

Four Estate Planning Tips

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Going by the adage, the only other “sure thing in life” makes “taxes” sound agreeable. The mere thought of the “D” word can stifle conversations about estate planning. This outmoded way of approaching the topic does not reflect the varied and creative options and strategies that exist today. Before you can know what is best for the family, you must:

Get the family involved – Treating estate planning as a terminal event is unproductive and hinders a strategy’s success. The estate planning process offers individuals and families more ways to preserve assets and legacy than perhaps any other area of tax planning. Understanding the interests of each family member allows everyone to make smarter decisions. Perhaps one child of two siblings wants to run the family business while the other would prefer to own real estate assets. This might suggest planning alternatives beyond an even split of family assets.

Without this information, recommendations might be presented that are not appropriate for a particular family's situation.

Consider a Lifetime Trust – Many affluent families have an array of trusts. Some have not considered the benefits of lifetime trusts. Rather than having trusts make complete distributions to beneficiaries at specified ages, many families are having trusts continue for children's lifetimes – making assets available – but not adding to the next generation's estates unnecessarily. There are tax advantages for children and even grandchildren as well as creditor protection.

Make sure life insurance is held in a trust – The trust owns and maintains policies so that proceeds are not subject to estate tax while allowing clients to direct timing and distribution of proceeds to beneficiaries. This strategy can also provide the necessary liquidity to pay for estate taxes in the event that the estate is comprised of otherwise illiquid assets. Another main advantage, of course, is the ability to shield the value of policies from creditors.

Give It Away – Solid advice from astute advisors to affluent clients. The 2016 estate and gift tax exemption allows you to transfer nearly \$5.5 million to any individual – free of federal estate tax.

Every family has a different situation. It is important to speak with your advisors and determine what is right for you.