



## Estate Planning Is More Than Minimizing Estate Taxes

With all the political discussion about eliminating or modifying the estate tax (or “death tax” as some call it) it is helpful to have an understanding of some of the other issues of estate planning. Here are some of the issues you should consider.

- *Family communication.* In many families, death and money are almost forbidden subjects. Yet some frank discussions with children (or parents) can help everyone be prepared for the unexpected. At a minimum, key family members should know the whereabouts of important documents and be aware of any medical treatment options you want or do not want.
- *Your will.* This legal document dictates how your assets are distributed from your estate and can be used to designate legal guardians for dependents. These are decisions you, not the courts, should make. You can also use your will to name the executor of your estate. This person will oversee the estate until all assets are distributed and the estate officially ceases. You should choose someone that is capable of understanding and carrying out your wishes.
- *Your retirement accounts.* You should carefully choose the beneficiary of any retirement plan you have, including IRAs. In most cases, the person who will get the assets in your retirement account is the determined by the beneficiary form you sign, not your will.
- *Irrevocable life insurance trusts.* When you hear that life insurance proceeds are tax-free, it is only referring to income taxes. If your estate is the beneficiary of a life insurance policy, the proceeds of that policy are included in your taxable estate. In many cases, those proceeds are what increase the size to the point where estate taxes are due.
- *Durable power of attorney for finances.* This document gives another person the ability to make financial decisions for you if you become incapacitated and unable to make your own decisions. If this power of attorney is invoked, that person can access your accounts, pay bills, write checks and handle your investments. Without it, it may be necessary to go to court frequently to enable transactions to be made. In this power of attorney, you should choose someone that is capable and knowledgeable enough to make decisions on your behalf. It may be an adult child, sibling or trusted friend. If you do not have someone like that, you may want to designate your attorney or accountant.
- *Medical directives.* These documents direct how health care decisions are to be made if you are not capable of making them yourself. A durable power of attorney for health care gives another person the ability to make medical decisions and a living will tells your family and medical personnel how you are to be treated if you become terminally ill. It also states your wishes about being placed on life support. Some states may require separate forms for each.

- *Regular estate planning checkups.* Estate plans should be reviewed on a regular basis. Many estate attorneys suggest a review every three or four years. If your situation changes (divorce, death of a spouse, birth of children or grandchildren, changes in wealth status), you may want to review your plan more often. In addition, if you move to another state, be sure to get an estate plan review.
- *Use an expert.* The estate laws are complex and the consequences of being inadequately prepared are significant. While you may want to do some investigation on your own. It is wise to use a qualified attorney for your estate planning needs.