Northwest Financial Group LLC

Smart Estate Prep for Oregon Families:

Accounts, Beneficiaries & Taxes

1. 10-Minute Legacy Audit

List every account (Taxable, IRA, Roth, 401(k), HSA, life insurance)

Review current + contingent beneficiaries: are they correct and dated? Y ☐ N ☐

Check titling: single/joint/trust — consistent with your plan?
Y ☐ N ☐

Note location of key documents and executor contact:

Document Type	**Location**	**Executor Contact**
Will		
Trust		
POAs		
Insurance		
Other		

2. Heir-By-Heir Tax Map

Who inherits what (by account type) and their likely tax bracket.

Complete this simple worksheet to re-align assets so low-tax heirs take more tax-heavy assets (and vice versa), where appropriate.

Part 1: Current Asset Distribution (Example)

Heir	Relationship	Likely Tax Bracket	Account Type(s) Inherited	Estimated Value	Tax Treatment Notes
Heir A	(e.g., Daughter)	12%	Traditional IRA	$	Ordinary income when withdrawn
Heir B	(e.g., Son)	35%	Roth IRA	$	Tax-free withdrawals
Heir C	(e.g., Grandchild)	22%	Brokerage Account	$	Step-up in basis at death

Current Asset Distribution (Fill Out)

Heir	Relationship	Likely Tax Bracket	Account Type(s) Inherited	Estimated Value	Tax Treatment Notes

Part 2: Re-Alignment Planning (Example)

Account Type	Current Heir	Proposed Heir	Reason for Change (Tax Efficiency)
Traditional IRA	Heir B (35%)	Heir A (12%)	Lower bracket → less tax on withdrawals
Roth IRA	Heir A (12%)	Heir B (35%)	Higher bracket → benefits more from tax-free growth
Brokerage	Heir C (22%)	Keep	Step-up in basis makes this neutral

Re-Alignment Planning (Fill Out)

Account Type	Current Heir	Proposed Heir	Reason for Change (Tax Efficiency)

3) Beneficiary & Titling Hygiene

TOD/POD Setup checklist (per eligible account)

- Request TOD/POD forms (bank/brokerage/HSA where supported).
- Mirror primary/contingent structure and percentages.
- Match names exactly across all accounts and documents.
- Submit, receive confirmation, and save to vault.

Trust alignment: do designations match the documents?

- Trust name/date:
- Successor trustee(s):
- Accounts intended for trust are titled IN the trust (funded).
- Accounts intended to pass by beneficiary (IRA/401k/life) name persons or trust as drafted.
- Special intent (spendthrift/charity/special needs) aligns with designations.
- Pour-over will, POAs, healthcare directives signed and stored.
- Trustee, executor, and advisor have access to “asset map” and vault.

4. Charitable Intent, Done Right

DAF/QCD overview and when each is useful.

Donor-Advised Funds (DAFs) and Qualified Charitable Distributions (QCDs) are two of the most powerful tools for tax-smart charitable giving, but they serve different purposes and fit different life stages.

Donor-Advised Funds (DAF)

What it is: A DAF is like a charitable investment account, sponsored by a public charity (e.g., American Endowment Foundation). You contribute assets, get an immediate tax deduction, and then recommend grants to charities over time.

Key Features

- ✅ Immediate charitable deduction in the year of contribution
- ✅ Can donate **appreciated assets** (stocks, mutual funds, even private business interests) to avoid capital gains tax
- ✅ Funds can be invested and grow tax-free until granted
- ✅ Flexible timing: contribute in a high-income year, then spread out grants later
- ❌ Once contributed, funds are irrevocably committed to charity (no take-backs)

Suitable For

- High-income earners looking for a deduction in a peak year
- Families who want to create a long-term charitable giving plan
- Donors with appreciated assets they'd like to give tax-efficiently

Qualified Charitable Distribution (QCD)

What it is: A QCD is a direct transfer from your **IRA** (not 401(k)) to a qualified charity. Available once you're **70½ or older.**

Key Features

- ✅ Counts toward your **Required Minimum Distribution (RMD)** once you're 73
- ✅ Excluded from taxable income (lowers Adjusted Gross Income)
- ✅ Can reduce exposure to Medicare surtaxes and taxation of Social Security
- ✅ Annual limit: up to **$108,000 per person (2025)**, indexed for inflation
- ❌ Must go directly to the charity (cannot go into a DAF or private foundation)

Suitable For

- Retirees who don't need all their IRA distributions for living expenses
- Those who want to lower taxable income (not just get a deduction)
- Donors who take the standard deduction and wouldn't otherwise itemize

When Each is Useful

Scenario	Better Tool
You're 45, sold a business, and want a big deduction this year but spread giving over decades	**DAF**
You're 72, have large RMDs you don't need, and want to reduce taxable income	**QCD**
You want to donate appreciated stock without paying capital gains	**DAF**
You don't itemize deductions but still want tax benefit from giving	**QCD**
You want to involve kids/grandkids in long-term family philanthropy	**DAF**

"Give now vs. give later" decision prompts.

DAF vs. QCD: Give Now vs. Give Later Prompts

Give Now (Immediate Impact)

Ask Yourself:

- Do I want my gift to **reduce this year's taxable income?**
  - **DAF:** Contribute appreciated assets or cash in a high-income year for an immediate deduction.
  - **QCD:** If 70½+, send IRA dollars directly to charity to lower AGI and possibly Medicare premiums.
- Am I facing a **large capital gain** (sale of stock, business, real estate)?
  - **DAF:** Donate appreciated assets now to avoid capital gains tax.
- Do I need to **satisfy my RMD** but don't want the income?
  - **QCD:** Directly offsets RMD without raising taxable income.

- Do I want the charity to **benefit right away**?
  - **QCD:** Funds flow directly to the nonprofit.
  - **DAF:** You can grant immediately, but you also have the option to delay.

Give Later (Strategic / Deferred Impact)

Ask Yourself:

- Do I want to **spread out giving over years** while locking in a deduction now?
  - **DAF:** Contribute in a peak income year, then recommend grants later.
- Do I want to **involve family** in long-term philanthropy?
  - **DAF:** Acts like a family giving account, with flexibility to grant over decades.
- Am I under 70½ and not eligible for QCDs yet?
  - **DAF:** The only option until you reach QCD age.
- Do I want to **invest charitable dollars for growth** before granting?
  - **DAF:** Contributions can be invested tax-free until distributed.

Quick Decision Prompts

- High income this year, under 70½ → DAF
- Over 70½, want to reduce RMDs → QCD
- Want to donate appreciated stock → DAF
- Want to lower AGI (not just get a deduction) → QCD
- Want to create a family legacy of giving → DAF

5. Survivor Risk

Survivor Risk Checklist

1. Income Drop Risks

- [ ] Loss of one Social Security benefit (survivor keeps the higher, but loses the other)
- [ ] Reduction or loss of pension income (depending on survivor benefit elections)
- [ ] Loss of annuity payments if not structured with survivor continuation
- [ ] Decrease in portfolio withdrawals (if assets were jointly managed or one spouse was more risk-tolerant)
- [ ] Loss of employment income (if one spouse was still working)

2. Tax Bracket Jump Risks

- [ ] Filing status changes from Married Filing Jointly → Single, often doubling effective tax rates on the same income
- [ ] Required Minimum Distributions (RMDs) continue for the survivor, but taxed at higher single rates
- [ ] NIIT (Net Investment Income Tax) thresholds drop for single filers ($200k vs. $250k for joint)
- [ ] Medicare IRMAA surcharges more likely due to lower thresholds for singles
- [ ] Capital gains and dividends taxed at higher marginal rates

Action Items that Aim to Protect the Surviving Spouse

- [ ] **Life Insurance Review:** Ensure coverage is sufficient to replace lost income streams.
- [ ] **Roth Conversions:** Consider partial conversions while both spouses are alive and filing jointly, to reduce future RMDs and single-filer tax exposure.*
- [ ] **Pension/Annuity Elections:** Review survivor benefit options with a goal of guaranteeing income continuity.**
- [ ] **Trust & Estate Planning:** Confirm titling, TOD/POD designations, and trust alignment to avoid probate and ensure smooth transfer.
- [ ] **Social Security Strategy:** Optimize claiming to maximize survivor benefits.
- [ ] **Beneficiary Designations:** Double-check all accounts (IRAs, 401(k)s, life insurance, brokerage) for accuracy.
- [ ] **Healthcare Planning:** Anticipate Medicare premium jumps and consider supplemental coverage.
- [ ] **Cash Flow Stress Test:** Model survivor's budget with reduced income and higher taxes.

6. 90-Day Clean-Up Sprint

- Week 1–2: inventory + document roundup
- Week 3–6: beneficiary/titling fixes
- Week 7–10: charitable and heir alignment
- Week 11–12: review + finalize

7. Red Flags (Self-Score)

- Outdated beneficiaries, conflicting titling, no survivor tax map, no charitable plan but intent exists, all pre-tax assets going to highest-tax heir.

8. Next Steps

Book a “20-Minute Legacy Tax Review” with us!

We’ll map heirs, fix designations, and outline your tax-smart inheritance plan—fast.

Contact Us to Book a Call:

Email: nfg@nw-financial.com

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*Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. (22-LPL)

**Guarantee is backed by the claims-paying ability of the insurer.