

Planning ahead

Considerations for estate planning **Interviewed by Chelan David**

Estate planning is a useful tool in preserving financial resources for future generations. It is also a dynamic process.

With the new year comes a change in the estate tax exemption. Starting this month, the exemption increases to \$2 million, which means that any estate over \$2 million will have estate tax. But even if you are below this threshold, says Mary Ann Quay, co-managing partner of Vicenti, Lloyd & Stutzman LLP, it is still important to put a plan into place.

“Even though many estates now are under that \$2 million range, it doesn’t mean you shouldn’t think about these things,” she says. “In particular, the idea of what happens if you don’t die but become incapacitated, that’s a real crucial one for taking care of yourself and your affairs.”

Smart Business spoke with Quay about the initial steps to take when establishing an estate plan, strategies that can be utilized in reducing estate taxes and the importance of periodically reviewing the plan once it’s in place.

What steps should be taken when establishing an estate plan?

You should give really serious thought and consideration to questions concerning what you want to have happen at your death and prior to your death should you be unable to take care of yourself.

Questions like, Who are your heirs and what do you want to leave them? Are there conditions or strings attached? Is giving to charity important? Who do you want to have named as your trustee or executor, and what are your wishes concerning health care decision-making?

Those are all questions that the attorney who’s going to write up your estate plan documents is going to ask. It will save a lot of time if you think about them prior to the meeting.

You might also want to include your tax adviser and financial planner in the process to make sure that everything is covered and things aren’t missed.



Mary Ann Quay

Co-managing partner
Vicenti, Lloyd & Stutzman LLP

What documents should be included?

Most of the basic plans are going to include a will, a living trust and instructions for health care decision-making. Depending on the complexity and the size of the estate, there could be a few or many more trusts for various purposes, most of which are designed to save state taxes. There can also be a need for either new insurance policies or getting rid of some insurance policies, so those should also be reviewed as part of the process.

Why is creating a trust so helpful in estate planning?

A living trust provides a whole variety of benefits. Avoiding probates and the related costs and publicity that can occur is one of the ones that most people know of. But a benefit that’s equally important is the ability to transfer control of your affairs to someone you trust, should you become incapable or unwilling to manage them yourself.

What are some strategies to help reduce estate taxes?

Strategies that work for both mar-

ried [couples] and singles are creating life insurance trusts to remove life insurance from being taxed at death and gifting to reduce the estate tax prior to death.

For very large estates or those involving business interests, there are other, more complicated trusts that can be used to reduce estate taxability. One of my favorite strategies that really works well is to use charitable remainder trusts prior to death, because they reduce the estate for tax purposes, they obtain the current income tax deduction, they provide income stream for yourself or for others and they benefit a good cause all at the same time.

If children are involved, what special factors should be taken into consideration?

An estate plan with minor children needs to designate who’s going to take care of the children if something happens to both parents and provide the funds for them to be taken care of.

That makes it mandatory for anyone with children, even if they don’t have a large enough estate to worry about estate taxes, to have at least a will to designate who takes care of the kids.

How often should people review their estate plans?

Estate plans need to be reviewed whenever there is a change in circumstance, like a death, a divorce or a move to another state. A change in a business interest, like a purchase of a business or a sale of a business, might also mean that the plan should be updated or changed.

Certainly, whenever Congress changes a law, the estate plan should be looked at to make sure that it still accomplishes its goals.

MARY ANN QUAY is co-managing partner at Vicenti, Lloyd & Stutzman LLP. Reach her at MQuay@vlsllp.com.