

An Estate Planning Checklist

Because you have worked hard to create a secure and comfortable lifestyle for your family and loved ones, you will want to ensure that you have a sound financial strategy that includes trust and estate planning. With some forethought, you may be able to minimize gift and estate taxes and preserve more of your assets for those you care about.

A Needs Evaluation

One of the first steps in the estate planning process is determining how much planning you will need to undertake. No two situations are alike. And even individuals who don't have a great deal of wealth require some degree of planning. On the flip side, those with substantial assets often require highly sophisticated estate planning strategies.

Two key components of your initial needs evaluation are an estate analysis and a settlement cost analysis. The estate analysis includes an in-depth review of your present estate settlement arrangements. This estate analysis will also disclose potential problems in your present plan and provide facts upon which to base decisions concerning alterations in your estate plan.

For example, you may believe that your current arrangements are all taken care of in a will that leaves everything to your spouse. However, if you have named anyone else as a beneficiary on other documents--life insurance policies, retirement or pension plans, joint property deeds--those instructions, not your will, are going to govern the disposition of those assets. You want to ensure that all your instructions work harmoniously to follow your wishes. In addition, under certain circumstances, you may want to consider alternative asset ownership arrangements.

An estate plan that leaves everything to a surviving spouse enjoys the unlimited marital deduction against all estate taxes but fails to take advantage of the decedent spouse's applicable exclusion amounts against estate taxes under federal and state law. This may result in a larger estate tax burden at the death of the second spouse. Yet these are taxes that can potentially be minimized with careful planning. While your spouse will receive your estate free of estate taxes if he or she is a U.S. citizen, anything your spouse receives above his or her federal applicable exclusion amount may eventually be subject to estate taxes upon his or her death.¹ Many states also have their own estate tax regimes and apply different (lower) estate tax applicable exclusion amounts, which you will need to consider with your estate planning professional.

An estate settlement cost analysis summarizes the costs of various estate distribution arrangements. In estimating these costs, the analysis tests the effectiveness of any proposed estate plan arrangement by testing various estate settlement scenarios, the inflation and date of distribution assumptions as well as specific personal and charitable bequests.

Needless to say, estate planning can be very complex. And while a simple will may adequately serve the estate planning needs of some people, you should meet with a qualified legal advisor to be sure you are developing a plan that is consistent with your objectives.

Finally, be sure to recognize that estate planning is also an ongoing process that may require periodic review to ensure that plans are in concert with your changing goals. In addition, because estate planning often entails many facets of your personal finances, it often involves the coordinated efforts of qualified legal, tax, insurance and financial professionals.

Estate Planning Checklist

Bring this checklist to a qualified legal professional to discuss how to make your plan comprehensive and up-to-date.

Part 1: Communicating Your Wishes

- Do you have a will?
- Are you comfortable with the executor(s) and trustee(s) you have selected?
- Have you executed a living will or healthcare proxy in the event of catastrophic illness or disability?
- Have you considered a living trust to avoid probate?
- If you have a living trust, have you titled your assets in the name of the trust?

Part 2: Protecting Your Family

- Does your will name a guardian for your children if both you and your spouse are deceased?
- Are you sure you have the right amount and type of life insurance for survivor income, loan repayment, capital needs and all estate settlement expenses?
- Have you considered an irrevocable life insurance trust to exclude the insurance proceeds from being taxed as part of your estate?
- Have you considered creating trusts for family gift giving?

Part 3: Reducing Your Taxes

- If you are married, are you taking full advantage of the marital deduction?
- Is your estate plan designed to take advantage of your applicable exclusion amount?¹
- Are you making gifts to family members that take advantage of the \$14,000 annual gift tax exclusion?
- Have you gifted assets with a strong probability of future appreciation in order to maximize future estate tax savings?
- Have you considered charitable trusts that could provide you with both estate and income tax benefits?

Part 4: Protecting Your Business

- If you own a business, do you have a management succession plan?
- Do you have a buy/sell agreement for your family business interests?
- Have you considered a gift program that involves your family-owned business, especially in light of “estate freeze” rules? (These rules were enacted by Congress to prevent people from artificially freezing their estate values for tax purposes.)

¹The estate tax exemption is \$5.25 million for 2013, with a top tax rate of 40%.

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