Protect and provide for your family

– *A guide to survivorship planning* –

This ***Guide to Planning for Survivorship*** outlines the key steps for simple, manageable survivorship planning. It also provides a checklist for your survivors.

If you need assistance along the way, call our **free Financial Advice Center: (800) 292-8823.**

Peace of mind for your family's future.

Start the process –
3 easy steps to getting organized

Breaking down the process into manageable steps
will help you develop a successful plan.

Step 1: Get organized

Locate your important documents

- Birth and marriage certificates
- Social Security card
- Military ID card and military separation certificate (DD Form 214) or retirement orders
- Real estate deeds and titles to automobiles, boats, RVs, etc.
- Will and trust documents with your accompanying letter of instruction
- Living will, durable power of attorney, or durable health care power of attorney
- Insurance contracts/policies
- Other documents unique to your circumstances

Include these and update regularly

- Bank and investment account statements
- Profit sharing and pension plan statements
- Tax returns for the last seven years
- Current W-2 forms
- Beneficiary designations

Step 2: Keep documents secure

Store original documents in a safe deposit box, a home safe, or a fireproof box. Photocopies of pertinent pages and beneficiary designations should be accessible and reviewed periodically.

Authorize access to your safe deposit box for your spouse, executor, or designated family member.

Step 3: Inform your family

Your spouse, family members, or a trusted friend should know where to find your important documents.

Create a letter of instruction that includes:

- **Who to notify first.** Family members and friends, as well as your attorney, accountant, and financial advisor.
- **Contact names.** Include business associates, company benefits administrators, physicians, household services, veterinarians, etc.
- **Funeral instructions.** Include the type of ceremony, cost limits, any prepaid arrangements, and details on disposition of remains.
- **Intended use of life insurance proceeds.**
- **Inventory list of holdings.** Investments, insurance policies, important personal financial matters, plus debts you owe or that are owed you.
- **Passwords, keys, security codes, and any disks** that contain your stored information.
- **Comforting thoughts for your loved ones.**

Provide your doctor with a copy of your medical powers of attorney.

TIP: Review your beneficiaries – Verify your beneficiary designations for IRAs, pensions, 401(k) plans, life insurance, and annuities. Check with your financial advisor before naming a minor or an estate as a beneficiary.

Who gets what –
Leave your assets to those you care most about

Deciding how to leave your wealth and possessions to your loved ones is important.

Easy transfer of accounts

Joint accounts are an easy way for proceeds to pass to your survivors and to provide cash for immediate expenses.

There are several types of joint accounts, each with different legal and tax aspects. Consult an advisor to be sure the account works the way you intend.

- **A basic joint account with "tenants in common."** Upon death of one owner, ownership of the account is determined through probate.
- **Joint Tenants with Rights of Survivorship (JTWROS).** When one owner dies, the title passes automatically to the surviving joint owner, thus avoiding probate.
- **Payable on Death (POD)** is used to name beneficiaries on savings and checking accounts, CDs, savings bonds, etc. With a POD, money goes to a designated beneficiary without going through probate.
- **Transfer on Death (TOD)** is used for brokerage accounts or mutual funds, and works like a POD.

Make or update your will

A will is the foundation to a good estate plan, ensuring your wishes are carried out. Without one, the state can decide distribution of your property or the guardians for your minor or disabled children.

Enlist professional help for assistance to draft and execute your will.

Choose your executor carefully. This person must use good judgment in carrying out your wishes. Name co-executors for a large estate.

Disability planning documents

A durable power of attorney document goes into effect if you become unable to manage your own personal and financial affairs. Draft a new one every three to five years to show your intentions have not changed.

A living will or durable health care power of attorney designates medical services if you cannot make appropriate medical decisions. Provide your physician with a copy.

Creating a trust

A trust can hold anything of value, such as cash, life insurance policies or proceeds, real estate, jewelry, art, stocks, bonds, or certificates of deposit for the benefit of you or your beneficiaries.

A trust can be used to:

- Manage your affairs if you cannot
- Reduce or eliminate probate
- Provide for children from a previous marriage
- Make bequests to charitable organizations
- Provide security for a handicapped or minor child

Draft your trust with an estate-planning attorney. Costs will vary depending on the complexity of your estate and the attorney selected.

TIP: Review your will, trust, and powers of attorney whenever you experience a major life change, such as marriage, divorce, birth, a death in the family, a move to another state, or a significant change in assets.

Select a trustee who is able to make sound decisions with no conflict of interest. Choose more than one successor. Because trusts can be complicated and time-consuming to administer, many people choose an institution with professional trust administrators as their trustee.

Consider gifting

Gifting reduces estate – and possibly income – taxes, allowing transfer of assets to heirs while you are living. Annual gifts of up to $11,000 per person are gift-tax free.

Exceptions are:

- Contributions to a 529 college savings plan*
- Payment for qualified medical bills
- Direct tuition payments

TIP: Consult your estate-planning advisor before transferring certain types of assets to your heirs. Some items are best distributed after death, such as highly appreciated stock, real estate, and collectibles.

*You can generally contribute a tax-free gift of up to $55,000 ($110,000 for married couples) to an account without triggering gift taxes. Subject to an "add back" rule in the event of the contributor's death within five years.

Safeguarding your estate –
Protecting what you have built

You've worked hard to accumulate your wealth. Protect it during your lifetime and preserve it for the ones you leave behind.

Personal liability insurance

Liability coverage is limited under auto and homeowners insurance. Even a minor accident could result in a lawsuit that jeopardizes your assets.

Personal liability insurance, also known as umbrella insurance, can cover:

- Liability exceeding your auto and homeowners limits
- Libel
- Defamation of character
- Court costs and attorney fees

Review your life insurance

Safeguard the financial future of your loved ones with a good life insurance policy. Proceeds pass income-tax free to your beneficiary, avoiding probate and providing immediate cash for:

- Funeral expenses
- Mortgage or rent
- Daily expenses
- Lost income

This could eliminate the need for hasty sale of real estate or other non-liquid assets.

A life insurance trust can be set up to manage the assets for a minor, possibly minimizing estate taxes.

Review your policies every few years and after life events to ensure the policy still covers its intended use.

Ownership of your policy is an important consideration. How you establish ownership could possibly reduce your federal estate taxes.

Choose the right insurance for you

Consider your specific needs when selecting a policy. Premium costs, years of protection, and contract guarantees are different for each type.

Term insurance:

- Provides coverage with a death benefit for a specified number of years or until a certain age
- Usually the most affordable, but premiums may increase over time

Permanent insurance:

- Offers lifetime protection to age 90 or above
- In addition to a death benefit, many policies offer a cash-value benefit with tax-deferred savings
- Has a premium that can be locked in

Survivorship life insurance:

- Attractive for those with unique wealth-transfer goals, such as from grandparents to grandchildren and charitable inheritance
- Permanent life insurance on two people, paying a benefit when the second person dies – a time when estate taxes become an issue
- Accommodates joint estates worth in excess of $3 million (based on 2005 exemptions)

Review your health insurance

Guard against the rising costs of health care. Review your coverage for when you are under age 65 – *and* over. Consider the expenses associated with:

- Doctor visits
- Surgeries and hospital stays
- Dental care
- Prescription drugs
- Long-term care

If you are eligible for military health programs, your military health benefits advisor can clarify your survivors' benefits. Keep in mind, it may not always be practical to use a military facility in the future.

Consider long-term care insurance

Help protect your independence and wealth at any age from the high costs of long-term care services that can rapidly deplete assets.

With long-term care insurance, you:

- Choose the quality and type of services you need, including in-home care
- Help protect your life savings and lifestyle
- Maintain your independence
- Relieve your family from the burden of caregiving responsibilities

Other health programs don't cover all your long-term care needs.

Medicare alone is not enough

If you are 65 or older, consider Medicare supplemental insurance to reduce out-of-pocket expenses for excess charges, deductibles, and copayments under original Medicare.

TIP: A good review of your policies with your insurance representative will help identify gaps or overlaps in coverage.

Making your money last –
Continuing your lifestyle

Consider your survivors' abilities and wishes when making your plan.

A new perspective

When managing your finances, share the reins of responsibility with your spouse or heirs. Give them an overview of:

- Your financial standing
- Your investment portfolio
- Company names and contacts

Consolidate your holdings from an array of saving and investing options without sacrificing diversification and quality. This will limit the number of contacts your family will have to make.

Personalized asset management

Professional portfolio management can help someone who doesn't have the time or inclination to manage a portfolio or is responsible for managing a significant monetary outlay. This ensures your survivors are not overwhelmed with the responsibility.

Create a retirement income

Studies show we're living longer. Calculating your monthly expenses after retirement is fairly easy; estimating how many years you'll need that income is more difficult.

Make your retirement money last. It's estimated that at least 80% of current income will be needed just to maintain your standard of living in retirement, so a supplement to Social Security or pension plan payments will probably be necessary.

Sources of supplemental income include:

- 401(k), 403(b), IRA, or other tax-advantaged savings account
- Stocks, bonds, or a portfolio of mutual funds
- Annuities
- Savings bonds and certificates of deposit

Re-evaluate your investment strategy to ensure your hard-earned dollars are protected and working for you. Review your portfolio at least annually and consider fine-tuning your asset allocation accordingly based on your short-term and long-term goals.

Devise a plan for withdrawing retirement funds. Outline which accounts to draw on first to maximize earnings and minimize taxes. Find a reliable source to help you prepare and execute your retirement spending strategy.

If you have extra income over expenses or you're taking required minimum distributions, such as from an IRA, consider reinvesting these funds in new or existing accounts.

TIP: By annuitizing part of your investments, you are guaranteeing a lifetime income. Use withdrawals for unforeseeable expenses.

Special considerations for veterans – *Military benefits*

Retired and separated military members have special survivorship concerns that should be a part of their plan.

Notification documents

If you have a military affiliation, your loved ones will face a unique set of challenges when reporting your death and applying for benefits.

Help them by leaving an outline of your selected benefits. This will also assist you when calculating your survivors' future income.

Survivors will need to contact various agencies to arrange services and collect benefits. (See the checklist at the back of this guide.) These agencies will require certain information or documents.

In addition to several copies of the death certificate, your survivors will need copies of these documents:

- **Marriage certificate:** current and former marriages
- **Birth certificate:** yours, surviving spouse, and any dependent children
- **Divorce decree:** yours, surviving spouse, and former spouse
- **Separation certificate (DD Form 214) or retirement orders:** yours
- **Name change judgment:** yours, surviving spouse, and children

Be sure your survivors know where these records are located. Your local Social Security office can help obtain birth records. Some agencies may require a certified copy of a record.

Military funeral honors – *Honoring those who served*

In your letter of instruction, specify if you want a military funeral versus a traditional ceremony. The funeral home director can arrange for a ceremony with military funeral honors for eligible veterans.

In addition, the Department of Veterans Affairs (VA) National Cemetery Administration staff can arrange for military funeral honors at VA national cemeteries.

A military headstone or marker will be furnished by the VA for the graves of eligible veterans buried in private cemeteries.

For additional information visit the National Cemetery Administration at www.cem.va.gov and the Department of Defense at www.militaryfuneralhonors.osd.mil.

Survivor Benefit Plan (SBP)

With this plan, eligible survivors receive a portion of your retired pay. The annuity amount is 55% of retired base pay until age 62 (typical Social Security eligibility age), when it drops to 35%. (Legislation has been passed that increases this 35% to 55% by mid-2008.)

If you have this benefit, keep a copy of your latest Retiree Account Statement with your important papers.

To claim SBP benefits, your beneficiaries must contact the Defense Finance and Accounting Service (DFAS) to obtain the proper forms. Benefits usually begin 45 to 60 days after the death is reported.

Retired Serviceman's Family Protection Plan (RSFPP)

If you were entitled to retirement pay prior to September 21, 1972, you could have elected an RSFPP annuity for your spouse. After that date, you had the option to select SBP instead.

If you stayed with RSFPP, a copy of your election form should be with your important papers.

TIP: Visit the VA Web site at www.va.gov for additional benefit information on SGLI, VGLI, and DIC, and the Defense Finance and Accounting Service site at www.dfas.mil for SBP.

Veterans' Group Life Insurance (VGLI)

If you converted your Servicemembers' Group Life Insurance (SGLI) to VGLI, include this policy information with your important documents. Beneficiaries will need to submit a Claim for Death Benefits (form SGLV 8283) and a copy of the death certificate to the Office of Servicemembers' Group Life Insurance (OSGLI).

Reserve Component Survivor Benefit Plan (RCSBP)

Reservists who complete 20 years of satisfactory service can apply for retired pay at age 60. If death occurs before then, entitlement to retired pay ceases, and the only way your survivors may receive a payment is through the RCSBP.

Reservists who reach 20 years of service after January 1, 2001, will automatically be covered under RCSBP at the maximum level, unless coverage is declined or reduced with spouse's consent. *For additional information, visit www.uscg.mil/hq/psc/manuals-pubs-newsletters/ras/rcsbp.pdf*

Dependency and Indemnity Compensation (DIC)

This is a monthly payment to eligible survivors of a veteran who died as a result of a service-related illness or injury. It may also apply to survivors of disabled veterans already receiving VA disability for at least 10 years before death.

Benefits may also be available to survivors of veterans who received disability compensation since their release from active duty and for at least the last five years.

The USAA family –
We're here for you … and your family

USAA is committed to providing solutions based on your unique circumstances.

Make a solid plan for your survivors

For free assistance along the way, call the USAA Financial Advice Center at (800) 292-8823.

Our expert advisors will provide guidance specific to your situation and can recommend appropriate products and services.

Online: If you are not currently registered with USAA's Web site …

- Visit **usaa.com**
- Click "register with **usaa.com**"
- Follow the prompts

In addition to the resources mentioned on this page, usaa.com has many other helpful tools an services such as a Free Financial Assessment, an Online Retirement Advisor and more. Visit usaa.com today!

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- Financial Planning Services
  Affordable, in-depth financial guidance ranging from hourly consultations to detailed comprehensive planning with a CERTIFIED FINANCIAL PLANNER™ practitioner. A 100% money-back guarantee. Go to Advice & Planning on **usaa.com**.

- Periodic Insurance Reviews
  Ensure your life, health, auto, and homeowners policies keep pace with your changing needs. Call your policy service representative every two to three years or whenever you have a significant life event.

- Life Insurance Calculator
  Estimate how much life insurance you need. Select from the Calculators drop-down menu on **usaa.com** or call and one of our representatives will calculate your needs for you.

- Retirement Calculator
  Determine if you are on track with your financial retirement goals. Select from the Calculators drop-down menu on **usaa.com** or call and one of our representatives will assist you. When calculating military benefits, refer to www.dfas.mil. See page 13 in this guide for additional information.

- Life Insurance Blueprint®
  Let your survivors know your intentions for your life insurance benefits. Record and store your plan electronically. Beneficiaries receive a copy of your Blueprint along with nonbinding guidance, based on your expressed wishes.

- Emergency Savings Account
  Your family, beneficiaries, power of attorney, or executor may need to access money. USAA Federal Savings Bank and USAA Investment Management Company offer a variety of options.

- Trust Services
  USAA Federal Savings Bank can serve as your trustee. Our Trust Services are built on the legacy of commitment and service that you expect from USAA.

- Personalized Asset Management
  Designed specifically for members who want tailored investment guidance. Our experts create an in-depth, personalized investment portfolio and deliver a strategy based on your goals and risk tolerance.

- Home and Medical Security Monitoring
  ADT Security Services offers USAA members special savings on installation and 24-hour-a-day monitoring for medical emergencies, as well as fire and burglary.

Free informational resources

The USAA Educational Foundation is a nonprofit organization offering free informational resources. To order a booklet, call **(877) 303-7936** toll-free, or visit www.usaaedfoundation.org. Please have the booklet number ready.

579 *"A Guide for Your Survivors"* allows you to record pertinent information and contacts for your survivors. Includes funeral planning.

552 *"Coping with Loss"* discusses surviving the loss of a loved one.

The USAA Educational Foundation does not endorse any commercial products or services.

When the time comes …

your Survivor Relations Team is here for your family.

You can be assured USAA will stand by your loved ones to provide the personal support and guidance they need to make important decisions. They can count on straightforward, caring guidance when it is needed most.

- We will prepare a comprehensive packet with a record of your USAA policies and accounts, along with instructions for their disposition or transfer.
- A Survivor Relations Team representative will work with your spouse, designated family member, or estate executor to ensure the process is completed in a timely and caring manner.
- Your family will be provided with contact information for military and veteran benefit providers, the Social Security Administration, and other survivor assistance programs.

Frequently Asked Questions about survivorship planning

These are only guidelines. We understand you will have specific questions that can be answered only after a review of your particular situation. Consult an estate attorney, CPA, tax advisor, or investment advisor on these matters.

What are some of the first legal steps my survivors should take after my death?

Generally, most legal matters can wait until after the funeral.

- Locate the deceased's important legal papers and a will or trust.
- Contact the deceased's attorney, accountant, or financial advisor. If none of these are in place, the trustee of the living trust or a representative of the will should retain a competent attorney.
- If your will calls for a distribution of assets, the executor should, with the help of legal counsel, proceed to probate the will.
- Inventory and review all assets, such as life insurance policies, stock options, and retirement plans. These will probably involve a death benefit.
- If you were a principal in a business enterprise, care should be taken to determine what obligations and responsibilities the trustees have to continue the operation of that business.

How much money should be set aside for immediate expenses?

In addition to the cost of a funeral, include an amount sufficient to cover household expenses for a reasonable period.

Good options for an emergency fund are:

- A checking or savings account
- A money market account with check-writing privileges

Open the account in a way that offers convenient access for survivors.

How soon after my death should titles, beneficiaries, etc., be changed?

Any changes could have legal or tax implications, and often must wait until a complete inventory of the estate – including all assets, liabilities, and death benefits – has been made.

What income tax issues will there be for my spouse?

A new cost basis for real estate and stock investments with date-of-death valuations should be established. Since your surviving spouse will still be able to file a joint tax return in the year of death, a tax advisor should be consulted to see if it makes tax sense to cash in savings bonds to report the interest in that year.

Presently, I handle all the finances. What can I do now that will help my spouse after I'm gone?

Here are some steps to consider taking now:

- Meet with a financial advisor – simplify and consolidate
- Reduce the number of checking and savings accounts
- Consolidate investments into a brokerage account
- Sell or give to relatives any unproductive assets

What assets have to go through probate?

Assets which are titled in the deceased's name alone must go through probate in order to be retitled into the name of the heirs, whether or not there is a will.

In contrast, assets owned by two or more persons as joint owners with rights of survivorship and POD and TOD accounts do not go through probate, providing there is a surviving joint owner.

Assets such as life insurance or IRAs and other retirement plans with proper beneficiary designations will also avoid probate.

Also, assets in a revocable living trust are not probated because they are titled in the name of the trust, not in the name of the individual.

What are the tax advantages of using a trust?

Trusts are a part of a valuable estate-planning strategy that can save you a significant amount of money on estate and other taxes. Federal estate taxes have marginal tax brackets that start at 18% and go as high as 48% in 2004 (47% in 2005) for larger estates. There is also the possibility of state-imposed inheritance taxes.

A trust, in many instances, can greatly reduce or even eliminate these taxes.

What are some of the most easily overlooked assets in an estate?

- Income tax refunds
- Overpayment or prepayment of bills
- Prepaid deposits (for rental property or utility deposits)
- Collections (coins, stamps), jewelry, precious gems
- Antiques with unrecognized value
- Corporate share certificates
- Time-share contracts for recreation properties in other states
- Real property in other counties, states, or countries
- Insurance benefits incidental to bank and credit card accounts
- Old life insurance policies for small amounts
- Monies owed to the deceased under fixed obligations, such as mortgages
- Reimbursements under medical insurance policies and long-term care contracts

Legal disclaimers

The information in this guide is provided as a service and is not meant to be the provision of legal or tax advice. Please consult with an attorney or tax adviser.

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USAA is Your #1 Advocate

Members agree – "My financial provider does what is best for me and my family."

USAA is proud to be the highest ranked financial services company for customer advocacy. Of USAA members among 6,000 U.S. consumers in an independent survey, 82% agreed with the phrase above.*

USAA is dedicated to helping secure your future by doing what is best for you and your family.

* "What Satisfies Financial Services Consumers," Forrester Research, Inc., June 2, 2004.

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