

ESTATE PLANNING

YOUR ESTATE IS A PROMISE FOR THE FUTURE

You've worked hard to build your estate because you have dreams for the future of your loved ones. You've made a promise – to yourself and to your heirs – that when you can no longer provide, your estate will enable them to realize those dreams. And now to keep that promise you need a plan; a way to help ensure your estate will be there for the people you want to have it.

The goal of estate planning is to provide a vehicle for the accumulation, management and preservation of assets during your life, and a plan for the distribution of those assets at the time of your death. Estate planning is a team effort involving your financial planner, CPA, personal banker, life insurance professional and estate planning attorney.

Asset Accumulation. In this phase of estate planning, it is critical to establish goals, both short and long term, and to gather a team of advisors to assist you. You should define your goals, analyze your resources, allocate those resources among varied investments, and diversify those investments to match your risk tolerance. Proper income tax planning is vital to the accumulation phase of estate planning. Insurance is also an important aspect of most plans, since it is used to provide financial security in the event of disability, security for loved ones in the event of your death, and to provide estate liquidity to pay the expenses and taxes attendant to your death. There are many other uses for insurance as well, particularly when a closely held business is a part of your estate.

Asset management and Preservation. Many factors affect your ability to manage your assets during your life. Without proper planning, your incapacity could result in substantial wasting of estate assets because of the necessity of a guardianship proceeding. Using Living Trusts, Durable Powers of Attorney for Health Care, and Durable Powers Of Attorney for Property and Living Wills can often avoid needless expense. Proper planning becomes critical, since an estate plan takes such issues into consideration. Depending on the size of your estate, federal taxes can be substantially minimized or even avoided. Administration costs as the result of your death are another element that can consume anywhere from 3% to 10% of the value of your estate, depending upon whether a probate proceeding is required. Proper planning can reduce administration costs both during life and at the time of death.

Asset Distribution. The distribution of your assets is probably the most important element of your overall estate plan. You should determine who you want to benefit upon your death, and then analyze each beneficiary's character, and physical and mental health. You should also define your values and then set goals for each of your beneficiaries. Some of the many questions you should ask about each of your beneficiaries are:

- Is the beneficiary currently capable of managing assets?
- Is the beneficiary frivolous with their spending habits?
- How will the beneficiary be influenced by his or her spouse?
- How will an inheritance affect the beneficiary?
- Will an inheritance help the beneficiary achieve his or her goals or cause the abandonment of those goals?

MAKE A PLAN TO PROTECT IT

When you've worked diligently to build an estate, the last thing you want to worry about is having it drained of value through taxes and legal costs after you're gone. The right plan can not only protect the value of your estate, but spare your loved ones from the unnecessary hassle and legal conflicts.

Estate Planning is a process designed to help secure the continued growth of your hard-earned assets and to enhance your family's future. Merely working hard to accumulate assets doesn't ensure that those assets will be preserved for your heirs. You will need to plan ahead so that your heirs can enjoy the full benefits of your efforts.

ESTABLISHING A TRUST

A will is the vehicle that usually collects instructions to distribute property and belongings. However, the job of passing substantial financial assets should be left to a Trust.

Trusts combine investment and possible tax-saving opportunities to provide for your heirs after death. They can be used to ensure that your assets will be used exactly as you intended. Trusts can make certain your heirs are not forced to liquidate assets to pay estate taxes.

TRUST BENEFITS

A Trust may provide many benefits for your estate planning. These benefits include:

- Managing Estate Taxes
- Bypassing Probate
- Protecting Family Assets
- Minimizing Expenses
- Avoid Publicity
- Planning for Incapacity

TYPES OF TRUSTS

The type of Trust you select will, of course, depend upon your personal financial situation and future objectives. Some Trust alternatives include Revocable Living Trusts and Irrevocable Trusts.

REVOCABLE LIVING TRUST

A Revocable Living Trust is a flexible estate-planning tool that can be used under a variety of circumstances: while you are still living; in the event you are incapacitated; and when you die.

Under the terms you stipulate as grantor of a Revocable Living Trust, you can retain a corporate trustee to provide investment management services, collect income from the trust, and reinvest or distribute the income according to your wishes. The trustee can also pay bills from the trust and assume responsibility for record-keeping.

You may serve as your own trustee, but a corporate trustee can relieve you of responsibilities you have neither the time or desire, or perhaps, the ability to handle. You retain full control over the assets in the trust, as well as the right to amend or revoke the trust document at any time.

IRREVOCABLE TRUSTS

With an Irrevocable Trust, the grantor cannot alter the terms or recover the assets during the trust's existence. Some of the more common types of trusts include:

➤ **Credit Shelter Trusts**

Credit Shelter Trusts, also known as By-Pass Trust, are structured to provide the surviving spouse with annual income and access to principal

➤ **Charitable Remainder Trusts**

Many individuals use the Charitable Remainder Trust as a vehicle to enable them to sell a highly appreciated asset without paying immediate capital gains taxes, reinvest the full amount and increase their lifetime income.

➤ **Irrevocable Life Insurance Trusts**

With a Life Insurance Trust, you can reduce your taxable estate. You simply place or purchase a life insurance policy inside of a Trust and pay premiums in the form of annual gifts to your beneficiaries.

➤ **Trusts For Minors**

A Minor's Trust is an Irrevocable Trust that can serve as an alternative to a Uniform Gifts to Minor's Account (UGMA).