Protect your wealth

How to control what happens to your estate **Interviewed by Elizabeth Grace Saunders**

One of the best ways to save thousands of dollars in taxes is to craft a strategic estate plan. Customized to meet your needs, it will ensure that the people and organizations that you choose as beneficiaries receive the maximum benefit from your assets.

"It's very important to have an estate plan to avoid the inordinate additional cost of dying without a will or revocable trust," says Greg Tait, senior partner with Berenfeld, Spritzer, Shechter & Sheer. "Without an estate plan, there can be extra legal costs involved, assets may not be transferred to the intended beneficiaries, and there may be a much higher tax due on the transfer of the estate."

Smart Business spoke with Tait about how to create an effective estate plan.

Greg Tait
Senior partner
Berenfeld, Spritzer, Shechter & Sheer

Who needs to have an estate plan?

People with assets in excess of $1 million should have an estate plan. The current tax law allows estates valued up to $2 million at the date of death to fall under the estate tax exemption. But after 2010, the law is planned to revert back to the old rules, and estates in excess of $1 million could be subject to estate tax.

There's a great deal of publicity about the very wealthy needing to have estate plans. But it's just as important and often more essential that owners of smaller estates do this type of tax planning, because these individuals often need to retain income-producing assets during their lifetime to maintain their lifestyles.

What are the components of the estate planning process?

The first part of estate planning is to recognize potential estate tax problems. Many times, a review should be done. Consideration should first be given to how clients want their estate ultimately distributed and in what manner. Family members are usually considered first, and that always creates a question of how best to provide for them. Clients might also have intentions of donating to charity, which has significant estate tax implications.

The second step is to determine exactly which assets the clients own and how they are titled. Some of these assets can be given away during their lifetime, while still allowing clients to maintain their lifestyle. Other assets, such as a vacation home, a piece of land or a business, may need special consideration during the planning process. It's also important to identify the beneficiaries of insurance policies and retirement plans to avoid distributions that are contrary to client goals. All of these issues — plus many others — need to be considered.

After initial planning is completed, clients should work with a competent estate planning attorney to draft the plan. A legal professional must ensure that the estate plan complies with the law and provides for a very clear understanding of how the estate is to be administered. Other professionals, such as life insurance agents, should also be brought into the process.

During the creation of the estate plan, all the professionals should be working together for the good of the client.

What are some strategies that could be included in a smaller estate plan?

One idea is a qualified personal residence trust (QPRT). With this technique, a residence can be transferred to family members at substantially less than fair market value. The property owner makes a gift of the remainder interest in the property to a trust, and the remainder beneficiary receives the property title at the end of a fixed number of years.

Another technique is a charitable remainder trust (CRT). This tax structure allows individuals to contribute appreciated assets to a trust. This provides for a current charitable deduction while the trust can then sell the assets with no income tax imposed.

This creates a larger benefit for the income beneficiaries. The trust beneficiaries receive income off the assets during a certain number of years. At the end of this time period, the assets are transferred to a charity. This allows people to maintain an income stream but also to honor a charity with their money in the future.

Why is it important to tailor estate plans to fit the needs of the specific individuals involved?

Every estate and every person is different, so every estate plan needs to be custom-crafted to meet specific individuals' needs. There is never a one-size-fits-all estate plan. A number of different planning techniques can be used that may or may not make economic sense for different people.

Effective estate planning comes down to collaborating with professionals who want to get to know clients and work with them to determine what will best serve their needs.

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