

Master the Fundamentals of Estate Planning

For many people, mapping out an estate game plan is something they intend to think about *later*. But too often, later never comes.

The reasons for not dealing with estate planning now may include not wanting to confront your mortality or create family conflict. Or perhaps you don't want to discuss money with your heirs or give your wealth to certain family members you don't trust.

However, a well-designed estate plan can help build wealth, minimize taxes and ease the difficulties your loved ones face after you die. And with the help of your estate planning advisor, the process may not be as burdensome as you might think.

Beginning the Process

The first step is to review your assets so you know what needs to be allocated, including:

- Cash, stocks and bonds;
- Intangible investments such as patents, trademarks and copyrights;
- Real estate;
- Automobiles, boats and airplanes;
- Life insurance;
- IRAs, 401(k)s and pensions;
- Inheritances; and
- Jewelry, art and collectibles.

Subtract your total liabilities from your assets to get your net worth. Include as liabilities:

- Credit card and other revolving debt;
- Secured and unsecured notes payable, such as home equity loans and automobile loans;
- Mortgages;
- Margin trading accounts; and
- Life insurance loans.

Identify potential tax problems so you can determine a course of action to minimize them.

Decide who your beneficiaries will be, recognizing that this may change along with the circumstances of your life. With a few exceptions, any person or organization you choose may receive property from your estate. Typically, beneficiaries include a spouse or partner, parents, siblings, children and stepchildren. You may also want to include other relatives, friends and charities.

Fundamental Planning Tools

Depending on your state of residence, you may need some or all of the following documents, which may require regular review and updates as your situation or thinking changes:

Last Will and Testament. This legal document provides details about how you want your assets distributed after debts and taxes are settled. Your will designates who will oversee the execution of your estate, and it may name who will care for your minor children.

Trusts. These financial instruments help you control the distribution of your property. A trust may be desired to maximize tax savings through gift giving, to avoid probate, to help a disabled beneficiary or to make charitable gifts.

Durable Power of Attorney. This lifetime document allows you to designate a representative to perform certain financial actions on your behalf if you become ill, incapacitated or otherwise unable to manage your affairs.

Living Will. This is a written declaration of the life-sustaining medical treatments you will or will not allow.

Health Care Proxy. This document names a person who will make medical decisions on your behalf if you become incapacitated.

As each state has its own terminology or legal requirements for the way these documents are constructed, it is important to consult with your estate planning advisor.

Letter of Instruction

There are other issues to be considered as you plan, and you may want to include them in a Letter of Instruction to the executor or personal representative of your estate. The letter, which is meant to be a helpful guide, should include:

- A description of the type of funeral you prefer and any pre-arrangements you may have made with a funeral home or religious organization,
- Contact information for each of your insurance policies, including Medicare if you're currently covered,
- The location of all of your financial statements, legal documents and other important papers, as well as the key or combinations to lock boxes, safes, safe deposit boxes and other secured containers,
- Names of relatives, friends, advisors and others to contact, and
- An obituary listing your name as you wish it published, including nicknames, the place and date of your birth, names of immediate surviving relatives, noteworthy accomplishments and any other information desired.

Make sure you tell the executor or personal representative, and another person close to you, where the Letter of Instruction is kept.

Count the Benefits

Despite all the reasons some people come up with to avoid estate planning, there are many benefits that make it worth the time, effort and money. Among other things, an estate plan allows you to:

1. Ensure your assets go where you want them to go.
2. Name someone to administer your finances if you become incapacitated.
3. Control assets after death.
4. Provide for the care of a spouse or dependents.
5. Name a guardian for your minor children.
6. Minimize the taxes placed on your estate.
7. Reduce the emotional and financial burden on your heirs.
8. Increase the amount available for charitable donations.
9. Avoid the cost and delay of probate.
10. Guarantee that you get to choose whatever life-prolonging treatments you desire, as well as name the person who will make medical decisions for you if necessary.

What if You Die *Without* a Will?

If you die without a valid will — intestate, in legal language — state law will dictate who inherits your assets. The laws vary from state to state and generally depend on whether a deceased person has a surviving spouse, children, siblings or other relatives.

Keep in mind that the rules of intestacy are inflexible. Although they may reflect your wishes, it is also possible the end result would be something you find objectionable. For example, let's say a person has no spouse or children but has a lifelong close friend. Without a will, the assets are likely to wind up with distant relatives rather than the friend.

Or let's say you have children but one of them has special needs, or has continually borrowed money from you without paying it back. Without a will, your assets may be divided equally among your children — when perhaps you feel that would be inequitable.

Dying without a will can result in family fights and additional burdens for your loved ones. Do them a favor and leave an organized, carefully thought-out estate plan.

Keep Documents Up To Date

Remember, your needs and wishes often change as life evolves. Consult with us on a regular basis about keeping your documents up to date.

The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com