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July Columnist - Trajan King
Don't Wait To Plan Your Estate
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Making excuses to delay estate planning is easy. People may often think, ''I'll worry about it when I'm older." Or "My estate is so small it's not necessary." Or even, "1 don't know what I'm going to do with my assets yet." However, if you are unprepared when incapacity or death strikes, your family's financial future and the future of your company (if you are a business owner), may not be protected. While there is no designated way to begin planning your estate, waiting too long may rob your beneficiaries of much of their inheritance. That's why it's important to take the time to plan now.

Start with the Basics

What if you were to die intestate - that is, without a will? As the foundation of your estate plan, a will proVides for distribution of your assets, names a guardian for your minor children, and appoints an executor or personal representative to see that your wishes are carried out. If you die without a Will, a court will make these decisions for you. Consequently, your estate may not be distributed as you would have wished. Failing to draw up a will means you relinquish control over what will happen to your assets - and perhaps your family's financial status - upon your death.

Minimize Estate Tax Consequences

It goes without saying that at your death you don't want a large portion of your assets to go to the government in the form of estate taxes. But that's what may happen if you don't plan ahead. You may already know that under the tax law's marital deduction, you can generally transfer all of your assets - regardless of the amount - to your spouse estate-tax free. So it may sound as if the government has already done some estate planning for you. But don't relax just yet.

When your spouse dies, any remaining property will be included in your spouse's estate. If the total exceeds the unified credit exclusion - $1 million in 2002 and 2003, rising in 2004 in scheduled steps for several years before it returns to $1 million in 2011 - taxes on your spouse's estate could take a substantial part of the inheritance your children or other heirs would receive.

One way to minimize the estate taxes your beneficiaries will have to pay is to establish a trust that will distribute income to your spouse during his or her lifetime while sheltering assets for future heirs. Trusts can take many different forms, so consult with a professional financial advisor before making any decisions.

Don't Neglect Business Succession Planning

If you own a business, what would happen to it if you were to die unexpectedly? Without proper planning, part or all of your business might have to be sold to pay estate taxes. In addition, your business could suffer unless a competent manager succeeds you and a well-structured plan for ownersllip transfer is in place. There are many methods you can use to accomplish these goals, including partnerships, buy-sell agreements, and stock transfers. Once you've developed a plan, life time gifts, trusts, and life insurance may be used to ensure that your family remains financially stable.

Leave a Paper Trail

An estate plan isn't very useful if no one In your family knows what it is, so be sure to maintain clear records. Make a list of your assets, including securities, retirement plan accounts, saVings accounts, real estate, life insurance policies, and so on, along with information to identify and locate the accounts. Make a second list of your liabilities, including loans, mortgages, and credit card obligations. Personal information, such as your Social Security number, birth certificate, divorce decree, and similar documents, should be stored in a secure and accessible place. Include cemetery plot records and detailed funeral instructions. List the names, addresses, and phone numbers of your attorney, accountant, executor, and trustee, if applicable.

By letting your family know where your important records are kept, you'll help to ensure the timely transfer of your assets to your heirs.

The consequences of waiting too long to plan your estate can be financially and emotionally devastating for your family. If you haven't yet started planning your estate, a professional financial planner can help you begin the process and recommend strategies to help you achieve your particular planning objectives.

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Some advisors would suggest that you should have a plan in place five years before the owner plans to exit the business. However, since no one knows when tragedy could strike and a business owner or key person could die or become disabled, business owners should really have a succession plan as an integral part of their complete business plan when they start the business. It should cover all possible eventualities of the business if it had to be turned over to someone else. This exit strategy should address retirement, death, disability, sale of the business, and any other possibilities that might impact the situation.

The succession plan should include life and disability insurance to ensure business operation if the owner dies or becomes disabled. Other strategies, such as an Employee Stock Ownership Plan (ESOP) or business alliances, could provide operating capital or management in extreme circumstances. The details of how the business should be sold or liqUidated (if that becomes necessary) should be included.

Take Action

Answering the basic questions, reviewing the alternatives and their impact, and a continuing dialogue among family members are crucial components in a plan for succession. With appropriate guidance, a business owner can create an effective succession plan to keep the family together and maximize the probability of continued business success.

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