Estate Planning Tools

Familiarize yourself with estate planning options in order to develop a plan that meets your needs. Following is a brief outline for informational purposes only. Effective estate planning requires appropriate legal counsel.

LAST WILL AND TESTAMENT
All property held in your name *alone* at the time of your death will be distributed through probate by the terms of your Will. Everyone should have a Will in which they determine who will handle their affairs, and who should receive their property. You can also create a Trust through your Will to take effect upon your death to care for minor children or handicapped family members.

JOINT AND SURVIVOR ASSETS
Between a husband and wife, estates with a total value of less than the current federal estate tax level of $5,450,000 may benefit from titling assets jointly. In many cases probate can be completely avoided if all assets are jointly owned or have a designated beneficiary. This includes bank accounts, mutual funds, stocks and bonds, vehicles, and real estate.

However, remember that joint owners have equal access to the property at any time. That is why I recommend this form of ownership for married couples rather than between parents and children. Debts of a joint owner or claims against them generated by divorce or accidents could attach to the original owners property.

Estates over the current federal estate tax level may benefit from more specialized forms of estate planning.

PAYABLE-ON-DEATH ACCOUNTS
Bank accounts can be designated POD (payable on death) to your chosen beneficiary. In this way no probate is required, but your beneficiary has no access to the account until your death.

TRANSFER-ON-DEATH DESIGNATION
The TOD (transfer on death) designation is used for naming the person to receive stock, mutual funds, or real estate. The TOD beneficiary has no access to the property until your death.

LIVING TRUSTS
You can create a Trust now to set aside assets for future purposes. *Irrevocable Trusts* can avoid estate tax, probate, and State Medicaid recovery under certain conditions. *Revocable Trusts* avoid the expense and public record involved with probate but not protect and estate from Medicaid recovery, and can be amended by the Grantor. Some long-term care planning can be done with Trusts if they are set up early enough.

ANNUITIES

Annuities defer income tax on your investment income, or they can be used to provide a regular monthly income for a set period. You can purchase an annuity with a fixed rate of return or one that fluctuates with the stock market. They are not federally insured so should be purchased only from a reputable company. By designating a beneficiary the annuity avoids probate. However, it is not protected against Medicaid recovery.

LIFE INSURANCE

Both your personal life insurance and that provided by your employer should be considered when developing your estate plan. Insurance can be payable to a specific beneficiary, multiple beneficiaries, to your estate, or to your Living Trust.

Other useful planning documents:

Durable Power of Attorney – used to designate a responsible person to handle your personal and financial affairs should you become unable to do so due to disability or incompetence.

Living Will – used to specify that you do not wish to have medical treatment continued should it be determined by two physicians that you have a terminal illness with no hope of recovery.

Healthcare Power of Attorney – used to designate a responsible person to make medical treatment decisions for you if you are unable to do so.

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