Trust UPDATE

Stillman BANK

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Financial management for single seniors

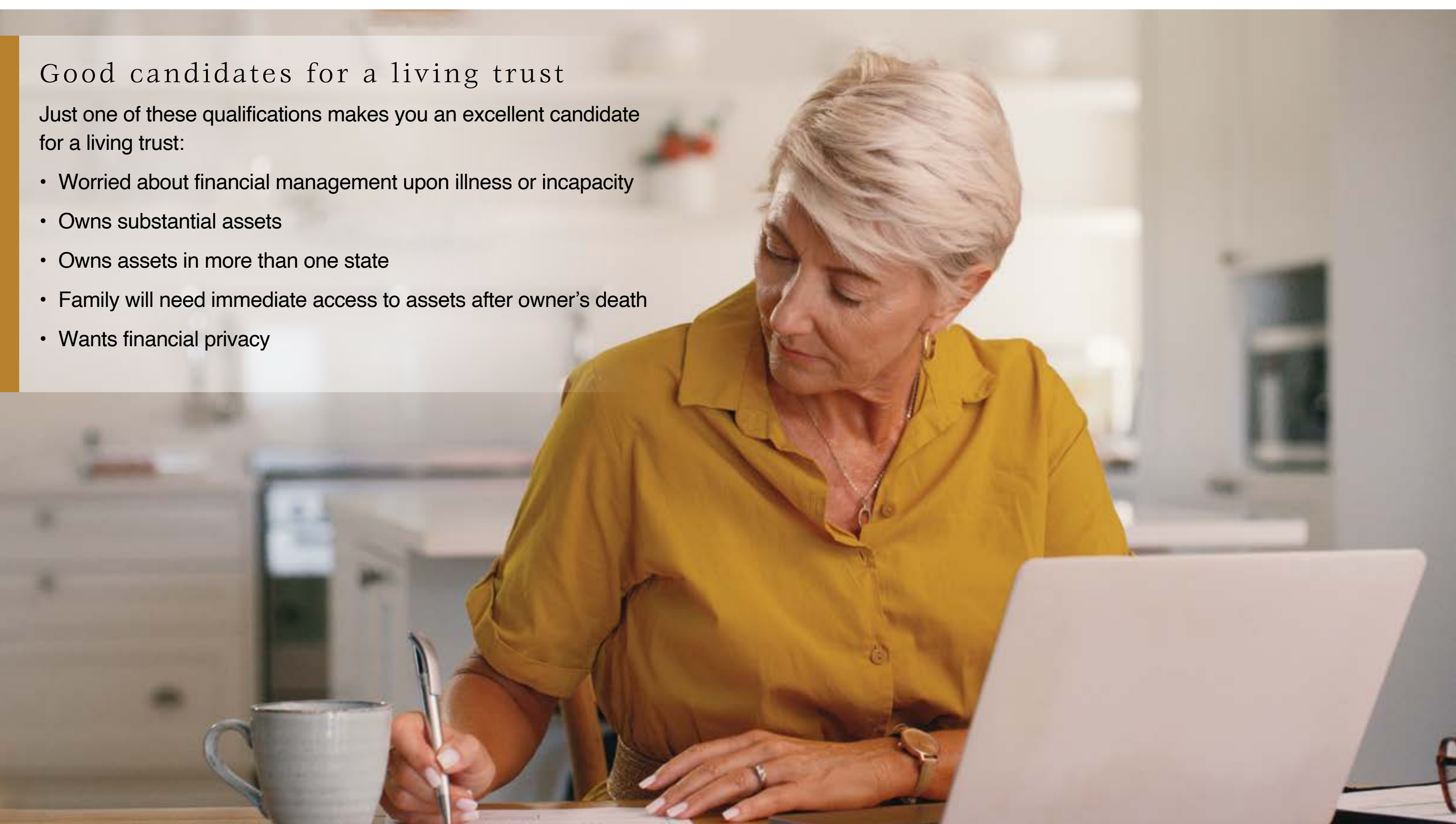
Facts of life: Most retirees will be single for some period of time, and most of those singles will be women. Throughout the life cycle, financial planning for singles differs from planning for couples. Obviously, there is only a single set of assets to work with and no surviving spouse to plan for. Less obviously, taxes are higher for singles, and they have no partner to fall back upon in case of adversity.

These differences become especially acute for single seniors, as they have less room for error in their financial management. When the single senior is a widow or widower, it is often the case that the deceased spouse was the financial manager for the couple, making singlehood doubly difficult.

Be organized

Getting one's financial house in order is generally the first order of business. One must determine financial needs for the balance of retirement and assess the resources available to meet those needs. Tax planning and investment strategies will need to be reviewed and monitored.

Some experts counsel seniors to consolidate their financial accounts when possible. Fewer accounts will mean less paperwork, freeing up time to monitor each remaining account more closely. Making the paperwork more manageable will make it easier to stay on top of bills, avoiding late fees and reducing interest charges. One may also notice a discrepancy or be able to take advantage of an opportunity, given more time for review.



Good candidates for a living trust

Just one of these qualifications makes you an excellent candidate for a living trust:

- Worried about financial management upon illness or incapacity
- Owns substantial assets
- Owns assets in more than one state
- Family will need immediate access to assets after owner's death
- Wants financial privacy

A net worth statement may tell you where you stand and help to create organization for your financial management. Your net worth is the sum of your assets minus your liabilities. If it's a negative number, you will need to face reality and develop a plan to get out of debt. A net worth statement will also help you to determine the insurance coverage you need to protect your assets.

Financial planners generally recommend having an emergency fund sufficient to cover nine to 12 months of your expenses. Keep your debt and your recurring expenses as low as possible, and try to have living quarters that fit you.

Hard questions

For single seniors, the most vexing problems are associated with incapacity. Should you become incapacitated, temporarily by illness or permanently through aging:

- Who will pay the bills?
- Who will track the investments?
- Who will make decisions about real estate?
- Who will make certain that the taxes are paid?
- Who will balance the checkbook?

The first solution that comes to mind for these questions is the *financial durable power of attorney.* This document allows another person to step into your shoes, financially speaking, and make binding decisions on your behalf. A durable power of attorney may be as broad or as limited in scope as needed to make you comfortable. You'll need to see your lawyer to have the power of attorney drafted and executed.

Another axis of anxiety concerns health care. In this area, you may need:

- a health care power of attorney, with medical instructions to be followed if you are incapacitated;
- a Health Information Portability and Accountability Act (HIPAA) authorization, so that your agent has full rights to your medical records;
- a health care proxy that may give someone decision-making power at the end of life;
- a living will that outlines your expectations for medical care near the end of your life.

The living trust

A *trust arrangement* offers comprehensive protection that can last as long as it is needed.

You create the trust now. The trust agreement is revocable, meaning that you can make changes to it at any time, even canceling the agreement if you see fit. Initially, the agreement may call for you to be consulted before investment decisions are implemented with regard to the assets placed in the trust.

Our responsibility as trustee includes everyday investment chores—we buy and sell as you instruct us, collect dividends and interest income for you, and maintain accurate records of all transactions. We'll also keep you posted regarding important deadlines that affect your holdings.

When and if you become incapacitated, or upon your request, we will spring into action by taking over the full management of your assets, acting as you have directed in the agreement. In addition to handling your investments, our responsibility may be extremely wide-ranging. You may authorize us to use trust income to employ household help, hire nurses, and even pay your monthly bills.

The trust can be integrated into your overall estate planning as well. You can make provision for assets that have not been placed in trust during your lifetime to pour over into the trust at your death. You can fashion an agreement that allows you to distribute your assets as you wish at your death, taking tax considerations into account.

For more information

As the table below shows, the living trust is not a panacea; it doesn't solve every financial or investment problem. Still, a trust can be the cornerstone for successful financial and estate planning. If you are a single senior, or if you know one, please make an appointment to meet with one of our officers to learn more about this important service. ☐

Will and won't of the living trust

A LIVING TRUST CAN	BUT A LIVING TRUST WON'T
Help manage your financial life in case you become ill or incapacitated	Reduce or avoid taxes
Transfer assets to your beneficiary	Affect jointly owned property or accounts payable to a beneficiary
Protect your privacy	Protect assets from creditors
Avoid probate	Make a will unnecessary

Notes on the "One Big Beautiful Bill Act"

On May 22, the House passed the tax reform and spending cuts legislation, with the working title of "One Big Beautiful Bill Act." The legislation goes next to the Senate, and finally to a Conference Committee to iron out any differences.

The key estate planning news is that the bill would boost the federal estate and gift tax exemption permanently to $15 million, with future inflation adjustments. Although some had advocated for outright repeal of the federal estate tax, other commentators observed that the permanently enlarged exemption would create greater stability and certainty in estate planning, as it wouldn't upend the assumptions underlying existing estate plans.

Other important changes include:

- The expiring provisions of the Tax Cuts and Jobs Act of 2017 will not expire at year-end, which heads off a scheduled tax increase for 62% of taxpayers. This includes the wider tax brackets, the increased standard deduction, the increased exemption for the alternative minimum tax (AMT), and the elimination of the personal exemption.
- Repeal some of the tax subsidies for "green" energy, as enacted in the Inflation Reduction Act.
- For tax years from 2025 through 2028, tip income would be deductible for some individuals; the premium portion of overtime pay would be deductible for some taxpayers; interest on auto loans for autos with final assembly in the U.S. would be deductible; and most seniors would get an enlarged standard deduction. The enlarged deduction for seniors is apparently in lieu of making Social Security benefits totally tax-free, and it phases out for higher-income seniors.
- There will be higher taxes on endowments and private foundations.

Revenue effects

The Joint Committee on Taxation revenue estimates [JCX- 22-25 R] show that the largest ten-year impacts would come from the extension of current tax rates ($2.17 trillion), the current AMT rules ($1.41 trillion), and the enlarged standard deduction ($1.30 trillion). These are offset by a revenue gain of $1.86 trillion from the permanent repeal of personal exemptions. Extending the deduction for state and local taxes with a higher cap will increase projected revenue by $915 billion.

The permanent $15 million estate and gift tax exemption is projected to reduce revenue by $211 billion over ten years. The four items requested by President Trump (such as no taxes on tips or overtime) combined would reduce revenue by $293 billion because they expire after four years.

A Tax Foundation study of the proposed legislation found that projected federal tax revenue would fall by $4.1 trillion over the ten-year budget window. The tax changes would boost the economy by 0.6%. With a dynamic analysis that takes the economic effects of taxes into account, the revenue shortfall is reduced to $3.3 trillion.

The tables below show the top five tax cuts and the top five revenue raisers, according to the Joint Committee analysis. ☐

Five biggest tax cuts

(in billions of dollars)

Extend and modify rates	($2,177)
Extend AMT exemption	($1,414)
Extend standard deduction	($1,308)
Extend and expand pass-through deduction	($820)
Extend and modify increased child tax credit	($797)

Source: JCX- 22-25 R

Five biggest revenue raisers

(in billions of dollars)

Terminate personal exemption deduction	$1,870
Extend limit on individual SALT deductions	$916
Phase out clean energy investment credit	$154
Enforce remedies against unfair foreign taxes	$116
Terminate commercial clean vehicle credit	$104

Source: JCX- 22-25 R

A trustee removal story

This true story was reported in the Ohio appellate decisions.

Roger Glass had three testamentary documents. The first, executed in February 2022, was a will that left his residuary estate to his husband, Larry Mullins. Larry was named the executor of the estate. The second was a revocable living trust, which held shares in a private company, Marene, Inc., as well as an Ameriprise Brokerage Account. The trust beneficiaries were the three daughters of Roger's sister, Carol Pollock. Larry became the trustee of the living trust at Roger's death. Finally, the Roger Glass Stock Trust was to hold shares in Marene for Roger's benefit during his life. At his death, Roger's sister became the trustee of this trust, and the remainder beneficiaries were the same three nieces.

Roger died in August 2022. Said the Court: "At some point following the death of Roger Glass, Mullins made a determination that the Marene stock had not been transferred to either trust and that it had become a part of Glass's estate, which thus passed exclusively to Mullins."

In July 2023, Carol and her daughters filed a lawsuit demanding that Roger's testamentary plan be carried out, and that Larry be removed as the trustee of the living trust. He filed a counterclaim seeking a judgment that he was the sole legal owner of the Marene shares. The probate court removed Larry as trustee, and he appealed.

The appellate court noted that a trustee may only be removed for a "serious breach of trust." "Serious" is not defined. A serious breach of trust might be a single act that causes significant harm, or it might be a series of small breaches that individually do not justify removal, but do so when considered together. The duties of a trustee are spelled out in the Ohio statutes, and among them is a duty to communicate with beneficiaries.

Among Larry's lapses in this regard, he:

- never advised the beneficiaries of the existence of the trust or their right to a copy of the trust document;
- never notified them of his acceptance of the trusteeship or his contact information;
- failed to keep them reasonably informed about the administration of the trust.

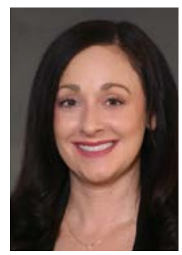
What's more, the Court said that there was no evidence Larry had taken any steps at all to administer the trust! He was unable to provide any evidence at trial about the status of the brokerage account, for example, and had given the beneficiaries no information about the account. Because Larry failed to meet his statutory duties as trustee, his removal from that post was confirmed by the Court. The decision did not identify a successor trustee.

Choosing a spouse or family member as executor or trustee might seem like a good idea, but a neutral, professional fiduciary, such as us, is often the better choice. With a trust company or bank trust department, conflicts of interest are avoided. Implementation of testamentary wishes becomes far more likely. ☐

Our Trust & Wealth Management Team

J. Joseph McCoy, JD
Vice President and
Senior Trust Officer
(815) 332-8871
josephm@stillmanbank.com

Jenny Redington, CFP®, CRPC ™
Financial Advisor
(815) 332-8853
jenny@stillmanbank.com



Aimee Bruemmer
Associate Portfolio Manager
(815) 332-8864
aimeeb@stillmanbank.com

Contact us today for a no-cost,
no-obligation consultation.

Stillman BANK

Trust & Wealth Management
8492 E. State Street • Rockford, IL 61108
815-332-8850
www.stillmanbank.com