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Estate planning is for everyone



John Schooler

If you think estate planning is only for the very rich, you're wrong. Taxes certainly are higher for large estates but they are not the only reason for estate planning. Here are seven more, some which may be just as important to you:

1. To plan who receives what size share of your assets.
2. To decide how and when your beneficiaries will receive their inheritance or income.
3. To decide who will manage your estate (executor, trustee, etc.) and be responsible for distribution of the assets.
4. To reduce estate administrative expenses and delays.
5. To select a guardian for your children.
6. To provide financial management for funds that may pass to grandchildren.
7. To provide for the orderly continuance or sale of a family business or real estate investment property.

If you do not have a plan, state laws will determine who inherits your assets and when they receive them. The court will appoint a guardian for your children and the administrator for your estate. Your estate could wind up paying substantial – and unnecessary – taxes and administrative costs.

Most people feel strongly about who should inherit their assets and when. However, they are often less sure about what to consider as they select an executor and trustees. Your executor is your personal representative after your death and is responsible for such functions as:

- Administering your estate and distributing assets to your beneficiaries
- Paying the estate expenses and any outstanding debts
- Ensuring that all life insurance, employee benefits and retirement plan proceeds are received

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- Filing the necessary tax returns and paying the federal and state taxes

In short, your executor administers your will. When these duties are met, the job ends. However, if your will creates trusts to accomplish more long-term goals, you need a trustee. Your trustee is responsible for managing the trust's assets and ensuring the beneficiaries are provided for in accordance with provisions of the trust. Individuals are often torn between choosing an individual as the executor or trustee and naming a corporate entity, such as a bank. Many people name both as executors or co-trustees. Here are the advantages and disadvantages of each.

Corporate executor and trustee advantages

- Specialist in handling estates and trusts
- No emotional bias. Impartial and usually free of conflicts of interest
- Never moves or goes on vacation
- Never dies or gets sick

Disadvantages

Usually has little familiarity with the family:

- Administrative fees may be higher
- Rarely will continue any family-owned business
- Rarely maintains real estate requiring management

Individual executor and trustee advantages

- More familiar with the family
- Administrative fees may be lower
- May be familiar with family business interests

Disadvantages

- Probably not experienced in handling estates and trusts.
- Could have an emotional bias
- May not be impartial toward all heirs
- Could have schedule conflicts
- Could be incapacitated at times

Estate planning may include establishing a lifetime gifting program, making the most of the unified credit or considering charitable trusts.

Before you sit down with an estate-planning attorney, take the time to get educated. One book that you will find very helpful is J.K. Lasser's "New Rules for Estate and Tax Planning."

If you are not confident all is in order, seek professional advice to alleviate potential problems down the road.

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