The Power of Trusts in Estate Planning

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As you have probably heard by now, the federal estate tax exemption has been, at least temporarily, increased to $5 million per person. As a result, many are not presently affected by the federal estate tax. Does this mean estate planning is no longer needed?

What Do People Want from Estate Planning

Even if the existing exemption is extended or made permanent, most of us have needs and desires for ourselves and our loved ones that exist regardless of the applicability of the estate tax. See how many of these apply to you.

- We want control over our assets and health care decisions while we are alive and well and a coordinated plan to preserve our dignity if we become disabled.
- We want to be protected from the risks of life, which include unjust lawsuits, disability, and the cost of long-term care.
- We want to avoid probate.
- We want to know that our surviving spouse will be financially secure and protected from taxes.
- We also want to know that assets that are not needed by our surviving spouse will go to our children, not to a new spouse and then his or her children.
- We want our descendants to live successful lives that include a strong work ethic, integrity, faith, and appreciation and respect for other family members.
- We want our family members to love each other, spend time together and avoid conflict. We do not want them to be harmed by the wealth or property that is left to them.

The Consequences of Not Planning

Each of these needs and desires requires proper planning to achieve. They will not just happen because you want them to. If you do not plan, you and your family will be under the default plan established by your state's legislature. Sad experience tells us that it probably will not be what you would want.

The Power of Trusts

Trusts are powerful tools that can be used to achieve specific estate planning goals. Holding assets in trust allows you to maintain control while you are alive and well, and allows you to maintain dignity if you become disabled. <u>You</u> define how your disability is determined, <u>you</u> choose your successor, and <u>you</u> provide instructions on how your assets are to be managed.

After you die, probate is not necessary. The transition is orderly and privacy is maintained. Assets kept in a trust can be protected from potential predators, re-marriage of the surviving spouse, irresponsible spending, creditors, divorce, etc. Assets properly held in a trust can also provide for a loved one with special needs, without losing valuable government benefits.

Trusts also allow you to create a powerful non-financial legacy. You can write your motivations for the planning and explain discretionary guidelines. If there is heirloom property that is sentimental or historical, you can provide a handwritten note with a story or significance of the item(s).

The new tax law has definitely not changed the need for each of us to make and implement an estate plan. A Trust based plan created by competent counsel can help you achieve your goals. At Hallock & Hallock we can help you understand where you are now, put together a team of qualified professionals that includes your current advisors, help you determine your needs and goals, work with you to create the plan you want and need, and help you put your plan in place.