Your Roadmap to Easy Estate Planning

SEIA
Signature Estate & Investment Advisors, LLC®
www.SEIA.com

By *Eric C. Pritz, CFP®, CMFC* | **Posted in Hill Section Life (*April 2015*)**

Despite its rather lofty title, the truth is you don't really need to have an "estate" to benefit from an estate plan. While there are all manner of complex trust arrangements that can be used to achieve certain aims, the fundamental purpose of an estate plan is simple: to help you preserve and eventually transfer to your heirs the assets you've worked a lifetime to accumulate.

Done right, an estate plan allows you not only to tax-efficiently pass on your wealth to future generations, but also to pass on your values – creating a legacy that establishes how you will be remembered by your family, colleagues and society. Without a proper estate plan, however, all your years of hard work can be undone and your assets significantly eroded by income taxes during your lifetime and by estate taxes after you die.

Clearly, estate planning is a topic none of us enjoy contemplating, and we often look for any way to avoid discussing it. But comprehensive financial planning is about preparedness for any and all contingencies, even unpleasant ones. So, let's take a look at a few simple things that you can do to begin laying the groundwork for a sound estate plan for you and your family.

The basics

A good place to start is by taking an inventory of your assets including your investments, retirement savings, insurance policies and real estate or business interests. Who do you want to inherit these various assets? And who are you comfortable having handle your financial affairs, or making medical decisions for you, if you become incapacitated?

A Will stipulates precisely how your assets should be distributed upon your death, as well as serving to convey other wishes such as who should be the guardian for your minor children. In addition to your Will, some basic documents that you'll definitely want to consider and discuss with your attorney include a revocable living trust, which is often thought to be the most effective estate planning tool available; a property power of attorney; and a living will or health-care proxy (medical power of attorney).

Trusts aren't just for the ultra-wealthy

A major component of maximizing what you leave behind will be to minimize the taxes you and your heirs are required to pay. Federal taxes on gifts and estates can be among the highest assessed on any financial transaction (a top rate of 40%). In addition, some states levy their own additional estate and inheritance taxes.

Trusts are nothing more than legal mechanisms that give you control over how and when your assets are distributed upon your death. Typically, they allow you to reduce your estate and gift taxes and to distribute assets to your heirs without the cost, delay and publicity of probate proceedings. Some trusts also offer greater protection of your assets from creditors and lawsuits.

You can place nearly any kind of asset into a trust (e.g., stocks, bonds, insurance policies, real estate, artwork, etc.). The assets you choose for various trusts, however, should align with your ultimate goal. If you want a particular trust to generate income, funding it with income-producing securities such as bonds may make sense. Conversely, if you want your trust to create a lump sum to pay estate taxes, you might want to fund it with a life insurance policy. And charitable trusts can be established to provide a legacy for the charities and causes that are important to you, while still providing for your loved ones.

Some of these planning strategies may be right for you and your family; others may not. So, it’s important to obtain guidance from a professional advisor before implementing any estate planning or wealth transfer strategy. And keep in mind that when it comes to estate planning, your plans aren’t etched in stone. They can (and likely should) evolve over the course of your lifetime as your circumstances dictate. The important thing is to stop procrastinating and get started mapping out your own plan.

Eric C. Pritz, CFP®, CMFC is a Partner at Signature Estate & Investment Advisors, LLC. Eric can be reached at (310) 712-2322 or epritz@seia.com.