

Secure the Future With a Sound Estate Plan

It is natural for many people to want to put off planning their estates. It's an uncomfortable thought, to anticipate one's own demise. In addition, many people believe that only the wealthy require estate planning. Or, that all that is involved is tax planning, which can be done "later." Unfortunately, they may be wrong on both counts.

Your level of wealth and the ultimate tax consequences of your estate should become secondary to the planning and care of your family and other heirs. A well-structured estate plan is invaluable. Through it, you can specify your wishes for the distribution of your assets, as well as name guardians for your children or plan care for other dependents. While the estate planning process can raise some difficult, emotional and personal issues, your heirs will be glad you did it.

How to begin

Your first step should be to assemble a competent, professional, estate planning team. Your attorney, financial services professional, insurance agent, bank trust officer and tax professional are all possible members of your team, depending on the size and complexity of your estate.

They can help you complete an analysis of your current estate by looking at your financial position as of today and helping you analyze your family's needs for the future. Does a family member have special needs or require medical attention? How much will an education cost when your children reach university age? How will your family's overall cost-of-living requirements change in the future? How will estate taxes affect your assets as they are currently held? The answers to these questions can help you develop an estate plan that will adequately provide for your family's needs.

Gathering information

A thorough estate analysis requires gathering any and all materials involving current or future income, property ownership, insurance and legal arrangements. Following is a list of some of the information that should be included:

- o Current income from employment and all other sources
- o Any expected deferred compensation
- o Employer-provided and government benefits, as well as individual retirement savings accounts
- o Savings certificates and passbooks
- o Deeds to primary and secondary residences
- o Personal property
- o Life insurance policies of which you are the owner, the insured or the beneficiary

- o Wills

- o Trust agreements, if any

- o Current and expected debts and obligations, including mortgage and loan balances, real estate liens, taxes payable, consumer debts, and estimated funeral costs and estate settlement expenses

Once assembled, a complete analysis can commence, giving you the basis for a solid estate plan.

Preserving your estate

If you begin planning in a timely fashion, there are clear, legitimate methods that allow you to take steps to help preserve your estate while satisfying both the tax collector and the courts. You will also save your heirs needless effort and expense. Some of these methods are:

- o **Minimize estate taxes.** It is important to evaluate whether or not the size of your estate and your plans to transfer assets to children or other beneficiaries will expose you to estate taxes. Consider developing a solid estate plan with your tax, legal and financial professionals.

- o **Plan a gifting program.** It may be possible to shield assets from taxation by making gifts to family members. Professional assistance and careful structuring of your gifting program are essential.

- o **Draft a will.** A will is a formal, legal document specifying your wishes for the distribution of your estate in the event of your death. It is crucial to the success of your estate plan that you have a properly written will prepared by a qualified, legal professional and simultaneously witnessed by two parties.

- o **Consider a trust.** A trust can be an excellent method of accomplishing long-term estate planning goals. While seemingly complex, trusts are powerful tools designed to help individuals handle a variety of family and tax-related problems.

- o **Plan charitable bequests.** The value of property transferred for “charitable” or “public” purposes may be deductible, with certain limitations, when determining the valuation of an estate for tax purposes.

- o **Take advantage of life insurance.** Life insurance can fulfill two important functions in your estate plan. First, it can provide immediate cash to help meet the needs of your spouse or other beneficiaries. Second, it may be possible to establish a life insurance trust that will prevent the policy proceeds from being included in your estate. Your heirs may use the proceeds of the trust to help pay the estate tax bill, thus avoiding the need to sell estate assets.

- o **Title assets properly.** In certain cases, it may be best for married couples to own property together. In other situations, it may be most tax efficient to own property separately. Consult your tax professional for specific guidance.

The careful planning of an estate requires a great deal of knowledge and experience. If you surround yourself with a professional, supportive team as you begin the process, work through its many stages and adjust your plans over time, you can help assure yourself – and your loved ones – of a secure future for all.

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