

WHO NEEDS ESTATE PLANNING?

EVERYONE! Regardless of your net worth, marital status, age, or gender. Estate planning allows you to plan for incapacity and death, thus avoiding the need for a conservatorship or probate, both of which are time-consuming, intrusive, and expensive.

By using various estate planning techniques, you can also reduce, to the largest extent possible, the taxes that will be due at your death. Currently, estate tax rates start at 18% and quickly escalate to 50%. Thus, for example, if your assets consist solely of a modest home in California (estimated value of \$450,000), a life insurance policy in the amount of \$500,000, and miscellaneous other assets valued at \$200,000, the estate tax due for a death in 2002 would be \$407,300 (of course, if you had not made any prior taxable gifts during your lifetime, this amount would be offset by an applicable credit of \$345,800, leaving \$61,500 in taxes to be paid). The cost of a probate associated with an estate of this value would exceed \$50,000 (excluding the insurance policy if its beneficiary designation was properly completed).

In addition, since the manner in which your assets may be distributed under your state's intestacy laws (*e.g.*, if you have not, at a minimum, executed a will) may bear no relation to the manner in which you want your assets to pass, it also affords you the opportunity to dictate to whom your assets will be distributed.

By properly planning your estate, your assets can pass to your designated beneficiaries in such a way as to be protected from the beneficiaries' creditors, divorce proceedings, and may even avoid estate tax at their deaths (see the article on *Generation Skipping* for more information as to avoiding estate taxes in successive generations).

There are many other estate planning techniques designed to reduce or eliminate estate taxes and protect assets for future generations, as outlined in the other articles on our web site.



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