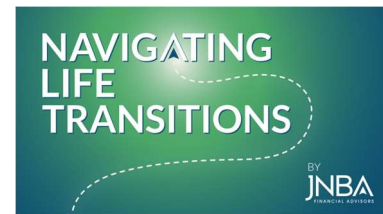


Podcast Transcript: Navigating the Complexities of Inheritance



Kim Insley:

I'm Kim Insley. Thanks for joining us for Navigating Life Transitions, a podcast where we bring together advisors experienced in financial life planning to talk about ways to navigate life's biggest changes, challenges, opportunities, and decisions. From growing a family to losing a loved one, promotions to retirement, marriage to divorce, we discuss these pivotal moments that could benefit from the guidance of financial advisory team can provide.

Today we'll be talking about navigating an inheritance. How can you be a responsible steward of inherited wealth? And, while an inheritance comes in all sizes, large, modest, there can also be some complicated emotions that accompany it. Joining me are two advisors from JNBA Financial Advisors serving clients in Minnesota, Florida, and throughout the U.S., Elise Huston and Luke Traxler, who work with people who find themselves at this life transition.

So, Elise, I'm going to start with you. There are a lot of parties involved when you're dealing with distributing assets within an estate. There's paperwork, the legalese, it's mind-blowing if you've never been through it. If you are inheriting money, how can you benefit by reaching out to a financial advisor when this takes place?

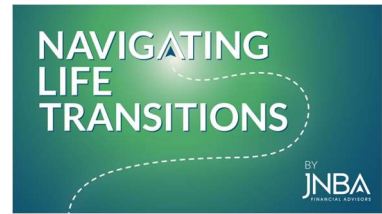
Elise Huston:

Yeah, so you're exactly right. There's oftentimes a period of time where you yourself are probably still grieving the loss of this loved one that you're now receiving this inheritance from. But what the financial advisor can really do is help you to inventory what assets are you receiving? Is it property? Is it an IRA, an individual retirement account? Is it just savings that they had at the bank? To then think through what are some of the tax options, tax efficiency in this transition that we should consider? It's also a time to maybe sit back down with your advisor and say, okay, now with these new resources, maybe there were some bigger life goals that have been on the back burner for you as you've just been focusing on saving in your own working years. So maybe it is a time to revisit that early retirement or possibly even talk about using some of these funds to set up future generations for success.

But really those are those initial conversations you want to talk through. And then maybe too, even bringing in your tax professional. Again, if you have an inherited IRA now, you're going to have to start taking those required minimum distributions each year. And if you yourself are still working that might be a big change to your ordinary income that you're earning and having to report each year. So, it's certainly worth a conversation. It may also impact some of your own estate planning considerations. In Minnesota right now the estate tax exemption level, we can each pass with 3 million in our name free of estate tax. And maybe with this inheritance that's changed that for you and it's worth it to actually bring in your own estate planning attorney again and revisit your documents and see if gifting to your other family members makes sense, setting up trust to pass on these assets makes sense. So really a lot to consider and think through.

And the last piece that can get to be a little bit more complex is just if you inherit any sort of property. Maybe mom and dad when they passed, left the family cabin to you and your siblings-

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Kim Insley:

Which is common in Minnesota.

Elise Huston:

It's very common in Minnesota.

Kim Insley:

I've heard many people talk about this.

Elise Huston:

Yes. And I think there's a lot of emotional attachment to those family cabins. So of course, when everything's working really well, the hope and goal of keeping it in the family and everybody continuing to go to the cabin even after grandma and grandpa are gone, can be a really great dream and goal. But there's also a lot of complexity with that around just, okay, well after those three siblings pass on, then does it go to all the grandchildren? And now how many owners do you have? And who's responsible for the maintenance and the upkeep and the coordinating of who gets to use the cabin when. So, having that conversation early too can be great. And actually, it's one of those conversations we'd encourage grandma and grandpa to have with their kids while they were living-

Kim Insley:

Before, yeah.

Elise Huston:

Yes. To just make sure all their kids wanted to inherit that asset together.

Kim Insley:

And we do have a prior podcast on leaving a legacy, and you have to think about these things when you're alive because it does have ramifications on those who are left after you.

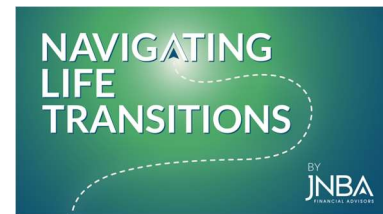
Elise Huston:

Certainly.

Kim Insley:

Luke, for some people, the inheritance can be overwhelming. It can change your financial situation as Elise was just talking about. So, what are some of the impacts that you've seen on your clients over the years?

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Luke Traxler:

It can certainly alleviate a lot of pain points for clients as they're trying to plan for things like purchasing a second home, retiring a little bit early, funding children and grandchildren's college educations, or even setting up some type of legacy, be that some type of trust fund or donations down the road. It can really vary pretty dramatically from client to client.

Kim Insley:

It varies dramatically too the amount of inheritance you're talking about. I'm the kind of person when I hear somebody who just won the billion-dollar lottery, I'm like, who needs that kind of money? I mean, that would be a nightmare, but a dream for some. On the other hand, it might be \$10,000. There's a huge array of what can happen and what you can do with it. And I know that you've had some clients that maybe it's not a million dollars, but it's enough to make a difference in someone's life. So, what do you see people do with that kind of money?

Luke Traxler:

And even if it's adding a few more dollars every year to the grandkids' 529 plans, that can be a huge win for that client and alleviate a lot of other stress that they may have been thinking about previously.

Kim Insley:

Yeah. You had a particular story I want to dig into a little bit too, and this was kind of cool. We have snowbirds here in Minnesota, and you've had some clients realize that dream.

Luke Traxler:

Yeah, a client that inherited a larger amount of money, but enough to buy a condo actually down in Florida. But the complexities here start with their marriage and being a blended family, meaning they each had children from a previous marriage-

Kim Insley:

This was a second marriage.

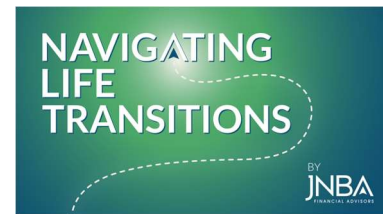
Luke Traxler:

And so, they wanted to use the inheritance dollars to buy this condo, but also want to keep it in that family's kind of lineage going forward. And so, they originally thought that this was just a great thing, and now they have to deal with the complexities of trying to pass this asset on to the next generation.

Kim Insley:

Your dream can have an impact down the line and the financial advisor can raise those flags?

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Luke Traxler:

Correct. And just making sure that that distribution down the road will happen again in a smooth way versus getting infinitely more complicated with the blended family to begin with.

Kim Insley:

That makes sense. That makes sense. So, Elise there are a lot of emotions associated with inheritance, and you mentioned grieving. I think that's an important one. Because for me, there would be grieving and guilt. Grieving and then, ooh, it's complicated. So mixed emotions, it's unique for everybody, can you walk us through that path a little bit?

Elise Huston:

Yeah, you're quite right and just, and it's going to vary even for that single person day to day, how they feel about this inheritance. Again, they're grieving the loss of a loved one, but for many it can even be a surprise. They had no idea mom or dad or whoever had this amount of wealth to transfer to the next generation. Some may even feel a little bit of guilt and obligation to honor that deceased person with this inheritance and make sure they do right by them with the funds that they've now received. We've even seen people feel really almost angry that mom and dad didn't do more during their lifetime for themselves. Why hold onto all this money? Why not take that trip? Why not do all these things? There can be a lot of unanswered questions and navigating through the emotions that's really all centered around grief at the end of the day.

But I think that oftentimes in the end, it can be a great blessing. Sudden money or a surprise inheritance can create a lot of opportunities for you to just reevaluate, again, your own goals and timeline and how this is going to maybe change or not change things for you. Be it maybe now you get to redefine how you spend your time. Again, as we had mentioned earlier, maybe you can retire a little bit earlier. So, thinking about, okay, what is this? Why? What can I maybe do differently with my time and honor this person, but be grateful for what I've received and maybe reshape some of my goals a bit in my own timeline?

But I think really understanding all the opportunities that exist, being honest with yourself about the emotion, and I think finding ways to not feel guilty about having it too, that can sometimes be an evolution as well.

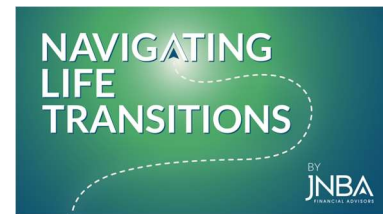
Kim Insley:

Let me throw this out to both of you because I'm sure you've seen this one would be paralysis, just not knowing what to do and then doing nothing because that's the easiest thing. Or just on the back of that, do you sometimes recommend maybe take a beat? You don't have to decide all of this right now.

Elise Huston:

Oh, completely. I think with most change in life... What do they say? Rule of thumb is to make no major changes in your life for at least 6 to 12 months be it after a divorce or a death or anything like that to really make sure you've worked through a lot of the grieving before you make a big life change. But oftentimes receiving this inheritance there isn't necessarily anything that needs

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to happen immediately. As the person receiving the inheritance it's now, again, unless you had that inherited IRA and you're now taking distributions, it's really that person's estate that's settling up any estate taxes or tax owed at their passing. For you, this has just been almost like a gift that you've received. So, taking some time to really think about how you want to use this money, be it for funding your own lifestyle, kids and grandkids, charitable giving endeavors, things that maybe you want to do with the funds you've now received. I think waiting, there's no set timeframe in that.

Kim Insley:

Have you seen that paralysis and what do you tell clients, Luke?

Luke Traxler:

Yeah, certainly. And you really do have to be patient. Thankfully, the estate planning process does not go quickly these days because of that paperwork that we talked about and just all these different accounts and moving parts and dealing with family members also isn't quick or easy in some cases. And so, it is important to just use a financial advisor or someone else to bounce ideas off of and just make sure that they're aligning with those longer term goals as well.

Elise Huston:

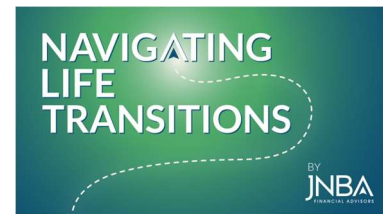
Yeah, and I think the conversation with the financial advisor can almost give you permission sometimes too, where you are feeling some of that paralysis, they can give you financial permission that you do now have the means to maybe make a decision or a change. I worked with a client who she inherited a larger sum of money from her parent when they had passed away; and she had a child with special needs, was in a wheelchair, and they had had kind of struggled for a lot of her life and this sudden money was a complete surprise to her. She had no idea her dad had saved all this money his life. And there was a lot of confusion and uncertainty around it in the beginning, but through conversation time, we did a lot of modeling out in her plan, really figured out she could afford to use this money now to build a wheelchair accessible home for she and her son to live in, to get that wheelchair accessible van. It's totally changed her life.

So, while she was sorting through her own feelings of this is just not... My whole identity was very different than this, never in my life would I have dreamed this was possible to now having something be possible, but it was at the cost of losing someone that was important to her. It's a lot to work through and think through, but I think having that sounding board partner to navigate the emotions, but then also again, give you some of that financial permission that this is reasonable within your plan, this is the best thing for you to do, and if it's going to change your life, then you should definitely do it.

Kim Insley:

So, we'll bring it back to you probably want to talk to a financial advisor. And Luke, one of the things that you mentioned too, and I think Elise touched on this, is some of these things do have deadlines, but some don't. And you guys are a wonderful sounding board and guide for all of this.

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Luke Traxler:

Yeah, I think at the end of the day a financial advisor can really help add context to the situation and help give you guidance of what this actually means long-term. And we're going to be able to help keep you accountable to those deadlines as well and utilize those other resources that you have, be it the CPA or attorney to help get you there.

Kim Insley:

So much complexity.

Well, Elise and Luke, thank you very much. We appreciate it and I learned a lot, and I want to thank our listeners for listening as well, and we hope that you'll listen to our other Navigating Life Transitions podcast. You can get the full list of available episodes online at JNBAnavigatinglifetransitions.com, it's all one word, JNBAnavigatinglifetransitions.com. And you can always help yourself to the free resources on JNBA's website, which is JNBA.com.

If you have questions about navigating an inheritance or to learn more about how JNBA can help you with your financial life goals, give them a call at 952-844-0995 or you can just use the contact form on JNBA.com to schedule a complimentary, no obligation call with their experienced multi-generational team.

Thank you for listening. I'm Kim Insley and I look forward to navigating more live transitions with you on our next podcast.

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