

Why Invest in Estate Planning?

It is important for many people to ensure that their families and financial goals are met after their death. No matter what a person's net worth is, it is important to have a basic estate plan. It is also important to discuss your wishes with your heirs to avoid confusion and conflict after you die.

A basic estate plan should include a will, a financial power of attorney and an advanced care directive. These basic estate documents address after-death issues like who the asset goes to, who is handling the financial affairs and who is responsible for making medical decisions upon an individual's medical incompetency. A trust may be the chosen vehicle for some people depending on their estate planning goals. Tax consequences are always an important consideration in estate planning and people should seek competent legal and financial counsel in these matters.

Every individual should have a will. A will indicates exactly where you want your assets to go upon your death. Dying without a will, or dying intestate, leaves it up to the laws in the state where you die on how your assets are to be distributed which may not coincide with your own personal wishes and adds delay to the administration of your estate. A will is also the best place to indicate who you want to be the guardian of your minor children if you die before the children reach the age of majority. Even if you have a trust, a will is used to distribute assets outside of the trust. A person's assets may include real estate, bank accounts, business interests, insurance policies, investments and retirement accounts.

Trusts allow people to put conditions on how and when their assets are to be distributed. Trusts are often used to reduce estate and gift taxes. Trusts are also private documents and avoid the delay and publicity of probate court. In 2009, the estate tax hit \$3.5 million. It was completely phased out in 2010 and will be reinstated in 2011 at \$1 million.

There are several ways to give gifts to your heirs that are tax free and reduce the value of your overall estate. A person may give up to \$13,000.00 a year to an individual or \$26,000.00 if you are married and the gift is from you and your spouse. People may also pay unlimited amounts of medical and education bills if the monies are paid directly to the institution where the debt was incurred. People may also donate to a charitable fund as the investment grows tax-free and allows individuals to make contributions given before and after they die.

It is important to seek competent legal and financial counsel in drafting your estate plan.

Mary-Anne E. Martell is founder and senior legal Counsel for Seacoast Law 240 Main Street, Westbrook, ME 04092. She welcomes questions and/or comments at law@seacoastlawme.com and can be reached at (207) 591-7880.