

YOUR ESTATE PLAN – INITIAL CONSIDERATIONS

For many people, estate planning is not a high priority. Maybe you think it's too early; maybe you think your estate is too small. Maybe you're not quite sure the right questions to ask. But estate planning is, in general, a simple straight-forward process of making the proper and efficient disposition of your property, and can involve both post-mortem planning as well as lifetime advance directives. The first step in estate planning is very personal. You must decide *who* inherits *which* assets and *when* they should receive them. Here are some of the concerns that you need to consider:

WHO Should Inherit Your Assets? If you are married, what do you want to provide for your spouse? Should your children, if any, share equally in your inheritance? Maybe one of your children has special needs and should receive a disproportionate amount. Do you wish to include grandchildren or others as beneficiaries? Would you like to give any assets to charity? These are all threshold inquiries that are important to address.

WHICH ASSETS Should They Inherit? Should closely held business stock pass only to those children who are active in your business? Should you compensate the others with assets of comparable value? If you own rental properties or other actively managed properties, is it appropriate for all beneficiaries to inherit them? You should also 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 for you to consider. Should you place assets in a trust, with distributions made over a period of years as beneficiaries mature, or will you want some assets distributed immediately? What about trusts? Trusts can provide the professional asset management capabilities that an individual beneficiary lacks. On the other hand, trusts can sometimes be inflexible. The size of your estate can affect your decisions. A large inheritance could alter a beneficiary's personality, or his or her work ethic. For these reasons, larger estates often are distributed to beneficiaries over an extended period of time.

Should you start a gift program now? There are several benefits to consider: (i) There could be significant tax benefits (described below). There could also be psychological benefits. For example, a family member who is active in the family business and receives a gift of an equity interest in that business may be more motivated toward helping the company grow. (ii) Gifts can provide a training time for managing assets. For example, a donor (the gift giver) can help his or her child learn to manage the rental properties he has given him.