

2701 Loker Ave West, Suite 100. • Carlsbad, CA 92010  
Telephone: 760-438-0558 • Facsimile: 760-268-9362

**"I'M NOT RICH, WHY BOTHER?"**

If you have a modest estate, estate planning is probably needed more than ever. Surprised? Well, estate planning is much more than estate tax planning. In fact, it is often the non-tax issues that are most important when planning for your lifetime needs and how to distribute your legacy in a way that will protect you and your family for years to come.

**TIP:** Your estate plan need not be overly complicated, but it should be well thought out and it should be *your* plan based on your decisions and *your* goals. Estate planning allows you to control the outcome of your life's efforts.

**PLANNING FOR LIFETIME NEEDS, HEALTH CARE, DISABILITY AND FAMILY CIRCUMSTANCES**

Estate planning in non-taxable estate allows you to:

- Appoint agents, guardians and other fiduciaries
- Plan for incapacity with powers of attorney and advance directives
- Address Medicare planning issues
- Plan for long-term care requirements
- Set up retirement accounts and life insurance policies to make proper and well-considered beneficiary designations to avoid unintended inequities in actual distributions made to beneficiaries
- Achieve the benefits of avoiding probate if that is desired, including privacy, ease, and speed of administration
- Increase the efficiency of asset transfers upon death
- Exercise control over the distribution of your assets (timing, amount, and any other 'strings' that you may wish to attach)
- Address family distributions in scenarios involving blended families, second marriages, children from prior marriages, or other instances where default distribution rules may lead to undesirable outcomes
- Protect beneficiaries from themselves and others (such as creditors)
- Provide for family members with special needs
- Provide for future generations
- Provide for professional investment management
- Minimize carryover vs. stepped-up basis issues
- Plan for windfall scenarios (it could happen)
- Plan for business succession if applicable
- Plan for death with thoughtful deliberation and creation of a plan *on your terms*

Organize your affairs and information for family members to minimize their burden and ensure your wishes will be carried out.

**TIP:** Everyone should engage in a level of estate planning, regardless of wealth, in order to address the many issues surrounding protection during your life and the distribution of assets upon death in a manner that satisfies your wishes.

### TAXES AND EXPENSES THAT MAY STILL APPLY

#### *State Estate or Inheritance Taxes*

Even if there is no federal estate tax there may still be state estate tax or inheritance tax. Many states have not increased their exemptions to match the federal exclusion amount. Individuals living in states that still have a state estate tax (or owning property in such states) will need documents drafted to minimize that state estate tax liability.

#### *Probate Administration Expenses*

Even if there is not federal or state estate tax impacting your estate, there may be probate administration expenses that can be minimized with proper estate planning. Some probate courts charge a probate court fee based on the size of the probate assets. This fee is, in essence, a tax. Reducing the size of assets passing through the probate administration process reduces the expense of administration.

#### *Federal Estate Taxes (yes, you still should consider the possibility)*

True, if you have assets well below the federal exclusion amount (\$5,430,000.00 in 2015) then a federal estate tax is unlikely...that is good news! Also, if you are married, you can give assets freely to your spouse and also share your exclusion amount with your spouse, essentially doubling the amount applied before the federal estate tax kicks in (that does require just a bit of planning to implement).

So, are you off the 'estate tax hook'? Maybe. Congress keeps changing the estate tax laws, so even though your wealth falls below the threshold for a federal estate tax law today, that may not be the case once Congress makes yet another change to the federal estate tax structure. In addition, time, inflation, and future wealth accumulation can have a significant impact on your need for tax planning.

**TIP:** Some basic planning for a potential estate tax scenario could prove invaluable down the road.

### WRAP UP

- Estate planning is much more than *tax* planning.
- If you have a modest estate, estate planning still addresses many non-tax goals (appoint agents, plan for incapacity, set up proper beneficiary designations and distribution details, protect assets from creditors, ensure desired outcomes for children from prior marriages, protect family members with special needs, and more).

- State estate or inheritance taxes, probate administration expenses, and other related expenses may still apply and should be addressed with proper upfront estate planning.
- The federal estate tax law is ever-changing, so a bit of pre-planning for a potential estate tax scenario could prove invaluable down the road.

*For more information on this topic, contact us any time!*

**The Estate Planning and Legacy Law Center, PLC**

2701 Loker Avenue West, Suite 100

Carlsbad, CA 92010

T (760) 438-0558 | F (760) 238-9362