

Why Estate Planning Is Important – Not Just for Wealthy

You may hear a lot about retirement planning. Estate planning is an essential part of retirement planning, although many people are not aware of all that it encompasses. So they put it off until it is often too late. Let's take a look at what estate planning addresses and why it is important to begin it ASAP.

Estate planning addresses these key questions:

- Do you want input into how you would like to be taken care of when you become incapacitated?
- Do you want to be sure that your assets go to the people you choose when you die?
- Would you like to eliminate or minimize needless loss of some or all of your assets when you need long-term care?
- Would you like to minimize excessive taxes on what you want to give your beneficiaries?
- Do you want to prevent public exposure, costs, and delays of probate?

These are important questions and virtually everyone will answer 'yes' to all of them. Making arrangements to satisfy each question is what estate planning is all about.

But what is especially important is making arrangements to address these questions ASAP because of these four circumstances:

1. You never know when you will die.
2. You never know when you will become mentally incapacitated.
3. You never know when you may need long-term care.
4. Arranging satisfactory solutions to some of these questions requires three to five years lead time--at least--before these circumstances occur!

Consequences of not addressing these questions are:

Incapacitation: You are treated in a manner you would never wish to be. Someone other than your choice determines how your money is used and distributed.

Your assets go to someone not of your choice: With no will, your assets will be distributed according to state rules--not your wishes.

Without a trust, you must trust your current spouse to give assets to your previous children.

Long-term care: Without long-term care insurance or a lot of wealth, paying direct long-term care costs can wipe out a small estate easily.

Gift and estate taxes: If your estate is worth some millions of dollars, estate and gift taxes above an uncertain exclusion level in years beyond 2010 can rob up to 45% of it.

Probate: Public exposure on who is getting what can trigger legal claims and hard feelings between potential beneficiaries and other relatives.

The table shows you tools to address each estate planning question.

Estate Planning Questions and Tools	
<u>Estate planning questions</u>	<u>Tools to address it</u>
How should you be taken care of?	<ul style="list-style-type: none"> • Living will or • Health care power of attorney • Springing power of attorney
Assure your assets go to beneficiary of your choice?	<ul style="list-style-type: none"> • Will • Trusts • Joint ownership • Appropriate designation for beneficiary on account type (insurance, IRAs, bank accounts)
Lose your assets to long-term care costs?	<ul style="list-style-type: none"> • Medicaid planning (early transfers and gifting) • Long-term care insurance
Lose your assets to excessive estate and gift taxes?	<ul style="list-style-type: none"> • Annual gift exclusion • By-pass Trust • Irrevocable trusts
Avoid probate?	<ul style="list-style-type: none"> • Avoid sole ownership of any assets • Revocable living trusts

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