Estate Planning & Transferring Wealth

AMERICAN PRIVATE WEALTH

This information is written in connection with the promotion or marketing of the matters addressed in this material. The information cannot be used or relied upon for the purpose of avoiding IRS penalties. These materials are not intended to provide tax, accounting or legal advice. As with all matters of a tax or legal nature, you should consult your own tax or legal counsel for advice.

Estate Planning *Does* Affect You

- Tangible property
  - Automobile
  - Furniture
  - Antiques
  - Real estate
- Intangible property
  - Business ownership
  - Investments
  - Life insurance or annuities
  - Checking and savings accounts

The Importance of Estate Planning

- Reduce expenses and taxes
  - Probate
  - Gift and estate
- Make wishes known
- Control asset distribution
- Ease the transition for loved ones
  - Psychological stress
  - Emotional issues

Estate Planning Process – 4 Steps

- Protecting yourself
- Protecting your legacy
- Effective tax reduction strategies
- Implementation

Step 1
What You Can Do To Protect Yourself

- Durable power of attorney
  - Legal directive
  - Decision maker on your behalf
- Medical or advanced directives
  - A “living will”
  - Keep medical care in line with values
- Guardianship
  - Care for minor children
  - Aging parents
- Business transfer
- Life insurance

Life Insurance is For The Living

THE HARTFORD

Create a Strategy for Income for Life's Outcomes

- Acceleration of death benefit
  - Chronic Illness
- Guaranteed Minimum Withdrawal Benefit (GMWB)
  - Living Too Long

How an Insurance Policy Works

- Life Insurance Fees and Charges

Step 2
Protecting Your Legacy

- Understanding estate tax laws
  - Changes resulting from the Tax Relief Act of 2010
  - Options for spouses
- Creating a Will
  - Determining an executor
  - State intestacy laws avoided
- Establishing a trust
- Performing a beneficiary review
  - Retirement plans
  - Life insurance
  - Annuities

The Tax Relief Act of 2010

Federal Estate and Gift Tax Exclusion Amount

Year	Exclusion Amount	Top Tax Rate
2011	$5,000,000	35%
2012	$5,000,000*	35%
2013	$1,000,000**	55%*

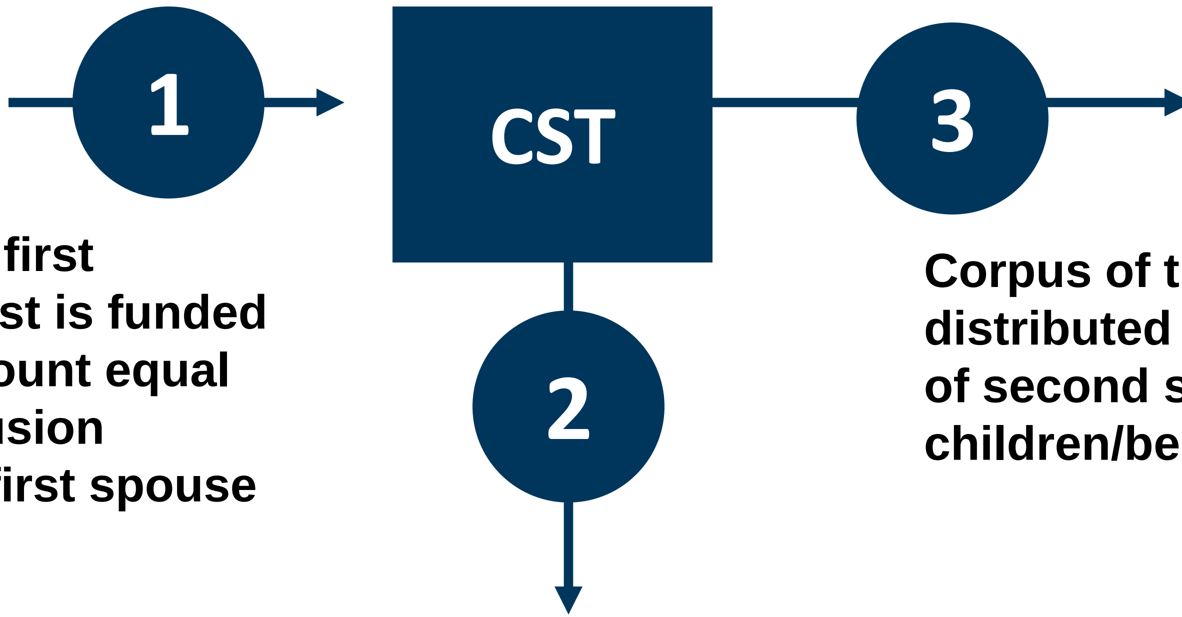
* Indexed for inflation.

**Barring any legislative changes, the 2013 federal estate and gift tax exclusion amount could revert back to $1,000,000 with a top tax rate of 55%.

Portability Exclusion for Spouses

- New provision of the Tax Relief Act
  - Maximization of exclusion amount per spouse
  - Deceased spousal unused exclusion amount (DSUEA)
- Benefits the surviving spouse
- Continued need for planning remains

Credit Shelter Trust



At death of first spouse, trust is funded with an amount equal to the exclusion amount of first spouse

Surviving spouse gets income/principal distributions

Corpus of trust distributed upon death of second spouse to children/beneficiaries

Unlimited Marital Deduction

- Passes assets to spouse 100% free of federal estate or gift tax
- All-to-spouse will
- Joint with right of survivorship

Don’t Forget State Death Taxes

- Estate taxes
  - Vary by size of estate
- Inheritance taxes
  - Vary by degree of blood relationship
- Other
  - Due to change in federal estate tax law

When There's a Will…

- Avoid intestacy
- Reduce expenses, taxes
- Make your wishes known
- Make it easier for your family

The Probate Process

- Assets that are probated
- Associated costs
  - Administrative expenses
  - Attorney fees
  - Valuations and appraisals
- Delay settlement of a will
- Potential unwanted publicity
- Provides closure

Types of Trusts

- Legal entity that can own property and assets
  - Distribution after death
  - Not a replacement for a Will
- Revocable trust
  - Control assets during lifetime
  - Assets titled in trust avoid probate process
- Irrevocable trust
  - No control over assets in trust
  - Reduce taxable estate

Perform A Beneficiary Review

- Review insurance policies and investment accounts, such as annuities and IRAs
- Life changes
- Provide peace of mind
  - Protect and preserve assets for your heirs by ensuring eligible assets have a named beneficiary
  - Achieve goals for leaving a legacy
  - Consider naming a contingent beneficiary
- Avoid probate

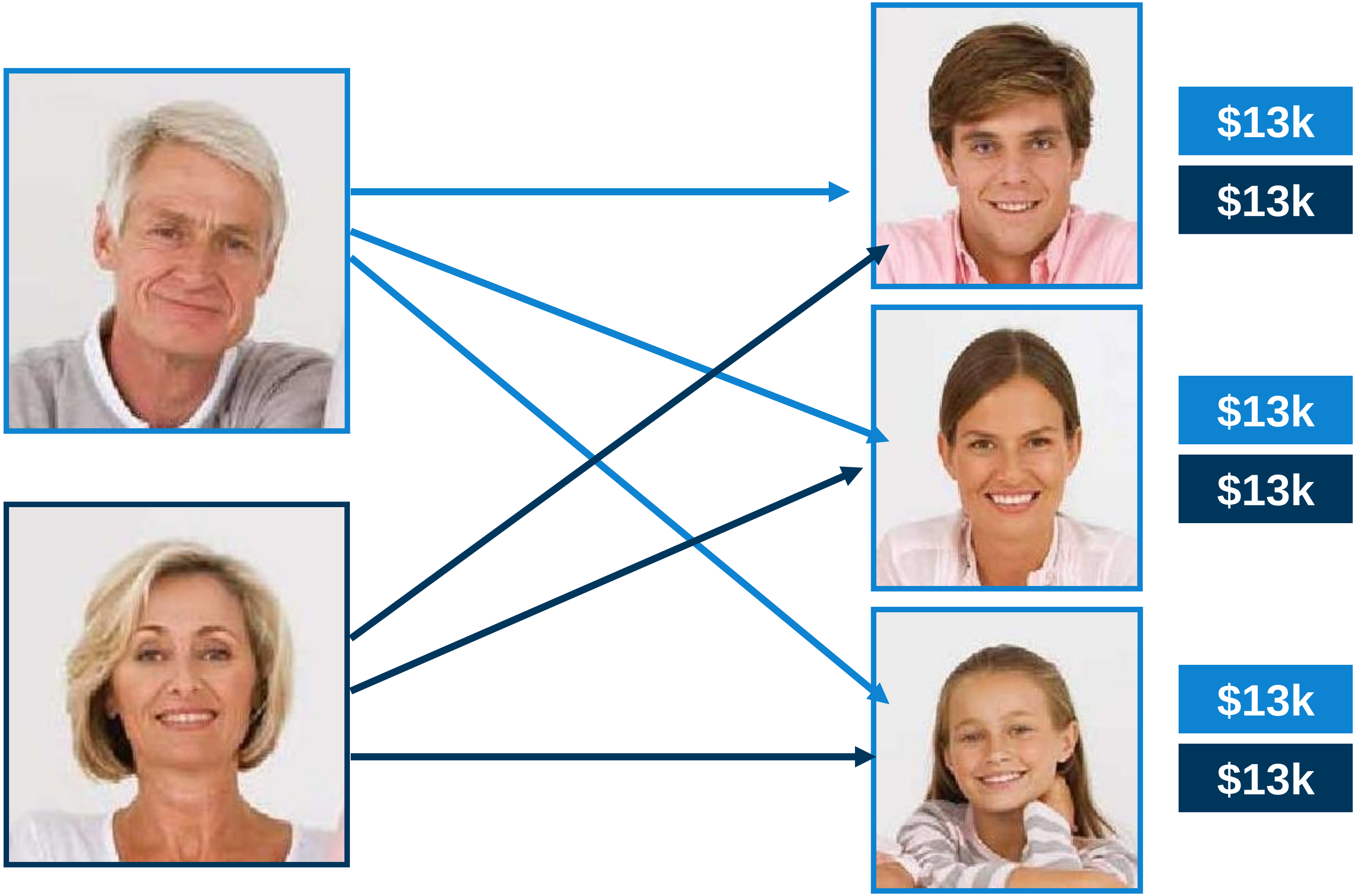
Step 3
Creating Tax Efficiencies

- Lifetime gifts
- Annual gifting
  - Annual exclusion
  - Gift splitting
- Trusts
  - Credit Shelter Trust (CST)
  - Irrevocable Life Insurance Trust (ILIT)
  - Charitable Remainder Trust (CRT)
- Charitable giving
  - Private Foundation
  - Donor Advised Fund (DAF)

Advantages of Making Lifetime Gifts

- Remove assets and appreciation from gross estate
- Potentially reduce current income taxes
- Reduce assets and costs associated with probate process
- See the recipient enjoy the gifted assets

Annual Gifting



To Gift or Not to Gift

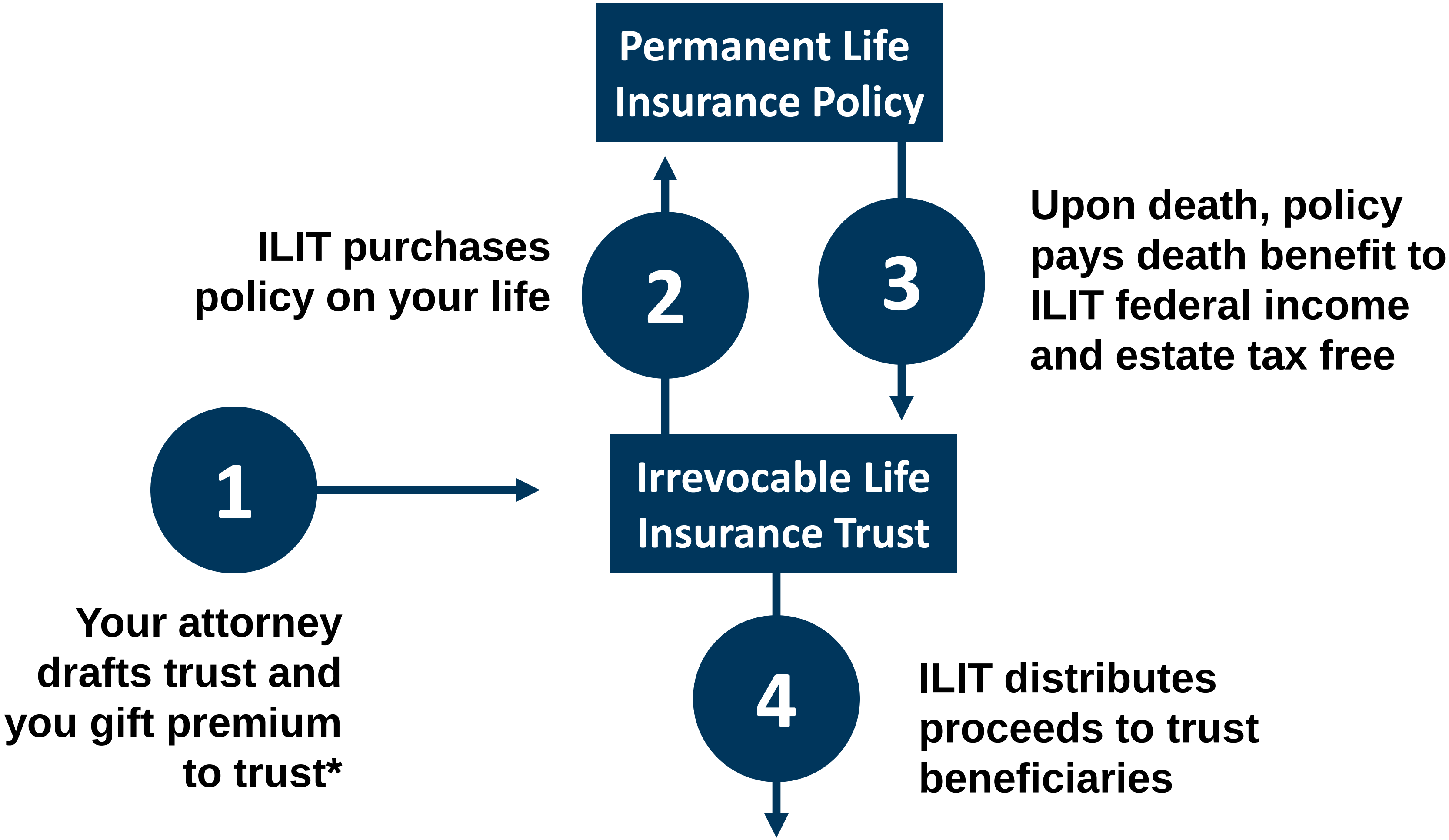
- Annual Gift Tax Exclusion
  - Single person
    - $13,000 per recipient, per year
  - Married couple
    - $26,000 per recipient, per year
  - Must be “present interest”
  - Non-cumulative

- Lifetime Gift Tax Exclusion
  - $5 million of gifting per donor for life
  - In addition to the annual exclusion of gifts
  - Unified with the estate tax
  - Reduces federal estate tax exemption amount
  - Set to sunset January 1, 2013

Transfers in Trust

- Terms of trust established by grantor
- Assets may be professionally managed
- May provide creditor protection over the trust assets
- May protect against any future potential estate taxes

Irrevocable Life Insurance Trust



*There may be federal gift-tax consequences associated with the funding of an Irrevocable Life Insurance Trust.

Life Insurance and an ILIT

- Policy values grow income-tax deferred
- Proceeds are paid income tax free to trust
- Death benefit may be significantly more than the premiums paid
- Provide liquidity in the event estate tax is due
- May equalize inheritances when a large portion of the estate assets (e.g. the family business) will not pass equally

Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges and other charges or fees that will impact policy values.

Charitable Giving Opportunities

- Outright gifts
- Qualified Charitable Distribution (QCD)
- Charitable trusts
- Private foundations
- Donor-advised funds (DAF)

Outright Gifts

Advantages

- Easy
- Immediate recognition
- Immediate income tax deduction
- Maximized income tax deduction

Disadvantages

- No income potential
- Limited flexibility

Qualified Charitable Donations

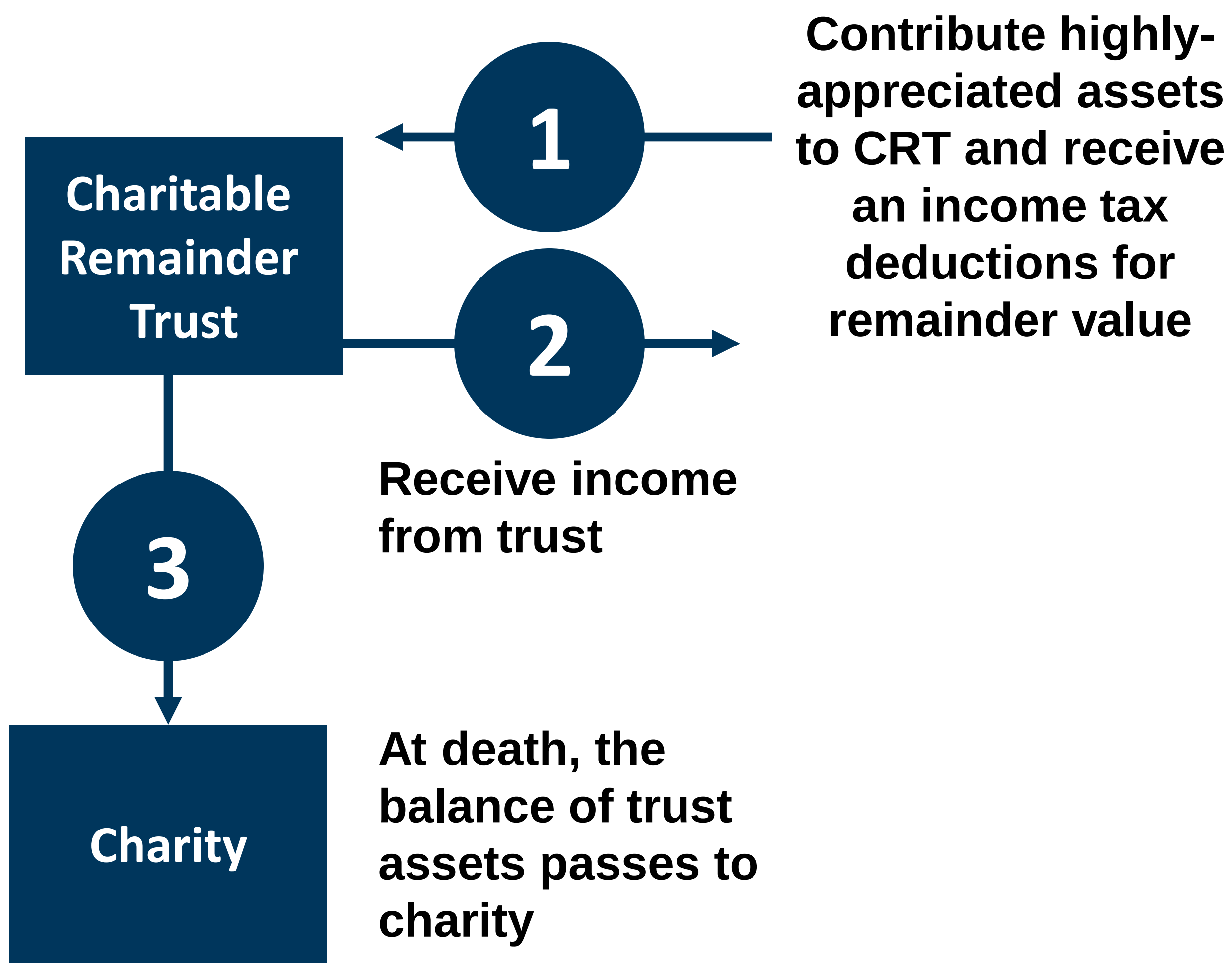
Advantages

- Quick and easy to execute
- Distribution not included as income on tax return
- Distribution taken first from taxable portion of all IRAs
- Can be used to satisfy RMDs

Disadvantages

- Lost accumulation of interest and earnings once distributed
- No income-tax deduction

Charitable Remainder Trust



Private Family Foundations

Advantages

- Perceived prestige
- Flexibility
- Continuity
- May hire staff and receive salary

Disadvantages

- Complex
- Reduced tax deductions relative to AGI levels
- Requires annual distribution

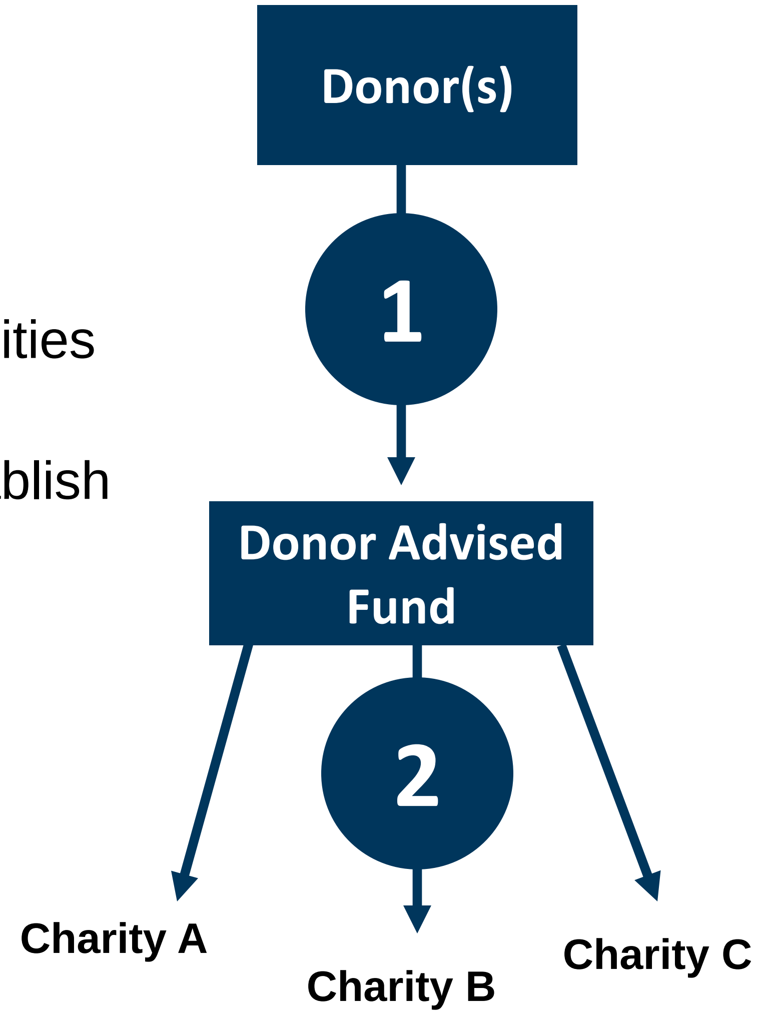
Donor Advised Funds

Advantages

- Build a lasting legacy
- Maximizes income tax deduction
- Flexible contributions
- Donations can be given to multiple charities today or in the future
- Relatively inexpensive and easy to establish
- May use own financial advisor
- Donors may remain anonymous

Disadvantages

- No income potential
- Can only make recommendations
- Irrevocable



Step 4
Implementation

Team Approach

- Attorney
- Financial Advisor
  - Create a plan
  - Implement a plan with the right products
  - Monitor the plan
- CPA
- Hartford Representative

Create The Right Plan For You

An estate plan that includes:

- Distribution of assets according to your values and wishes
- Preservation of assets for your heirs
- Donations to causes you are personally connected to

If you fail to plan, plan to fail!

Important Information

There are complex legal and tax implications associated with the strategies discussed, and you must consult your own tax and/or legal advisors to determine whether or not any strategy is appropriate for you. The Hartford is not authorized to practice law or to provide legal or tax advice.

The potential results indicated by any of these strategies are dependent upon our understanding of current federal income, gift and estate tax laws as presented by the Internal Revenue Service. Any change in such laws or interpretations could affect the result illustrated. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the “Act”) reinstated the federal estate tax and generation skipping taxes and reunified the estate and gift tax basic exclusion amount. Under the Act, estate, gift, and generation-skipping transfers are taxed at a maximum rate of 35%. The individual basic exclusion amount for estate, gift and generation-skipping transfers is $5,000,000, subject to an inflation adjustment in 2012. An individual’s basic exclusion amount for estate tax purposes may be increased by the unused basic exclusion amount of a deceased spouse. The Act expires at the end of 2012, at which time the estate, gift and generation skipping transfer tax exemptions will be reduced to $1,000,000 (the generation skipping tax exemption is indexed) and the maximum rates will be increased to 55%. The uncertainty regarding how the Act might be modified, underscores the importance of seeking guidance from a qualified advisor to help ensure that your estate plan adequately addresses your needs and those of your beneficiaries under all possible scenarios.

Disclosures

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