

ESTATE PLANNING SIMPLIFIED

If you think that your family's future is completely protected simply because you have a will in place...think again. It's true that having a will drafted is the first step in preparing for an unforeseen calamity. However, you should not stop there.

What else should you do? **Plan Ahead.** For example, a will won't do your family much good if they can't locate assets such as bank accounts, retirement plans and insurance contracts. Proper planning now can ensure that the decisions expressed in your will are carried out. It may also protect your family from unscrupulous advisers who prey on widows, widowers and other heirs. Finally, planning ahead can save your family money in the long run.

Here are some of the steps you can take now that may benefit your family in the future.

- Make an inventory of all your assets. For instance, you might list any bank accounts (IRAs), pension and profit-sharing plans, broker accounts, mutual funds, annuities, etc. Don't forget about pensions from previous jobs. This "inventory" should include an estimate of the value of each item. Important: state where the assets are located so they can be easily found.
- Prepare emergency instructions. Your family must notify certain people in case of a tragedy, such as your boss at work, your attorney and other key advisers. In addition, you may have to provide for someone to watch small children on a short-term basis. Don't overlook such "trivialities" as where the spare keys for the house and car are located.
- Update your will. A will spells out who will receive your property at the time of your death, who will be the executor of your estate, and who will serve as guardian to your children. It ensures that your assets are distributed according to your wishes. It is important to review your will periodically to make sure that it addresses any changes in your life, such as the death of a spouse, the birth of a new child or grand-child, or a second marriage. Also, check with your accountant to find out if any tax-law changes necessitate changes in your will.
- Provide copies of documents. Be sure to make at least two copies of important documents (i.e., your will, birth certificate and powers of attorney). Keep them in your safe deposit box, your file cabinet or your safe. Be sure they are clearly labeled.
- Review the beneficiaries on your accounts. You may need to update some accounts as a result of a change in circumstances. For example, you might delete the name of a deceased relative or an ex-spouse or add a new-born child or grandchild. After a divorce or upon separation from your spouse, you

might want to change the beneficiary designation on your IRA or life insurance.

- Estimate your family's needs. After paying medical expenses, burial costs and other necessary expenses, cash on hand can disappear quickly for a bereaved family. If survivors do not have access to bank accounts, they may need to tap into other sources. One possibility: increase the amount of your life insurance protection. In general, the money is available to survivors within a short time after the death of the insured.
- Get investment advice. It doesn't have to be written into stone, but you can provide investment guidance--especially for the short term. It is helpful if you have a trusted, reliable financial adviser. Note: your spouse may be able to avoid current tax on a payout from a retirement plan by rolling over the funds into an IRA or another eligible plan within 60 days.
- Do Some Tax Planning. Uncle Sam allows everyone to get a unified tax credit that, in effect, lets \$600,000 pass to your heirs tax-free. You can transfer an unlimited amount of assets to your spouse tax-free. However, doing so may not always be beneficial to your family. Such transfers can boost the surviving spouse's assets over the \$600,000 threshold and result in increased estate taxes when he or she dies. As soon as your estate exceeds this amount, you're subject to federal estate taxes, which range from 37 to 55 percent. You may also be subject to state inheritance or estate taxes. Keep in mind that it is easier to exceed the \$600,000 threshold than you may think. That's why it's important to review your total assets periodically to determine how much you need to remove from your estate to minimize or avoid the estate tax.
- Prepare and sign a "living will." This document, a declaration of your desire to die a natural death, can save thousands of dollars in medical expenses and hospital bills. It will also relieve your next of kin of the burden of deciding whether to not to require artificial life support systems to prolong your life.
- Evaluate your Estate. To assess your estate's worth, remember to consider the value of your home, insurance policies, investments, business interests, personal property and future holdings. In addition, you should subtract any liabilities, which may include your mortgage, other personal or business debts, charitable bequests made in your will, money allocated for funeral and burial expenses, and the costs of administering your estate.
- Take care of funeral arrangements. You should let your family know how elaborate or simple you prefer a funeral to be.
- It may be difficult to consider all the implications of estate planning. That is why it is often put off until it is too late. Having a will drafted is a good start. By making other provisions, you can help ease your family through a difficult time.
- Consider Family Gifts. One way to remove money from your estate is by making large gifts. The IRS allows you to make annual gifts of up to \$10,000 of property per individual --- \$20,000 if you are electing to make a joint gift with a spouse--- without any tax ramifications and without reducing your unified tax credit. Gifts that are larger than these amounts are generally

subject to gift tax.

We can help! Our firm provides questionnaires for basic wills, general powers of attorney and living wills. We can also prepare special (or limited) powers of attorney, trust agreements and will with trusts.

Need more help? Just ask for our Client Information Letter #19, "Your Letter of Instruction"; #4, "All About Probate"; #8, "Living Will"; #9, "Your Last Will and Testament"; and #26, "Client Asset Inventory."