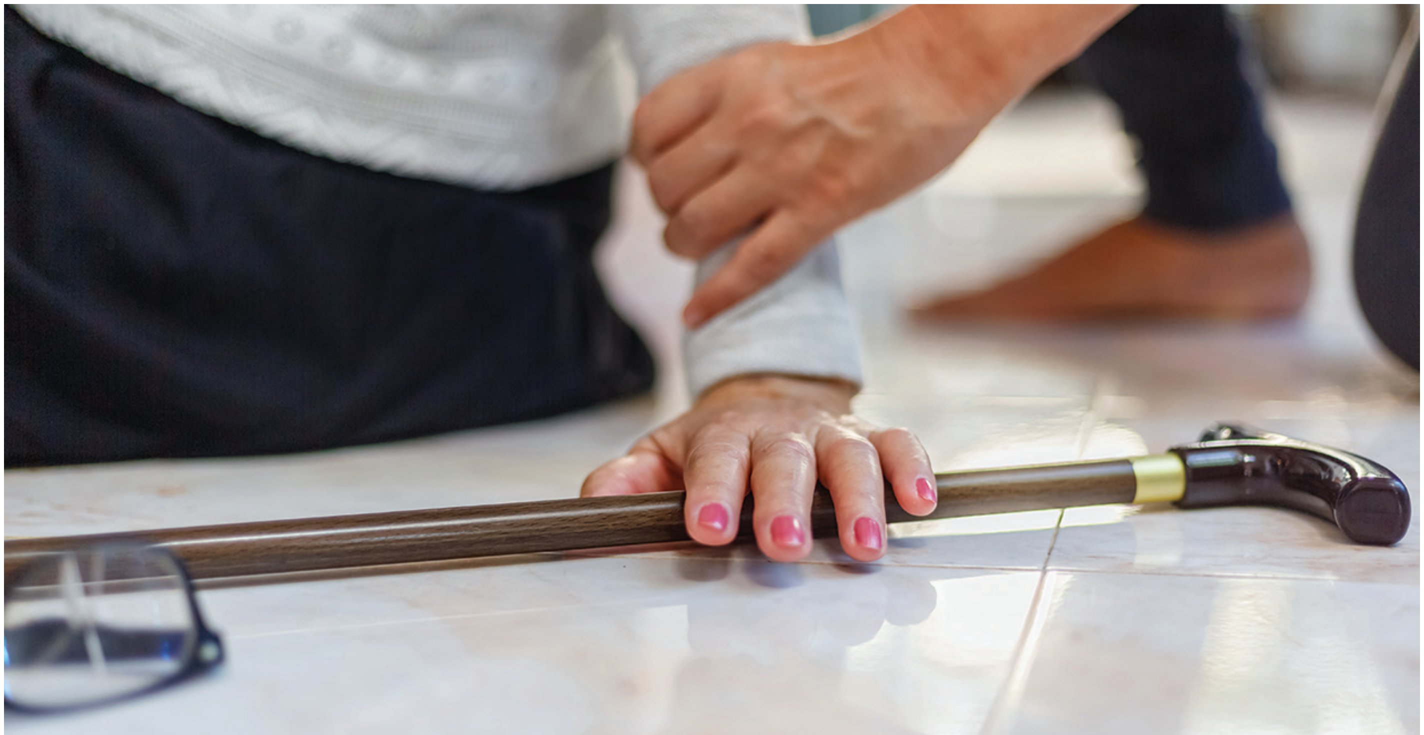
Planning for long-term care



Long-term care is an important component of financial and personal wellness planning. Planning for long-term-care can help aging individuals maintain their independence and quality of life into their golden years.

According to the National Institute on Aging, long-term care (LTC) involves a variety of services that accommodate a person’s health or personal care needs when they can no longer perform everyday tasks on their own. LTC can help people with chronic illnesses, disabilities or other conditions. LTC can be expensive, but planning for such needs can help families avoid financial strain and stress, and also provide peace of mind.

Types of care

One of the initial steps when planning for LTC is to identify the available options. LTC is multi-faceted and can come in a variety of forms. LTC can involve in-home care, with a care provider coming into an individual’s home to offer services like housekeeping and assistance with personal care. In addition, LTC can take place in nursing homes or assisted living facilities. Adult daycare facilities also may be considered part of LTC.

Payment options

It’s important that families recognize that traditional health insurance does not cover the costs associated with LTC. In addition, Medicare cannot be used for LTC in most cases in the United States. It is essential to earmark funds or find alternatives to cover these costs.

According to Medicare.gov, some insurance companies will enable people to use life insurance policies to pay for LTC. Long-term care insurance also merits consideration. This insurance may cover LTC facilities or even home care and medical equipment. Families can explore all their options and find a policy that aligns with their needs and budgets.

Additional financial tools to consider are a Health Savings Account (HSA) or a Flexible Spending Account (FSA), which allow for tax-advantaged savings specifically for health care expenses. Those with limited income can be eligible for Medicaid in the U.S., which can pay for nursing home care. However, it is important to research which homes accept Medicaid as a form of payment.

Long-term care (LTC) involves a variety of services that accommodate a person’s health or personal care needs when they can no longer perform everyday tasks on their own.

Further estate planning

People can work with licensed professionals to solidify long-term care and financial plans. An estate attorney can help create a durable power of attorney and a living will to ensure that health care and financial decisions are managed according to a person’s wishes if he or she becomes unable to do so. An irrevocable trust also could be beneficial in managing assets and potentially shielding families from LTC costs.

Families should discuss health care wishes and other financial plans as they pertain to long-term care. Early planning can help families navigate caring for aging individuals.

Your Trusted Montana Legal Team

Estate planning is about more than signing a will. It's about protecting your legacy, loved ones, and healthcare wishes during your life, and ensuring a smooth transition of your assets after death. We can help you develop an estate plan that will meet your goals at a reasonable price.

We can also support and guide you and your family through probate, trust administrations, and nonprobate transfers.

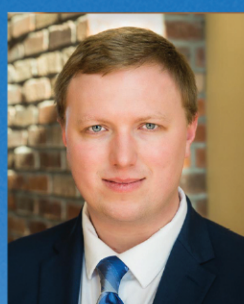
Estate Planning

- Wills & Trusts
- Living Will
- Advance Directives
- Financial and Health Care Powers of Attorney

Probate, Nonprobate & Trust Administration

- Will and Property Disputes
- Recovery of Estate Property
- Claims Against Estates
- Undue Influence
- Ownership Agreements
- Transfer of Real Property
- Guardianship & Conservatorship


Dan Auerbach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Power of Attorney Q&A with Carina Wilmot, Partner, Crowley Fleck PLLP

In financial, estate, and tax planning, families are often confused about what role a power of attorney plays, their decision-making abilities, and when a power of attorney is beneficial or required.

To help remove the mystery, attorney Carina Wilmot agreed to share her expertise providing answers to questions that are top of mind for many. Carina has been practicing over ten years with Crowley Fleck PLLP in Helena in trust and estates, real estate, employment, and business organizations. Questions were provided by Stephen Mason, Executive Vice President of St. Peter's Health Foundation, who received his planned giving certification in 2001 from the National Planned Giving Institute at the College of William and Mary.

Question (Q): What is a power of attorney (POA)?

Answer (A): A POA is a legal document in which one person (the "principal") gives another person (the "agent") authority to take certain actions on their behalf.

Q: ***Why is a POA important for your clients to identify and appoint?***

A: I believe a POA is the most important estate-planning tool for adults of all ages. My own adult children signed both a health care and financial POA document as soon as they turned age 18, and it has been useful and necessary at times to help them navigate medical visits or financial issues. For a POA that is effective when signed, a named agent can sign legal documents when the principal is not available (such as on vacation) or when the principal is incapacitated or unable to take care of their own affairs.

Q: ***Who is able to appoint a POA agent?***

A: An adult, 18 years of age or older, who is mentally competent and properly signs a POA document in front of a notary public. If the healthcare POA includes advanced directives, two witnesses need to sign.

Q: ***What is the difference between a Financial POA and a Healthcare POA? Why is a POA important in health matters?***

A: Often these are drafted as separate documents for privacy reasons or because people want to name different agents for healthcare and finances. A financial POA allows an agent to manage the principal's specific financial affairs as designated in the document. A healthcare POA allows an agent to make medical decisions for the principal, which may range from making treatment decisions up through end-of-life decisions.

Q: ***How can a POA agent help ensure a patient who suffers from dementia, Alzheimer's, or other behavioral health conditions receives proper assessments, treatment and care?***

A: BOTH a financial and healthcare POA are important when a person is unable to make their own decisions. For example, if someone goes to the emergency department for care, patients who cannot be discharged safely due to mental illness are often referred out to a behavioral health or psychiatric unit for further treatment, which requires either consent of a patient, a POA agent, or a legal guardian appointed by the court. People diagnosed with dementia cannot give consent to be placed in a behavioral health unit and cannot care for themselves independently. If that person does not have a previously signed POA, they would be held for their safety until a court order is sought to commit the patient to the Montana State Hospital, when there is likely a more appropriate psychiatric facility within the community for their care. Alternatively, a family member could request to be appointed as guardian/conservator by the court to make decisions for them, which can be an expensive and lengthy process. However, if someone with dementia has a previously signed POA, the named agent can make immediate decisions, resulting in the individual receiving both faster and more appropriate treatment for their dementia condition.

Q: ***Are there decisions a POA agent cannot make?***

A: Each POA document must be read carefully, as a principal can decide and limit what actions can be taken by the agent.

Q: ***How do I set up the POA legal document in Montana?***

A: Any estate planning attorney can assist with POAs. Alternatively, people can download the statutory financial POA from https://www.montana.edu/estateplanning/powerofattorneyagentcertificationforms.pdf, and healthcare POA form from https://www.montana.edu/estateplanning/healthcarepowerofattorneyeb0231.html.

POAs must be signed in front of a notary, and if a healthcare POA includes an advanced directive, in front of two witnesses.

Q: ***Is a POA signed elsewhere valid in Montana?***

A: A POA prepared and signed in another state is valid in Montana, if at the time of signing, it complied with the other state's laws.

Changes to Irrevocable Trust Step-Up in Basis:

WHAT YOU NEED TO KNOW

Irrevocable trusts have long been a cornerstone of estate planning, offering asset protection, tax efficiency, and wealth transfer benefits. One of the key tax advantages historically associated with irrevocable trusts is the step-up in basis upon the grantor's death. However, IRS (Revenue Ruling 2023-2) has brought changes to this provision, potentially affecting how assets held in irrevocable trusts are taxed upon inheritance.

This article explores the step-up in basis, how it has changed, and what these changes mean for estate planning strategies.

Understanding Step-Up in Basis

A step-up in basis is a tax provision that adjusts the cost basis of inherited assets to their fair market value (FMV) at the date of the original owner's death. This adjustment can significantly reduce capital gains taxes when heirs eventually sell the inherited property.

For example, if a decedent originally purchased stock for $100,000 but it appreciated to $500,000 by the time of their death, the heir would receive the asset with a stepped-up basis of $500,000. If the heir sells the stock at that value, there would be no capital gains tax. Without a step-up, capital gains tax would be owed on the $400,000 appreciation.

The Role of Irrevocable Trusts in Estate Planning

Irrevocable trusts provide a vehicle for transferring assets out of an individual's taxable estate. Once assets are placed in an irrevocable trust, the grantor relinquishes control, making these assets generally not subject to estate tax upon their death. However, this also means that such assets may not always qualify for the step-up in basis, depending on the structure of the trust and applicable tax laws.

Previously, estate planners often sought ways to structure irrevocable trusts to maintain step-up benefits while shielding assets from estate taxes or to help qualify for Medicaid eligibility. However, recent policy changes have started to close loopholes and redefine eligibility criteria.

Recent Changes to the Step-Up in Basis for Irrevocable Trusts

1. Increased IRS Scrutiny on Grantor Trusts

Historically, some irrevocable trusts—especially grantor trusts—allowed for a step-up in basis because the assets were considered part of the grantor's taxable estate. However, the recent IRS ruling is tightening the rules regarding which trusts qualify for step-up treatment.

The IRS has taken a stricter approach to grantor trusts that are structured to remove assets from the taxable estate while still seeking a step-up in basis at death.

2. Elimination of Step-Up in Basis for Certain Trusts

The new IRS ruling for irrevocable trusts and Step-Up in basis under Rev. Rul. 2023-2 clarifies that for an asset held in an irrevocable trust to qualify for a step-up in basis, it must be included in the grantor's taxable estate at the time of their death. Property held in an irrevocable trust that is not included in the taxable estate at death will not receive the step-up basis any longer and the heirs may face substantial capital gains taxes upon liquidation of trust assets that have appreciated over time.

Implications for Estate Planning

With these changes, estate planners and individuals with irrevocable trusts should take the following steps:

1. Reassess Trust Structures

Individuals should work with estate planning professionals to review their irrevocable trusts and determine whether their assets are positioned to receive a step-up in basis under current and evolving laws.

2. Consider Alternative Strategies

With the step-up in basis being phased out for certain irrevocable trusts, alternative strategies such as installment sales to intentionally defective grantor trusts (IDGTs), gifting during lifetime, or strategic distributions may become more attractive.

3. Monitor Legislative Changes

Tax laws are constantly evolving, and the treatment of irrevocable trust assets is subject to ongoing legislative scrutiny. Staying informed about new tax regulations will be critical for those seeking to preserve wealth across generations.

4. Explore Estate Tax and Capital Gains Planning

With potential limits on the step-up in basis, more emphasis may be placed on capital gains tax planning. This may involve structuring transactions to take advantage of lower tax brackets or charitable giving strategies that mitigate tax burdens.

Conclusion

Changes to the step-up in basis for irrevocable trusts reflect a broader effort by lawmakers and tax authorities to close perceived tax loopholes and increase tax revenues.

Estate planners and individuals should proactively review their trust structures and consider alternative tax-efficient strategies to adapt to the evolving landscape. By staying informed and flexible, wealth preservation efforts can remain effective even in the face of changing tax laws.

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When is a Good Time For Roth Conversion?

In life, you often get second chances—and the same is true with investing. To illustrate: You might not have been able to contribute to a Roth IRA during your years due to your income level, but you may get that opportunity as you near retirement, or even when you are retired— through a Roth conversion.

Why is a Roth IRA desirable for some-people? Here are the key benefits:

• Tax-free withdrawals — You put in after-tax dollars to a Roth IRA, so you can withdraw your contributions at any time, free of taxes and penalties. And if you've had your account for at least five years and you're at least 59½, you can also withdraw your earnings free of taxes.

• No RMDs — With a traditional IRA, you'll have to start taking withdrawals — called required minimum distributions, or RMDs — when you turn 73, or 75 if you were born in 1960 or later. But there's no RMD requirement with a Roth IRA — you can essentially leave the money intact as long as you like.

• Tax-free legacy for your heirs — When your heirs inherit your Roth IRA, they can withdraw the contributions without paying taxes or penalties, and if the account has been open at least five years, they can also withdraw earnings tax free.

But even if you were aware of these advantages, you might not have been able to invest in a Roth IRA for much of your life. For one thing, you might have earned too much money — a Roth IRA, unlike a traditional IRA, has income limits. Also, a Roth IRA has only been around since 1998, so, in the previous years, you were limited to a traditional IRA.

As you approach retirement, though, you might start thinking of just how much you'd like to benefit from a Roth IRA. And you can do so by converting your traditional IRA to a Roth. While this sounds simple, there's a major caveat: taxes. You'll be taxed on the amount in pre-tax dollars you contributed to a traditional IRA and then converted to a Roth IRA. (If you have both pre- and after-tax dollars in your traditional IRA, the taxable amount is based on the percentage of pre-tax dollars.)

If you have large amounts in a traditional IRA, the tax bill on conversion can be significant. The key to potentially lowering this tax bill is timing. Generally speaking, the lower your income in a given year, the more favorable it is for you to convert to a Roth IRA. So, for example, if you have already retired, but have not started collecting RMDs, your income may be down.

Timing also comes into play with the financial markets. When the market is going through a decline, and the value of your traditional IRA drops, you could convert the same number of shares of the underlying investments and receive a lower tax bill or convert more shares of these investments for what would have been the same tax bill.

Finally, you could lower your tax bill in any given year by stretching out your Roth IRA conversions over several years, rather than doing it all at once.

You'll want to consult with your tax advisor before embarking on this conversion — but if it's appropriate for your situation, you could find that owning a Roth IRA can benefit you and your family for years to come.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

Edward Jones, Member SIPC When is a Good Time For Roth Conversion?

UNLOCK THE POWER

of Giving and Tax Savings with the Montana Endowment Tax Credit

Montanans have a unique opportunity to make a permanent and positive impact to their community while receiving significant tax benefits. The Montana Endowment Tax Credit (METC) is a powerful tool that allows individuals, businesses, and organizations to support Montana communities while reducing their tax burden. By making a qualifying planned gift to a Qualified Charitable Endowment, donors can secure a legacy of giving and maximize their tax savings.

What is the Montana Endowment Tax Credit?

Established in 1997, the METC provides a 40% tax credit on the federal charitable deduction of a qualifying planned gift (up to $15,000 annually per individual or $30,000 for couples). Businesses making direct gifts to qualified endowments can receive a 20% tax credit, up to $15,000 annually. Unlike a tax deduction, which reduces taxable income, a tax credit allows donors to give more to Montana's nonprofit organizations and save more on the Montana Income Tax.

Why Choose a Planned Gift through the Montana Community Foundation?

For more than 35 years, MCF has been a trusted expert in managing planned gifts. Today, we oversee more than 1,470 funds and planned gifts, with total assets exceeding $188.5 million—all dedicated to benefiting Montana.

Planned gifts offer dual benefits: they provide financial security for donors while ensuring the long-term sustainability of Montana's nonprofit organizations. These gifts, such as charitable trusts, gift annuities, and estate gifts, enable donors to align their philanthropy with their financial goals. Whether you want to support local education, healthcare, conservation, or community development, planned gifts ensure that Montana's vital causes continue to thrive for generations.

A Smart Giving Strategy: Deferred Gift Annuities

For those looking to create a meaningful impact while securing future income, a deferred gift annuity is a compelling option. Consider this example:

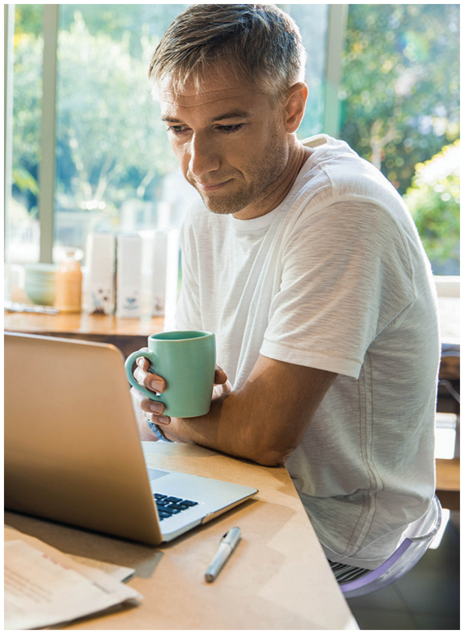
- A 61-year-old donor contributes $10,000 in cash to an endowment fund.
- Receives a $3,794 METC, directly reducing their Montana tax bill.
- Qualifies for a $5,690 federal charitable tax deduction.
- Begins receiving $500 annually for life in deferred annuity payments.
- After five years, the donor can relinquish future payment rights for an additional federal tax deduction.
- Upon relinquishment or at the donor's passing, the remainder supports their chosen Montana endowment.

Make Your Impact Today

Montana's vibrant communities thrive because of the generosity of those who invest in their future. The METC makes it possible to give in a way that benefits both local organizations and the causes they cherish. By partnering with the Montana Community Foundation, you can navigate the METC process with confidence and ensure your gift makes a lasting difference.

Ready to leave a legacy and lower your taxes? Contact the Montana Community Foundation mtcf.org or giving@mtcf.org today to explore how you can leverage the Montana Endowment Tax Credit for maximum impact.

What distinguishes three popular retirement accounts from one another



Financial security in retirement is a goal worth pursuing, but it's one that a significant percentage of individuals feel is out of reach. According to a February 2024 report from the National Institute on Retirement Security, 55 percent of Americans are concerned they cannot achieve financial security in retirement.

Saving for retirement is an integral component of securing long-term financial security. There are many ways to save for retirement, and individual retirement accounts (IRAs) and employer-sponsored 401(k) plans are among the more popular ways investors build a nest egg for their golden years. IRAs and 401(k) plans differ in some notable ways, and recognition of what distinguishes these types of accounts can help people choose the right vehicle for them. When considering these vehicles, it's important to point out that contribution limits can change from year to year, so individuals can expect to increase their contributions in future years if they hope to maximize the allowable amounts. The following breakdown, courtesy of US Bank(, notes some key differences between a traditional IRA, a Roth IRA and a 401(k).

Traditional IRA

Eligibility: Anyone with earned income is eligible to open a traditional IRA.

Funding: A traditional IRA can be funded with after-tax dollars or as tax-deductible contributions.

Contribution limits: $7,000 annual limit in 2024, though individuals age 50 or older can contribute an additional $1,000 if they choose to do so.

Employer match: None.

Investment selection: Account holders can choose their own investments.

Roth IRA

Eligibility: Individuals aspiring to open a Roth IRA are urged to speak with a financial planner or accountant, as certain contribution criteria and tax filing requirements must be fulfilled.

Funding: A Roth IRA is funded with after-tax dollars.

Contribution limits: $7,000 annual limit in 2024, though individuals age 50 or older can contribute an additional $1,000 if they choose to do so.

Employer match: None.

Investment selection: Account holders can choose their own investments.

401(k)

Eligibility: Individuals are urged to speak with human resources professionals at their place of employment, as US Banks notes most employers have certain qualifications their workers must meet in order for them to participate in these plans. Those qualifications can vary between firms.

Funding: A 401(k) is funded with pretax dollars deducted directly from participants' paychecks.

Contribution limits: The annual limit for 2024 is $23,000, though participants age 50 and older can contribute an additional $7,500.

Employer match: Some employers match employee contributions up to a certain percentage. Investopedia notes the average match was 4.5 percent in 2023.

Investment selection: Various portfolios may be offered, but those available are generally chosen by employers.

Individuals aspiring to create financial security in retirement are urged to consider investing via a 401(k) or a traditional or Roth IRA

The Montana Community Foundation and the Montana Endowment Tax Credit create

more...

Mary K. Rutherford
President & CEO
(Helena)

Jessica Stewart-Kuntz
Vice President of Philanthropy
(Helena)

thriving communities

legacies

scholarships

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after school programs

grant funding

possible.

For more than 35 years, thanks to the generosity of passionate donors, the Montana Community Foundation has helped make more possible. Connect with us to learn how you can make MORE possible in your community.

MONTANA COMMUNITY FOUNDATION

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