

ESTATE PLANNING
WHAT EVERYONE NEEDS TO
KNOW

Boone United Methodist Church

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Estate Planning Considerations

Estate Planning is too important to try to do yourself. It should involve your financial professionals and a qualified attorney. Some considerations that may need to be addressed as part of your estate plan are outlined below.

Your incapacity

- Do you have a plan in place to care for you if you become unable to care for yourself?

Family members

- If you have minor grandchildren, what will happen to them if you die?
 - Who do you want to take care of their physical and financial needs?
 - Should they receive their full inheritance at age 18?
- Do some heirs need help managing large sums of money?
- Are there family members with special physical or mental needs?

Others

- How do you want to provide for children from previous marriages?
- Do other people depend on you?

Your assets

- Do you have heirlooms that you want to go to specific people?
- Do you want to leave part of your estate to charity?
- How can you make sure that your other assets will go where you want - and when?

Planning for Incapacity

Some important documents can be used to express your desires if you become incapable of managing your affairs.

Durable Power of Attorney

A durable power of attorney gives one or more people (not necessarily a lawyer) the power to manage your finances. This legal document will name the person and indicate what that person is authorized to do on your behalf. It also specifies the process for determining when you are unable to manage your own affairs. This document should be prepared by an attorney.

Health Care Power of Attorney

A health care power of attorney allows the person you name to authorize a variety of medical treatments if you cannot provide authorization yourself.

Living Wills

Living wills instruct medical staff whether you want your life sustained if it becomes improbable that you will regain any quality of life. Most states have standard forms that are available from hospitals, attorneys, or the state.

Organ Donor Forms

Organ donor forms allow you to legally indicate that you would like to donate your body for transplant or medical research. Forms are available from hospitals, donor organizations, and attorneys.

Importance of Estate Planning

Estate Planning is the process of indicating how you want your assets distributed after you die. Estate Planning is not just for very wealthy people – it is important for everyone. When you add up everything you own, including your potential life insurance and retirement plan benefits, your estate can be very large.

Estate Planning Objectives

At death

- To provide instructions concerning the physical and financial care of family members.
- To distribute your assets according to your desires.
 - Who will get what.
 - How they will get it.
 - When they will get it.
- To reduce the costs of settling your estate if possible.
- To minimize estate and income tax liability.
- To leave a legacy to a specific individual or organization.

While living

- To designate who should make financial decisions for you if you become unable to make such decisions for yourself.
- To designate who should make medical decisions for you if you become unable to make such decisions for yourself.
- To provide you with peace of mind because you know that your wishes have been expressed.

Types of Wills and Trusts

There are many varieties of wills and trusts to fit the needs of each individual. These documents should be drafted only by a qualified attorney at law.

A few of the more common documents are listed below.

A. Basic Will: A basic or simple will generally gives everything outright to a surviving spouse, children or other heirs. Sometimes called an "I Love You" type will.

B. Will With Contingent Trust: Frequently, married couples with minor children will pass everything to their spouse, if living, and if not, to a trust for their minor children until they become more mature.

C. Pour-Over Will: The so-called "Pour-Over Will" is generally used in conjunction with a Living Trust. It picks up any assets which were not transferred to the trust during the person's lifetime and "pours" them into the trust upon death. The assets will generally be subject to probate administration, however.

D. Tax-Saving Will: A will may be used to create a Testamentary Credit Shelter Trust. This trust provides lifetime benefits to the surviving spouse, without having those trust assets included in the survivor's estate at his or her subsequent death.

E. Living Trust Without Tax Planning: Generally, the surviving spouse has full control of the principal and income of this type of trust. Its main purpose is to avoid probate. If required, the trust can also be used to manage the assets for beneficiaries who are not yet ready to inherit the assets outright, because they lack experience in financial and investment matters.

F. Living Credit Shelter Trust: This type of trust avoids probate and also makes certain that both spouses use their Unified Credit. Estates of up to \$10,900,000 for a husband and wife and \$5,450,000 for an individual in 2016, can be passed to children or other heirs, without probate expense or death tax, by using this type of trust.

G. QTIP Trust: A type of trust known as a QTIP trust allows the first spouse to die to specify who will receive his or her assets after the surviving spouse dies. Use of a QTIP also permits the deferral of death taxes on the assets until the death of the surviving spouse.

QTIP means "Qualified Terminable Interest Property." The income earned on assets in a QTIP trust must be given to the surviving spouse for his or her lifetime. After the death of the surviving spouse, however, the assets then pass to beneficiaries chosen by the first spouse to die, frequently, children of a prior marriage.