

Building a dynamic estate plan

An estate plan—and the will, that can be one of its key components—should be dynamic, not static. As changes occur in your life, they need to be reflected in your estate plan. Are you the same person that you were when you made out your last will? Literally, yes; figuratively, probably not—unless you’ve reviewed your will very recently.

You’ve aged. Much has happened in your life—important people have arrived and departed. Your assets are likely to have grown in substance and, perhaps, changed in form. Things probably aren’t as simple as they used to be, and, in most cases, neither is the estate plan that accurately reflects your wishes and properly protects your family.

Start with an estate estimator

Your estate is everything that you own. So, just as if you were called upon to fill out a personal balance sheet for a loan or mortgage, you need to prepare a similar document for your will planning. (In this context it’s called an *estate estimator*.)

An estate estimator includes some items not typically included in a balance sheet. For instance, proceeds from life insurance policies that you own should be listed as part of your estate. The same holds true for the proceeds from a company retirement plan payable upon your death. Any rights that you own under someone else’s will or trust should go on the list as well.

You’ll also want to designate how you own particular assets. For instance, if you are married and own property jointly, make note of that fact. Or, if you own property with others, name them and the percentage of ownership of each party. Property acquired in a community property state, half owned by husband, half owned by wife, also should be listed.

Don’t overlook nonprobate assets

Not everything that you own will be passed on to your heirs by your will. Some items are not subject to probate—hence, they are often referred to as “nonprobate” assets. For instance, life insurance, retirement plan benefits or amounts in trust may pass outside of your will.

Property can pass automatically to a survivor as well. Joint property owned by a husband and wife is a prime example.

Take a look at the beneficiaries of your nonprobate property together with the bequests you've made in your will to make sure that, taken together, your estate plan makes sense; in other words, that everyone is receiving what he or she should, in the proper proportion.

Here's an important reminder: Estate tax is based upon your total lifetime transfers, not on the manner in which your property passes to your heirs. Don't fall into the trap of believing that just because the property doesn't pass under your will, Uncle Sam won't be able to take his share.

Remember the taxes

When you've completed your estate estimator, and you've tallied up your net worth, you are likely to be surprised at how big the number has grown since your last will. It may well be time to start taking advantage of tax-saving strategies to reduce the impact of estate tax.

You may want to consider setting up a trust, if you're married, to reduce or eliminate the burden of federal estate tax on your family's assets. Another step might be to transfer ownership of your life insurance policies to an irrevocable living trust to remove the policy proceeds from your estate. Another good tax-cutting technique is to establish a regular program of family gift giving, taking advantage of your annual gift-tax exclusion (\$13,000 in 2009), to reduce the size of your taxable estate.

Who will be at the helm?

Are the people whom you've named to fill important roles—a guardian for the children, for example—still the logical choices? Over the years any number of circumstances may lead you to conclude that, today, there might be better choices.

With an estate that has grown in size and complexity, your choice of executor becomes extremely important. An executor is charged with the responsibility of making sure that the directions in your will are carried out. In addition, there is a long list of responsibilities for an executor, requiring in-depth knowledge in many areas, including: how to appraise and manage estate assets; preserving and protecting the assets; the ins and outs of tax and probate law; and accounting.

Because the process can be lengthy and time consuming, an executor must be devoted to the tasks of estate settlement over a long period of time. The question that you need to ask

yourself is whether the person whom you named in your last will is equipped to settle your estate with efficiency and without unnecessary financial loss or hardship to your heirs.

We would be glad to tell you more about our estate settlement services and how well we could serve as executor or coexecutor of your estate. Please feel free to contact us at any time.

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Any developments occurring after January 1, 2009, are not reflected in this article.