

# Classical Design

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## Planning Today for a Better Tomorrow

**H**ave you made plans for the rest of the week? For the next month? For the next year? As we look further into the future, planning our lives naturally becomes more challenging. This is one reason many people put off making long-term plans to help assure greater financial security for themselves and their loved ones.

The same can also be said for many of the organizations and institutions like ours that furnish vital services to our society. That is why

we are constantly taking steps to assure the availability of the resources necessary to fulfill our mission in the coming years. But this can only happen with the help of the wonderful persons who make thoughtful provisions each year for the future of our work.

We are pleased to offer the information in this newsletter as a service to those who would like to make a “gift of a lifetime” after first providing for their loved ones.

### *Not to plan is to plan*

Estate and financial plans can easily get “lost in the shuffle” and all too often be put off until it is too late. But not to plan actually *is* to plan.

In the absence of a valid will and/or other basic provisions, state laws will automatically distribute your property among relatives without regard to what your wishes may have been. In this issue we share some simple guidelines for taking charge of the planning process for your benefit and for the well-being of your family and other loved ones.

### *A Planning Checklist*

- Have you given serious thought to your long-term financial arrangements?
- Do your plans take into account changes in the makeup of your family?
- Have you considered the impact of growth in the value of your assets since your last review?
- Are you aware of what your estate tax liability might be and how such taxes will have to be paid?
- Are those who assisted you in the past still able to help carry out your wishes?

If you answered *no* to any of the above questions, you may be due for a review.

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### INSIDE THIS ISSUE

- Wills form the foundation of plans
- Reducing the cost of probate
- Keeping up with change
- Provide for heirs and make gifts of a lifetime

# Your Will . . . the First Step in the Planning Process

As in the case of other important projects, beginning the estate planning process with the correct tools in mind can make all the difference in the outcome. Experts frequently recommend beginning with a will, the planning vehicle that typically forms the basis of even the most complex estate plans.

## *Exercise your rights*

In a society where private ownership of property is allowed and encouraged, the right to decide who should eventually receive your property is a vitally important responsibility. The “last will and testament” has been carefully designed over centuries to be a primary vehicle for use in directing future disposition of your property.



## *A flexible instrument*

Wills are extremely flexible. Through your will you can provide others with particular sums of money, certain properties, or percentages of your estate. You can mix methods as well. For example, you may choose to leave exact amounts to certain heirs while directing that others split the remainder of your assets in percentages you determine.

## *Coordinate with other plans*

Remember that your will by itself may not determine who will receive many of your assets. One of the biggest mistakes made is to ignore the impact of other ways to distribute property to heirs.

To illustrate, if you own real estate jointly with another person, your will may have little or no effect on who will ultimately own the property. The same is true for proceeds from life insurance policies and retirement plans. A beneficiary designation completed years ago could determine who receives the benefits, *not* the terms of your current will.

For this reason and others, you should only undertake revision of your will with competent advice in connection with a thorough review of all of your assets and the forms in which they are held.

## *Tax Pointers*

- The 2001 Tax Act continues to affect virtually every taxpayer. Gift, estate, and financial plans should be reviewed with your professional advisor.
- You can now leave up to \$2 million to heirs free of federal estate tax.
- Retirement accounts may be taxed more than other assets.
- Unlimited amounts may be left to a spouse tax free.
- Full tax rates apply at the death of the surviving spouse.
- There is no limit to the amount deductible from federal estate tax for charitable gifts.
- It is possible to provide for loved ones, make charitable gifts, and reduce or eliminate estate taxes.

# Reducing the Cost of Probate

Here are a few ways to help accelerate the distribution of property while minimizing expenses associated with the probate process:

- **Have a valid, up-to-date will.** Make sure your executor (in some states known as a “personal representative”) is still capable and willing to serve.
- **Consider a living trust.** Many people have found living trusts to be a welcome addition to their plans. Your attorney, trust officer, or other qualified professional advisor can provide more information about the usefulness of such trusts for you.
- **Carefully review the beneficiaries of your life insurance policy(ies) and retirement plans.** Make certain the persons named to receive funds still reflect your wishes. Talk to your life insurance professional, your employer’s employee benefits manager, or others who may manage your retirement plans.
- **Review joint ownership.** Joint ownership of real estate, bank accounts, brokerage accounts, and certain other types of property can be a good way to minimize the delays and fees associated with probate. But beware of overuse of joint ownership, especially if you believe your estate may be subject to tax.

## *Planning for Incapacity*

*A durable power of attorney can name the person or persons you wish to handle your financial affairs should you be unable to do so, or if you simply prefer that others manage your assets.*

*A living will can record your wishes about extraordinary medical care and life-support measures.*

# Changing With the Times

Whether you realize it or not, your estate plans may have changed.

Changes in your family, your charitable priorities, state or federal estate tax law, or the performance of the economy can make it necessary to revise even the most well-considered plans. Expansive provisions of the 2001 Tax Act are one reason every estate plan should be reviewed.

## *Importance of regular updates*

Routine reviews of your estate plans with your attorney and other advisors are the best way to make sure your arrangements keep up with the times. For example, a will drawn 10 or 15 years ago may include provisions suited to a smaller estate. You may be surprised at how much the value of a home, stocks, bonds, and other assets has grown over time on account of inflation and investment gains. These increases could have even boosted the total value of your

estate above the level at which federal estate tax begins to be due. This could call for important changes in your will and other estate plans.

Assets can drop in value as well. This can be another reason to make certain that your wishes are still reflected in light of current conditions.

## *Do These Apply?*

- Family changes
- A move to another state
- Tax law changes since last review
- A change in wealth

# Leaving a Legacy While Providing for Heirs

Charitable gifts included as part of your long-range estate and financial planning can offer a wonderful way to provide lasting support for organizations and institutions that will survive well into the future. It can be possible to make a “gift of a lifetime” while possibly minimizing taxes and settlement costs and conserving more of your estate for loved ones. Some points to remember:

- Memorial gifts are often received through an estate. A memorial can serve as an enduring and loving tribute to one or more individuals while contributing to the benefit of future generations.

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- Estate gifts can be funded with cash, securities, real estate, or other property.
- A gift of all or a portion of the “residue” of your estate refers to property remaining after all distributions to family and others have been satisfied.
- Gifts may be stated in terms of a percentage of an estate, thereby allowing gifts to increase or decrease depending on the value of the assets remaining.
- Increasingly popular gift planning tools enable you to make a meaningful gift while enjoying increased income (for life or another period of time you determine), tax savings, and other benefits.

We will be pleased to provide more information to you and your advisors concerning ways you can provide a lasting legacy while preserving financial security for you and your loved ones.

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