



January 1, 2011

## **New Year Resolution: Review Estate Planning**

With the return of the 2011 federal estate tax—also known as the death tax—after a rather brief absence in 2010, it is a good time to review your estate planning strategy.

The topic of estate planning could be found on the taboo list, because we humans often prefer to avoid the unthinkable. While this is understandable (we all do not believe we would die tomorrow, do we?), the risk of ignoring the elephant in the room is rather huge, especially to those closest to you.

What is estate planning? It is not just about avoiding taxes, which may be a top priority to many families. The primary objective of estate planning is to make sure your heirs receive the estate in the manner in which you intend to give it, while minimizing costs and maximizing efficient transfers.

Whatever the size of your estate, you need to have a plan in place. Here is a list of reasons why estate planning is important.

### **Gifts/transfer of assets**

The goal of estate planning is the consideration of who you would like to receive your estate after you die and what they would get. Is it your spouse? Children or grandchildren? What about your favorite niece who can use some help attending college? Your lifelong partner? Or the dog who has been an excellent pal for your entire life? A simple yet valid will can ensure your assets reach their intended recipients. More sophisticated situations may benefit by using various types of trusts. After all, do you really want the state to decide for you?

### **Oversight of assets if you become incapacitated**

Estate planning—through the use of a durable power of attorney—is also very effective for unexpected situations such as incapacity. Who will be in charge of your finances and businesses should you get hit by a truck and spend years in bed? You will want to designate someone who is trustworthy and capable to deal with your financial matters during stressful times.

### **Distribution and control of assets after death**

With more sophisticated estate planning, not only can you make sure your assets go to where you want them to go such as a charity or children from first marriage, you can even control where they go after the death of your spouse.

### **Minimizing the emotional and financial burden on your heirs**

We all have experienced passing of a family member, and understand how difficult it is to deal with the grief. A good estate plan can successfully reduce unnecessary stress on family members. An adequate life insurance policy can help ensure your family will be provided for, at the very least for the near future. Having assets owned by a living trust, or jointly with your spouse, can minimize the need for probate; thus, saving costs.

### **Minimizing possible disputes among heirs**

All of your heirs should be treated fairly, though not necessarily equally in terms of dollar amount. It is worth the effort to get to know the heirs, even if they include your children, to have a true understanding



of their needs and wants, personal goals, as well as interests. This will reduce the stress on your part as to who gets what while minimizing the chance of a potential dispute.

### **Increasing the amount available for charitable donations**

One of the major advantages of estate planning is the ability to leave money to charities. If you die without a valid will, or die intestate, the state intestate law will determine how your estate will be handled and distributed. Unfortunately, charities are never in the queue. Therefore, if you have any charitable intentions, you will need at least a will.

### **Avoiding the cost and delay of probate**

Echoing the discussions above, the goal of estate planning is to transfer your assets to heirs in the most efficient and cost-effective way. Basic estate planning tools, such as a well-drafted will, a durable power of attorney, a living will (or an advance medical directive), and a medical power of attorney, do not cost a fortune, and the eventual savings of probate costs and attorney fees often prove to be substantial.

### **Providing provisions for a guardian of minor children**

This is of grave significance for parents with minor children. The surviving spouse is usually the default and the most suitable person. But the situation can get complicated when both parents are killed, or when a second marriage or single parenthood is involved. Having a will serves several purposes: 1) It allows the appointment of a trustee or guardian of your choice. 2) That person will act according to your wishes for your children that are clearly laid out in the will. This will minimize confusion and conflict, if not eliminate it altogether. 3) The portion of your estate inherited by your children can stay “protected” in a trust for an extended period of time. If assets end up in a court-appointed conservatorship in the case of intestacy, your children will receive the assets when they turn eighteen and assets could evaporate in a short period of time.

Of course, there is much more to estate planning, and your family goals and needs ultimately determine the design of the plan. All of us at Summa Global are happy to help guide you through the process and act as the liaison between you and your legal consultant when appropriate. Also, please be sure to inform us about any changes to your estate planning so we can make sure your accounts are updated to match the changes.

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