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Estate Planning Basics

Estate planning involves the transfer of wealth during life and at death. Not only can effective estate planning help ensure wealth passes according to one's wishes and in a tax-efficient manner, it can also help prevent discord among your heirs – which can be costly. While we recommend clients utilize the services of an expert, such as an attorney specializing in estate planning, these few simple steps can help prepare you for the inevitable:

1. **Prepare a will.** This legal document governs how assets will be distributed upon your death and can be used to designate legal guardians for children. Without a will, assets will be distributed according to state laws without regard to your wishes. It is a good rule of thumb to update your wills every five years and whenever a life altering event occurs.
2. **Designate beneficiaries.** Regardless of what your will stipulates, assets such as retirement accounts and life insurance policies will pass to the designated beneficiaries. Proper beneficiary designations may offer income- and estate-tax planning opportunities.
3. **Title assets correctly.** A will only governs assets held in an individual's name. Joint property with right of survivorship, which passes directly to the surviving spouse, is not covered by a will. If you have a trust, make sure assets you intend to be included in its distributive provisions are titled in the name of the trust.
4. **Review your life insurance policy.** Life insurance can play an important role in estate planning, whether it is used to pay estate taxes, debts, or leave assets to heirs. If yours is a taxable estate (currently over \$2 million for Federal), it may be appropriate to use an irrevocable life insurance trust to hold the policy.
5. **Appoint a general power of attorney for finances.** This document names another person to make financial decisions for you. A durable general power of attorney is effective immediately, and can be used in the event of incapacity. When invoked, a power of attorney allows your appointee to pay bills, access accounts and handle your financial affairs without going to the court for approval.
6. **Make health care directives.** A health care advance directive gives another person the ability to make medical decisions if you are unable to do so. It also tells family and medical personnel how you want to be treated under various scenarios.

Estate tax laws are complex and will change over time. While these six steps cover “the basics,” using a qualified attorney for estate planning may insure your plan is carried out and tax considerations are properly addressed. We have developed a great network of estate-planning attorneys over the years and encourage you to contact us for a referral.