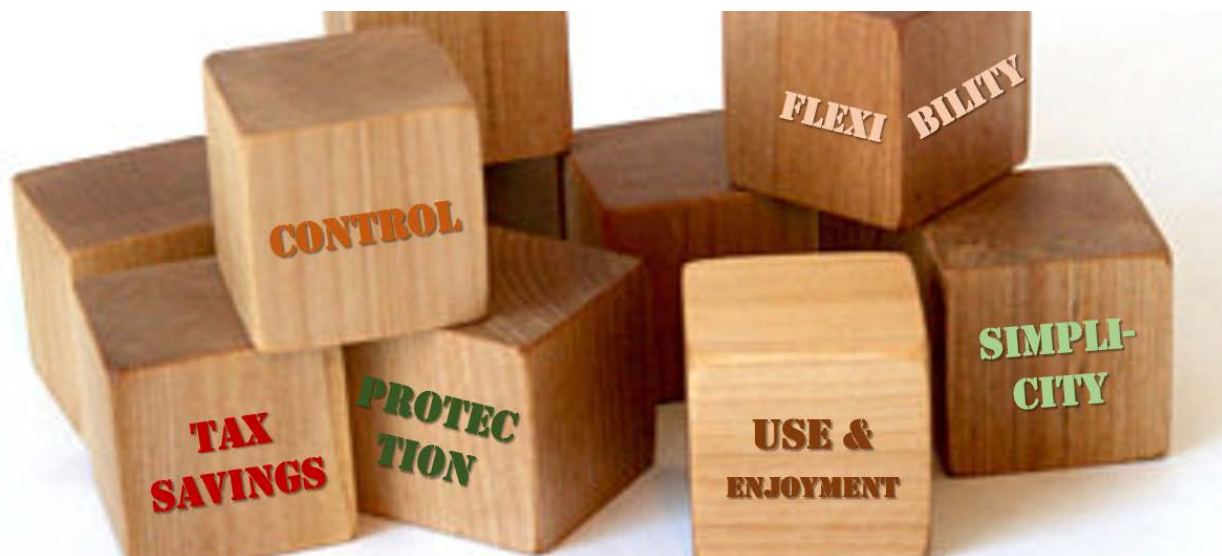




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Estate Planning Primer: The Six Building Blocks



Many clients and even some advisors frown upon the thought of estate planning, thinking that it is not necessary, that timing is not right, or that it is ominous to plan for one's demise. Ultimately, many planning initiatives never come to fruition, or too much time has lapsed and the effectiveness and outcomes of the plan are anything but desired.

Personally speaking, estate planning is intriguing, intricate and intense. It is intriguing because you try to map your life, for yourself and for your loved ones, and build a "bridge" between you and other family members. It is intricate as navigating complicated tax and estate laws does not make planning any easier. It is intense since family dynamics can be stressful and any drama only further escalates the tension.

Estate planning is most effective when the client is ready to act. For those who are on the edge, consider these six fundamental factors as noted by a veteran estate-planning attorney¹.

1. Control

We human beings want control. The lack of control makes us feel uncomfortable, insecure, and vulnerable. Estate planning mitigates these fears, both presently and in the future. For example, some people mistakenly think that setting up an estate plan means giving up control on everything. In fact, the opposite is true. Estate planning makes us to think about the "What-if's" that may happen and how we would want to cope with them within our means. Depending upon the circumstance, certain planning techniques can exert influence over several generations.

¹ Richard Oshin, JD, LLM, MBA, AEP®. Webinar "The Perfect Modern Trust Including Income Tax Sheltering Opportunities." Sept. 13, 2017 via National Association of Estate Planning Council.

“Estate planning is most effective when the client is ready to act.”

Consideration: How much and what type of control to retain or relinquish.

2. Use and Enjoyment

Money is an enabling tool. It enables us to achieve goals, turn dreams into reality, and fulfill wishes and pledges. It has to be used in order for us to gain joy. If an estate plan is structured in a very restrictive way that distributions must meet certain criteria, how much enjoyment will there be? Imagine going to a buffet but you could only pick food that was yellow or black. A very loosely written plan, on the other hand, may run afoul of regulations and jeopardize some or all of the planning advantages.

Consideration: Incorporate the use and enjoyment needs from the perspective of the beneficiaries.

3. Flexibility

We realize that nothing is forever. Changes happen daily, and those who adapt benefit from them. Estate planning is aimed to accomplish just that, to make necessary changes to accommodate personal situations and legislation.

Consideration: Create a flexible estate plan without giving up unnecessary control or protection.

4. Protection

Many estate planning discussions begin with a protective mindset: “I want protection against creditors, against spendthrift heirs, against disgruntled family members, against frivolous lawsuits, etc.” These are all legitimate concerns that cannot be addressed without a well-crafted plan. No plans, no matter how solid and impeccable they are believed to be, are 100% bullet proof; however, without a plan, an estate can become a target for unscrupulous people.

Consideration: Protection should be an overarching theme for the plan.

5. Tax Planning

Some people assume estate planning is a panacea to all the tax problems that may arise. This misperception can be blamed for another myth – that estate planning is only for the rich. Tax planning is a significant part but is rarely the driving force. Careful planning, though, examines applicable laws and finds available and allowable ways to bring about tremendous tax savings.

Consideration: Focus should not only be paid on tax savings strategies but rather on the “big picture,” i.e. cohesion and building the family legacy.

6. Simplicity

Estate planning can be simple, which is probably not what our instincts tell us. While the planning process involves a great deal of thinking, coordination, discussion, and perhaps disagreements, the end result is an organized financial picture, that is greatly simplified. For example, a family with three siblings would understand the exact role each plays in mom and dad’s plan.

- Sibling A would take care of the finances and investments.
- Sibling B would hold powers over parents’ healthcare.
- Sibling C would be in charge of family legacy and philanthropy.

Consideration: Writing a family story to accompany the estate plan will help heirs understand and appreciate the intention and creation of the plan.

Food for Thought

Of critical importance is that these considerations must be approached from both sides of the table: from the grantor's view as well as the perspective of inheritor(s). Too often people directly involved in the creation and implementation of the planning process receive all the attention. Successful families not only leave behind wealth, but also transcendent core values and wisdom that can be appreciated and preserved by the generations that follow.

If you are ready, let us start building your legacy today!