



6 Myths: **ESTATE PLANNING**

Understanding Six Myths of Estate Planning

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Our Session

Aim:

***Putting You in Control of
Your Life's Plan***

(For yourself and those you care about).



Why People Don't Plan Intentionally



Procrastination



Lack of Knowledge



Yes, You Need a Better Estate Plan!

So that your hard earned assets go to:

- Whom you want
- When you want
- Handled by the person you want
- At the least cost — *Avoiding:*
 - Living Probate
 - Death Probate
 - Death taxes





Get the rest of the story...

“This presentation does not constitute legal, accounting or other professional advice. Only through a personal, confidential consultation with qualified legal counsel can you properly evaluate your own unique estate planning challenges and determine what, if any, appropriate legal strategies and tactics should be implemented to meet those challenges.”



Understanding Six Myths of Estate Planning



Or...

**Will Your Current Plan
Work?**

(Yes, you do have one!)



Myth # 1

*If I have a Will
when I die,
things will work
out just fine!*



Truth #1

*Where there's a Will
there's a Probate.*



What Is Death Probate (with or without a will)?

- Process of changing title
- Forum for Claims





Probate Changes Title





What Happens in Death Probate?

- Forum to resolve disputes
- Pay creditors
- Inventory / Appraise assets
- Distribution of estate
 - Act of “Retitling Assets”





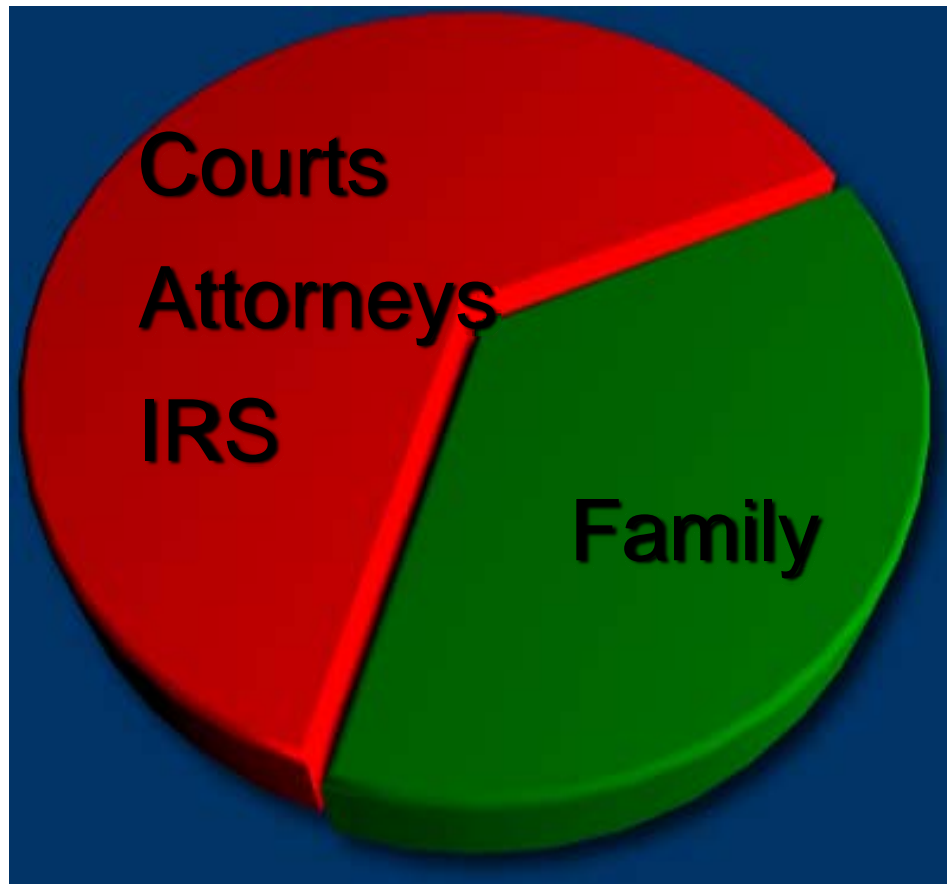
Probate Is Expensive

- Full Blown Probate
 - Above minimum amounts
 - Cost – About 5.5% to 6% of gross estate value
- Simplified Probate--Affidavit for Small Estate
 - Below minimum amounts
 - Cost: About (?) of estate value—can be unintentionally high!





Why Throw It Away?





Probate Takes Time

Delays & Aggravation

9 to 24
months!!!



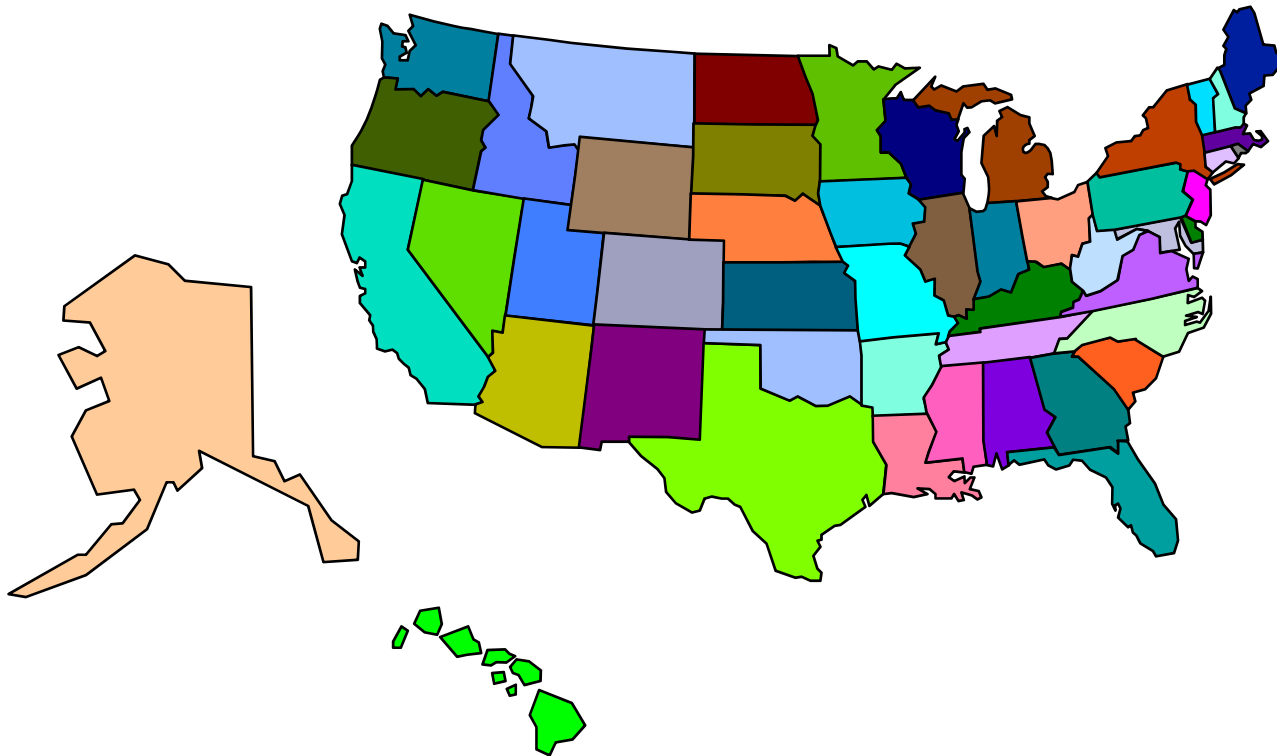


Probate Court Doors Are Open To...





Multiple Probates





Disadvantages of Probate

Summary

- Expensive
- Time Consuming
- Public
- Multiple Probates





Myth # 2

*My estate isn't big
enough to worry
about Probate or
Estate Taxes.*



Truth #2

Don't be so sure...



What Is an “Estate”?





Arkansas State Statutes

If you own:

- Real or Personal Property
– In Total Over \$100,000

OR

If you own:

- Real Property worth less than \$100,000
AND want it to go to a non-“heir at law”



But Don't Forget...

Retirement Plans





Federal Estate Tax Is...

37% to 55%

<u>Exemption</u>	<u>Year</u>
\$1,000,000	2002-2003
\$1,500,000	2004-2005
\$2,000,000	2006-2008
\$3,500,000	2009
*\$0	*2010
\$5,000,000	2011-2012 (adj)
\$1,000,000	2013



Example: Costs of Tom & Mary's Estate Planning with "I love you Wills" & No Estate Tax Planning

- Total estate (2nd death) \$1,400,000
- Tax exemption (2013) \$1,000,000
- Net taxable estate \$ 400,000
- Tax due \$ 167,000
- Probate fees \$ 77,000
- Total costs (w/ one probate) \$ 244,000



Myth # 3

I should name my children as contingent beneficiaries on my life insurance policies.



Truth #3

There can be major complications with Life Insurance payable to your children.



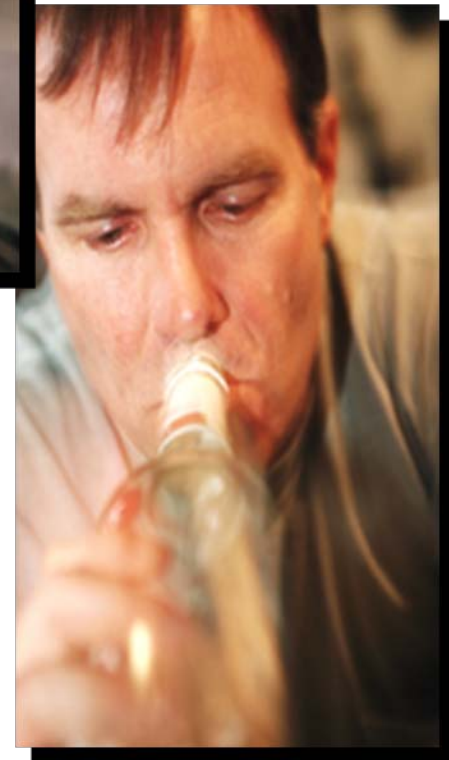
Court Established Guardianship



- Guardian must file “Annual Accountings” to the court
- At age 18, total proceeds turned over to the child
- No Asset Protection Planning
- Premature death of child
- Still in your taxable estate



Young, Irresponsible, or Disabled Beneficiaries





Myth # 4

*A Power of Attorney
will take care of all our
problems if I become
disabled.*



Truth #4

*Arkansas Law, like that
of other states, makes
the Power of Attorney
a questionable tool.*



Consider This...



Many major banks, insurance companies, and brokerage firms do not want to honor a Power of Attorney because they do not interpret it the same as their own form of Power of Attorney—due to a fear of lawsuits!

NOTE: Not include Health Care Powers unless specifically stated!



And

**Don't Forget
HIPAA?**

**(Health Insurance Portability
and Accountability Act effective April 2003)**



Powers of Attorney

- Why Are They an Incomplete Solution?
 - Goal is to avoid:
 - Litigation
 - Family Disagreements
 - Often Incomplete in Directions





Who Will Handle Your Affairs?

Guardianship = Living Probate

- ❖ Court proceedings designed to protect those who are mentally disabled





Nightmare of Living Probate

- Humiliating
- Court in control
- Time consuming
- Aggravating
- Expensive:
 - ✓ Court fees
 - ✓ Attorney fees
 - ✓ Accounting fees





Myth # 5

*Joint Tenancy
is the best way
to hold title
to my property.*



Truth #5

*Joint Tenancy is an
Incomplete estate
planning tool.*



Problems With Joint Tenancy

- Your Estate is subject to your Joint Tenant's personal:
 - Debts
 - Creditors
 - Occupational Risks—judgments
 - Life's problems (i.e., divorce, IRS, etc.)
 - Not likely to accomplish real wishes





Myth # 6

*If I go into a nursing
home, the State
will take my house!*



Truth #6

The State only collects for money it has spent. You will never owe the State unless it pays your bills. Proper planning is the key to solving this worry.



Consider This...



- Nursing Home costs as of 2010 were nearly \$75,000 per year across the Nation– that's \$205 per day.*
- Costs of Long-Term care is paid across the US as follows:
 - ✓ Medicare pays 12%,
 - ✓ Medicaid pays 41%;
 - ✓ Personal Money pays 47%.

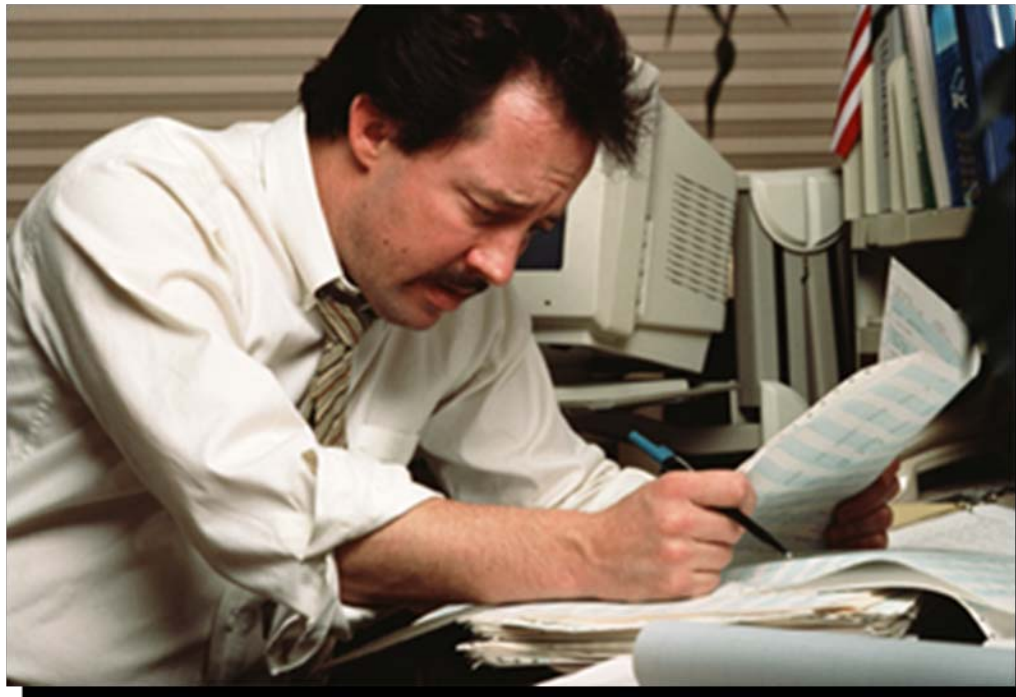
What is your Long-Term Care Plan...?

*For semi-private room.



There Must Be Better Alternatives!

The Living or Revocable Trust: *An Essential Component to Your Estate Plan*





Advantages of the Living Trust

Summary: Your hard-earned assets go to...

- Whom you want
- When you want
- Handled by the person you want
- At the least cost - avoiding:
 - Living Probate
 - Death Probate
 - Death Taxes





Summary of Trust Positions

All you need to remember...

- *Trustors* - Create the trust and transfer their assets
- *Trustees* – Manage the trust assets but can't spend it on themselves
- *Beneficiaries* - All trust assets are for their benefit





Tom & Mary Occupy All 3 Positions

Trustors



Trustees



Beneficiaries





It's Business As Usual...

...you are in control!

The trust can be amended or revoked, and:

- No change in property tax
- No income tax change
- No new tax forms





Warning...

*...the Living or Revocable Trust is not
a Tool to be Used for Long-term
Care Planning.*

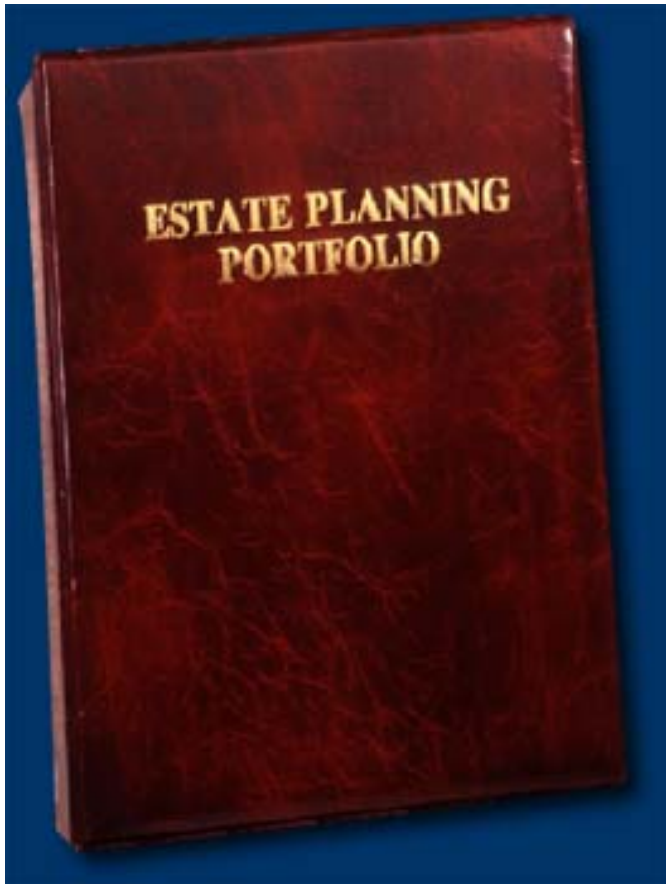
- Assets in Revocable Trusts are:
 - Countable Resources for Medicaid
 - Including Your Residence
(if you do not intend to return home).





The Most Complete Estate Plan

The Basics:



- Living trust
- Pour over will
- Property agreement
- Property power of attorney
- Health care documents
- Understand long-term care planning & its timing



Discover Your Planning Options

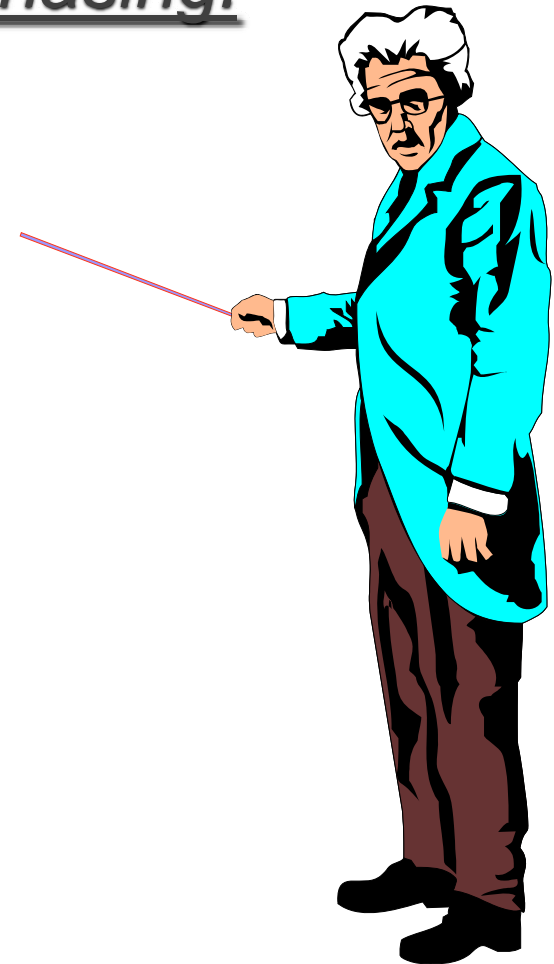




A Little Free Advice...

Avoid bargains when purchasing:

- Parachutes
- Brain surgery
- Fire extinguishers
- Trusts & Estate Planning
- Long-Term Care Planning





Choice, Control, Knowledge is Power--

*... remember, choosing your own plan
is better than allowing someone else to
choose it for you!*

Only through planning in advance...

"Helping People Preserve Their Wealth"



Any Questions?

