

The key elements of an estate plan

The long-term financial security of your family demands that you establish and maintain a soundly crafted estate plan. An estate plan provides an orderly way to distribute your accumulated wealth to your heirs in the manner and amounts that you wish.

Crafting the plan

The foundation of an estate plan is, of course, your will. Drafting a will is crucial because the state has a ready-made alternative will for everyone who dies without one. However, the estate distribution according to the *intestacy laws* of the state is likely not to be suitable for many people.

From there you add other elements to the plan. For instance, you may include trusts that you create during your lifetime or in your will. You may create an annual giving program for your beneficiaries to take advantage of the federal gift tax exclusion. You'll also want to coordinate your bequests with the beneficiary designations that you have made for your *nonprobate* assets (assets that pass outside of your will)—payouts from company retirement plans, IRAs, life insurance and the like. You may need to make additional, separate plans if you own a family corporation or partnership.

Asking the questions

Each estate plan is unique. When you seek the guidance of estate planning professionals, here are just a few of the questions that are likely to be open for discussion:

- Who will be protected by the estate plan? A spouse, children, grandchildren? Other relatives?
- Do any of these individuals have special needs? Disabilities? Emotional or psychological issues? Bad judgment?
- If you reside in more than one state, which state is your *domicile* (legal residence for tax and other purposes)? What is the residence of each of your potential beneficiaries?
- What are the principal components of your estate? The most typical components include securities and bank accounts, real estate, business interests, life insurance and retirement plan interests. How much is each worth? Is it owed solely or jointly?
- Where are the assets located?

- Will some assets, such as family businesses, require special management? If your principal residence has appreciated significantly, will this asset, too, require special attention?
- How will the federal estate tax marital deduction be used to reduce taxes? What kind of marital trust will be the best in your circumstances? What other kinds of trusts may be appropriate?
- Should a durable power of attorney be drafted or a living trust established to make certain that if severe illness or injury occurs, the family's finances and investments will be managed properly?
- Will the federal generation-skipping transfer tax be a factor that needs to be considered?
- What charitable gifts should be part of your planning? To which organization? In what form?
- Who will handle the estate settlement duties (serve as executor)? Who will handle the investment management of your estate's assets? Who will serve as the trustee of any trusts established?

Seeking guidance

Estate planning is an ongoing process. Plans need to be reviewed (and, perhaps, revised) regularly, as family, economic and tax circumstances change.

The rewards for establishing and maintaining a successful plan include providing each beneficiary with an appropriate legacy, minimizing the impact of taxes and other costs to avoid estate erosion, and having the peace of mind that comes from knowing that the wealth that you have accumulated over your lifetime will continue to be a source of family security.

We would be glad to serve on your estate planning team and help you answer some of the questions raised here and any additional ones that you may have. 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.