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WHY YOU NEED A WILL AND AN ESTATE PLAN

INTRODUCTION

Estate Planning is an easy thing to put off. We all think that we are immortal. Many people think it's too early to consider such plans or that their estate is too small. Outlined herein are some good reasons why you should plan your estate now. Even if you feel that you do not need an estate plan, **you do need a will.** If you have made a will, it should be reviewed to see if it is still compatible with your wishes and the ever changing state and federal estate and inheritance tax laws. The Dougherty Law Offices are uniquely qualified to plan your estate and draft your will and estate planning documents.

BENEFITS OF AN ESTATE PLAN:

WITH A PLAN	WITHOUT A PLAN
You decide who receives a share of your estate.	State laws determine who inherits your assets--they could pass to estranged relatives or friends.
You decide how and when your beneficiaries receive their inheritance.	The terms and timing are set by law. Your children could be left with control of a sizeable estate with no controls to guide them.
With a will you can choose to put gifts to your beneficiaries in trust, delegating authority to your trustee	The court will appoint administrators--administrators whose ideas may not be compatible with your own.
You decide who'll manage your estate (executor, trustees, etc.)	Costs are usually greater, due to required administrative expenses and unnecessary taxes.
You can reduce estate taxes and administrative expenses.	The court appoints a guardian for your children-- a guardian who you may not want deciding the future of your children.
You select the guardians for your children.	
You can provide for the orderly continuance or sale of a family business.	Financial losses and family hardships may result from an untimely forced sale.

INITIAL CONSIDERATIONS IN ESTABLISHING AN ESTATE PLAN:

WHO SHOULD INHERIT YOUR ASSETS

If married, what do you want to provide for your spouse?

Should your children share equally in your estate? Do any of your children have special needs?

Do you wish to include grandchildren or others as beneficiaries?

Would you like any of your assets to go to charity?

WHICH ASSETS SHOULD THEY INHERIT

Should closely held business stock pass only to those children who are active in the business?

Should you compensate the others with assets of comparable value?

If you own rental or investment properties, is it appropriate for all beneficiaries to inherit them?

Consider each beneficiary's cash needs and ability to manage property.

WHEN SHOULD THEY INHERIT THEM

Age and maturity are probably the two most important aspects to consider. Should you have assets placed in a trust, with distributions made over a period of years as beneficiaries mature, or will you want some assets distributed?

How do you wish to provide for the health, safety, maintenance, education and support of your children or a loved one?

Should assets be tied up in trust? Do you want a professional trust asset manager to administer the trust. Trusts can be very inflexible.

The size of your estate and its effect on a beneficiary's personality and work ethic must be considered. Large estates are often distributed over a long period of time.

Should you start a gift program now? There can be significant tax benefits. There could also be psychological benefits. Gifts can also provide a training time for managing assets.

STRATEGIES TO REDUCE YOUR ESTATE TAX:

Current tax law provides a number of vehicles to reduce or eliminate any potential estate tax burden, including, among others:

Gifts of $11,000 per donee ($22,000 if done with spouse, indexed for inflation.)

Retitling of assets between you and your spouse.

Living Trusts.

Irrevocable Life Insurance Trusts.

Marital Deduction Trusts.

Family Trusts.

Charitable Trusts.

QTIP Trusts

Grantor Retained Interest Trusts.

CALCULATING YOUR ESTATE AND DETERMINING POTENTIAL ESTATE TAX EXPOSURE:

THE VALUE OF YOUR ESTATE

Your federal estate includes the following:

1. Cash
2. Stocks and Bonds
3. Notes and Mortgages held
4. Life Insurance Proceeds
5. Annuities
6. Retirement Benefits
7. Personal Residence
8. Other Real Estate
9. Partnerships
10. Automobiles
11. Artwork
12. Jewelry
13. Furniture, antiques, collectibles, etc.

ESTATE TAX CREDIT

Federal Estate Tax law provides a credit against your net federal estate in the following amounts, which increase until the year 2009:

2004	$1,500,000
2005	$1,500,000
2006	$2,000,000
2007	$2,000,000
2008	$2,000,000
2009	$3,500,000

HOW THE ESTATE SYSTEM WORKS

Although federal income taxes have decreased significantly over the years, the same is not true for estate tax rates. Federal Estate Tax rates begin at 18% and go as high as 48%. These rates do not include State Inheritance taxes, if applicable. Accordingly, **taxes and administrative costs can cut your estate in half** without proper planning.

To estimate your taxable estate, add up the amounts on the left. Reduce this amount by any debts or expenses of administering the Estate. Also reduce the amount by the amount of assets that pass to your surviving spouse, the marital deduction (which will be taxed to your spouse when they die), or that pass to a charity. This remaining sum represents your taxable estate. If this amount exceeds $1,500,000 for 2005 (the Estate Tax Credit), your estate is taxable. By way of example, a $2,000,000 taxable estate would be subject to taxes of close to $555,800. **Most people grossly underestimate the catastrophic effect of federal estate taxes.**

Another often forgotten aspect of estate planning is the dramatic effect inflation and appreciation play. Although your estate may not be taxable at present, as the value of your assets increase over the years, they may result in a federal taxable estate.

SUMMARY:

The issues and examples provided herein are simplified. The area of estate planning is quite complicated. You should consult an attorney in considering your estate planning goals. The first thing that needs to be done is to have an attorney draft your will. Please feel free to call to discuss your particular estate planning needs