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HOLMES & GRIFFETH
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The Nest Egg

Protecting, Preserving and Building Our Clients' Assets

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The Advantages of a Family Trust

Family trusts are an important tool for managing wealth across multiple generations. They can help you avoid the time-consuming and costly process of probate, keep your assets private, minimize taxes, and ensure that your wealth is distributed according to your wishes.

Family trusts tend to be most appropriate for families with large estates or a complicated mix of assets. Depending on your needs, they can help provide for a surviving spouse and other heirs, safeguard assets until beneficiaries have reached adulthood, set conditions on distributions that align with your values, or provide for a child with special needs while still giving them access to government benefits.

What is a family trust?

A trust is a vehicle that holds and distributes assets. A grantor places trust assets under the management of a trustee on behalf of a beneficiary. In a family trust, the beneficiary is related to the grantor. For example, parents or grandparents might be grantors, while children, grandchildren, nephews, and nieces might be beneficiaries.
Family trusts offer several advantages in estate planning.

- Greater control. When you establish a family trust, you can set specific conditions on when and how your assets are distributed. For example, you can decide that beneficiaries only access the assets when they reach a certain age or milestone, such as graduating from college.

- Greater privacy and quicker distribution of assets. Because a family trust will typically avoid probate, trust assets may be able to remain private and pass more quickly to beneficiaries.

- Potentially lower estate taxes. Depending on how the trust is set up, trust assets may no longer be part of your estate and therefore not subject to estate taxes.

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Revocable vs irrevocable trusts

While there are several types of family trusts, they fall into two main categories: revocable and irrevocable trusts.

Revocable trust. A revocable trust allows the grantor to modify the terms of the trust, or even dissolve it after it's established. The assets in a revocable trust remain a part of your taxable estate while you're alive, so it provides no immediate tax advantages. Although, when you die, the revocable trust will help prevent your assets from getting caught in probate.

Irrevocable trust. An irrevocable trust usually can't be modified once established. It allows you to effectively remove assets from your taxable estate before they are eventually distributed to your beneficiaries. They can be particularly powerful tools if your estate is larger than the estate and gift tax exemption of $12.06 million per individual and $24.12 million per couple, in 2022.

How to set up a family trust

Family trusts can be complicated, and you'll need the services of an estate planning attorney to ensure that yours is set up correctly. Speaking with a financial advisor can help you consider how a family trust may fit into your estate plan and which type best suits your needs.

For example, if your estate falls below the estate tax exemption, it might make sense to set up a revocable trust and retain the right to alter the terms of the trust while avoiding probate and maintaining privacy. If your estate exceeds the exemption, it may be better to establish an irrevocable trust to minimize taxes.

If you are comfortable, your financial advisor can also help educate your beneficiaries on how the trust you chose works and the provisions you've made. They can help ensure that trust distributions are made on time, monitor changes in your financial plan and trust law, and make changes to your trust & financial plan as necessary.

SOURCES:
https://trustandwill.com/learn/family-trust
https://www.investopedia.com/terms/i/irrevocabletrust.asp
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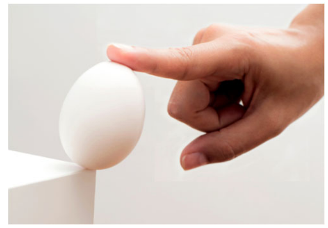

Getting to Know Your Risk Tolerance

When constructing a portfolio, it's critical to understand three important factors: your goals, your time horizon, and your risk tolerance. Of those three, risk tolerance can be the trickiest to get a handle on, especially since it can be determined in large part by your emotions and how well you handle turbulence in the market. Here's a look at what you need to know.

What is risk tolerance?

To begin getting a handle on risk tolerance, it's important to understand that different investments have different risk and reward profiles. For example, stocks tend to be relatively risky investments; prices can fluctuate widely in the short term. In return for taking on this risk, stocks offer investors higher potential returns. Bonds, on the other hand, present much less risk. While it's possible that bond issuers could default, generally speaking, investors receive their investment back plus interest. Bonds' lower risk profile translates into lower potential returns for investors.

Risk tolerance refers to how much money an investor is willing to lose in the short term for a shot at greater potential gains over the long term. Everyone's risk tolerance is going to be different and will depend on several factors, including age, income, overall assets, long-term financial goals, & personality.

How to determine your risk tolerance

To figure out your risk tolerance, it can help to ask yourself questions such as:

- What are my investment goals?
- How much investment capital do I have to work with, and do I have other sources of income?
- What is my time horizon? When will I need to liquidate my investment?
- How much of my investment can I stand to lose if the market crashes?

With a clear idea of financial goals in mind, an investor is better positioned to determine what sort of investment assets are

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likely to help achieve those goals. For example, investors saving for retirement may want to take advantage of the growth potential offered by stocks.

Investors with a stable source of income at their disposal may be in a position to take on more risk with their investable assets.

Time horizon is closely tied to risk tolerance. For example, a younger investor saving for retirement may be willing to devote a higher portion of their portfolio to riskier investments, such as stocks, because they have more time to ride out market volatility and recoup potential losses down the road. Once that same investor begins approaching retirement age, they may find they need the return on their investment to be more predictable, and their risk tolerance will decrease. At that point, they may begin to shift their asset allocation to lower-risk investments, such as bonds and cash.

Finally, it's important to know yourself. What types of investment decisions will keep you up at night? If you're losing sleep over market volatility, for example, it might be a good sign that it's time to consult your financial advisor about building a more conservative portfolio. If you're someone with a hardier disposition who makes an investment and doesn't even look when markets get bumpy, you may be able to tolerate a riskier portfolio.

Developing your portfolio

Once you understand your risk tolerance, you can work with an advisor to allocate assets in your portfolio accordingly. With a high-risk tolerance, you might hold 90% of your portfolio in stocks with just 10% in more conservative investments, for example. With a low-risk tolerance, you might hold 50% of your portfolio in stocks.

Your advisor can help you use other tools, such as diversification, to help manage risk and volatility within your portfolio. Holding many types of assets across factors such as sector, size, and geography can help ensure that while some investments may be struggling at a given moment, others may outperform.

Sources
https://www.investor.gov/introduction-investing/getting-started/assessing-your-risk-tolerance
https://www.cnbc.com/select/how-to-figure-out-your-risk-tolerance-investing/

WHAT IS YOUR 2023 MONEY RESOLUTION?

"I resolve to save towards my child's (or grand-child's) college education."

⇒ 529 plans are a great option for investing towards children's future. Call and schedule an appointment to discuss with Brian.

"I resolve to get my estate plans in order."

⇒ We have a fillable "Estate Planning Guide" that you can pickup at your next appointment, or we can drop in the mail to you. We also work with local attorneys if you are needing to get your will, power of attorney, health care directive, or trust in place.

"I resolve to invest in my retirement."

⇒ You can setup monthly contributions to max out your IRA contributions for the year. You also still have time for making a contribution for 2022 – the IRS allows you to make contributions to your IRA plans for 2022 until 4/15/2023.

"I resolve to look into insurance options."

⇒ Did you know we have options for long term care insurance and life insurance? Feel free to discuss at your next review, or call and schedule an appointment.

What good is the warmth of summer, without the cold of winter to give its sweetness? - John Steinbeck

The color of springtime is in the flowers. The color of winter is in the imagination. - Terri Guillemets

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www.holmes-griffeth.com

If you still need a calendar for 2023, stop by our office and pick up a free one!

WHILE SUPPLIES LAST.

ANNUAL SHRED EVENT
FRIDAY APRIL 21ST

CLIENT APPRECIATION PICNIC
FRIDAY JUNE 2ND

OZARKS FOOD HARVEST
THE FOOD BANK

Together, with your contribution to the Ozarks Food Harvest, we exceeded our goal and were able to provide 4,130 meals to families in the Ozarks!

We appreciate your generosity!