

Why Having an Estate Plan is Important

It seems like many people devote more time to planning a vacation, buying a car or deciding on a movie to watch than they do to their estate plan—that is, deciding who will inherit their assets after they're gone. No question, the subjects of death, disability and taxes is not nearly as fun to think about as booking a trip or checking out restaurant reviews. But without an effective estate plan, you will not be able to ensure the manner of distribution of the property that you worked so hard to accumulate during your lifetime. Contrary to what some believe, estate planning isn't only for the wealthy. And even if you never execute a formal Will, in fact, you actually do have a Will – but one written by the state in which you reside. Without a plan in place, settling your affairs after you die could have a long-lasting—and in some cases, costly—impact on your loved ones, even if you don't have a high priced home, large IRA, or valuable works of art to pass on. Consider these reasons why you should have an estate plan.

1. Estate Planning Prevents Unintended Beneficiaries

Without a Will, when you die, you are considered to have died 'intestate' and the state in which you reside determines how your assets pass and who has control over your estate. Since the appointment of executor is determined by state law, you could be leaving your estate in the hands of an executor who is not trustworthy or responsible.

Keep in mind that not all assets pass pursuant to your Will. Some assets pass by beneficiary designation such as a life insurance policy or retirement plan account. It is important that you have a handle on all property as titling and beneficiary designations are critical to the estate plan.

2. It Protects Families With Young Children

Dying young and with small children is not something that anyone wants to think about. To ensure that your children are cared for in a manner for which you approve, you'll want to name their guardians in the event that both parents die before the child(ren) turn 18.

Without a will, the courts will need to be involved not only to determine who gets a piece of real estate or artwork, but to decide who will raise your children.

Without proper planning, young children could find that they have access to significant property upon the child turning 18. It is usually a good idea to incorporate trusts into an estate plan which can postpone the age upon which those children receive the assets,

most of the time, well past 18 years of age. Using a trust also allows the person to designate a proper Trustee who will manage the property for the young beneficiary up until the child is presumably more likely to be ready to handle assets.

And, of course, in a blended family situation where you have had more than one spouse or children from more than one family, an estate plan becomes even all the more essential.

3. It Spares Heirs a Big Tax Bite

Estate taxes used to come into play even for people of modest means. Now estate taxes are really only a burden on the very wealthy. But everyone should understand how estate and inheritance taxes could come into play when there is a family business or other significant family assets, such as real estate.

4. It Eliminates Family Messes

Quelling family in-fighting before it starts is another reason why an estate plan is necessary. The plan will enable you to choose who controls your finances and assets if you become mentally incapacitated or after you die, and will go a long way toward staving off any family strife and ensuring that your assets are handled in the way that you intend them to be.

Bottom Line

To ensure your assets and your loved ones are protected when you can no longer do it, you will need an estate plan. A competent estate attorney can help develop a plan which should mitigate taxes, avoid delays of probate and prevent family strife.