# Estate Planning: The Essentials

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Here are some of the top things you may not know about estate planning but should:

**1. It is always important to have an estate plan in place.** – Estate plans ensure that your goals are met, for your family and financially, after your death.

**2. Elements of an Estate Plan.** – An estate plan can have several elements: a will, assignment of power of attorney, and a living will or health care proxy (medical power of attorney). For some people, a trust might also make sense. When drafting your estate plan, it is important to be mindful of both the governing state and federal laws – this is why it is important to seek legal representation when drafting your estate plan.

**3. A Good Starting Point: Take Inventory of Your Assets** – Typical assets include your investments, retirement savings, insurance policies, and real estate or business interests. There are 3 important questions to ask yourself regarding your assets: (1) Whom do you want to inherit your assets?; (2) In the event you are ever incapacitated, whom do you want to handle your finances? (3) If you are unable to make medical decisions, whom would you like to medical decisions on your behalf?

**4. Everybody needs a will**. – A will states how your assets will be distributed after your death. It is also the best place to name the guardians of your children. Dying intestate, without a will, can be very costly and leaves you no say in how your assets will be distributed. If you have a trust, you still might need a will to handle any holdings outside of your trust.

**5. Trusts are not just for the wealthy.** – Trusts are legal mechanisms that allow you to put conditions on how and when your assets will be distributed after your death. Trusts also reduce estate and gift taxes as well as let you avoid the probate court, which administers wills.

**6. Discuss your estate plans with your heirs.** – Verbalizing your intentions will avoid confusion later.

**7. The federal tax exemption changes regularly.** – The federal tax exemption is the amount of your estate you leave to your heirs that avoids federal taxation. In 2009 the estate tax exemption was $3.5 million. However, it was phased out completely in 2010 and unless Congress passes a new law it will decrease to $1 million in 2011.

**8. You may leave an unlimited amount to your spouse tax-free.** However, this is not always the best tactic. – By leaving everything to your spouse, you increase your surviving spouse's taxable estate. That means your children may pay more taxes if your spouse leaves them money.

**9. Two simple ways to give gifts tax-free and reduce your estate.** – You may give $13,000 per year to an individual (or $26,000 if you are married and giving the gift with your spouse). You may also pay an unlimited amount of educational or medical bills so long as you are paying the institution directly.

**10. There are ways to give charitable gifts even after your death.** – If you donate to a charitable gift fun or community foundation, your investment grows tax-free. You can also select the charities which are given before and after your death.