15 COMMON REASONS TO DO ESTATE PLANNING

AMERICAN ACADEMY | OF ESTATE PLANNING ATTORNEYS

WHY CREATE AN ESTATE PLAN?

You don't have to be a millionaire to benefit from an estate plan. Reasons to create an estate plan are as unique as the individuals who create them. If you own a home, have minor children and/or grandchildren, grown children in their own marriages, have been divorced, own a business, or expect to receive an inheritance of your own, you need to take action now.

Here are the common reasons you need to not only build and protect your hard-earned money, but transfer it with as little depletion and expense as possible. With a proper estate plan in place, you can plan ahead to:

1. Designate who will manage your affairs if you become disabled and when you pass away. If you fail to do so, the court will decide for you. You never know who the court will appoint. Keep control of your own destiny!

2. Plan for Medicaid and its impact on your estate if you must go into a nursing home. Nursing homes today can cost as much as $118,500[1] per year or more, and a long-term stay can easily impoverish all but the wealthiest families. With proper planning, however, you can shelter assets and keep your family's wealth intact. Because over two thirds of those who reach the age of 65[2] will be placed in a nursing home for any period of time, it becomes painfully clear this type of planning is extremely important.

3. Avoid probate, during your lifetime and when you pass away. Do you want the court controlling you or your assets? Probate proceedings are public, expensive, time-consuming and should be avoided whenever possible. Leave your money to your heirs quickly, privately and efficiently by establishing a proper estate plan.

4. Protect children from a prior marriage if you pass away first. Second marriage planning can be complex and tricky. Expert legal guidance is needed to ensure your assets are preserved and your children of your first marriage will receive the proper share of their inheritance.

5. Protect assets inherited by your heirs from lawsuits, divorces and other claims. Make sure your assets are inherited by your loved ones, not the people you don't want to receive them, such as their ex-spouses, in-laws, creditors or the IRS.

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[1] https://www.genworth.com/aging-and-you/finances/cost-of-care.html

[2] "How Much Care Will You Need?" U.S. Department of Health and Human Services, 15 Oct. 2020, longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html.

6. Impose discipline upon children and/or grandchildren who may not be capable or experienced in managing money. Make sure your children and/or grandchildren spend their inheritance wisely. Protect their inheritance against inexperience and mismanagement by including specific conditions and rewards in your estate plan.

7. Provide for special needs children and grandchildren. The loss of governmental benefits can wipe out your estate. Special considerations and planning is needed to avoid the loss of governmental benefits.

8. Ensure that a specific portion of your estate actually gets to grandchildren, charities, etc. Without planning, the state will decide who inherits your assets… NOT YOU! Planning your estate ensures your intentions and directions are followed.

9. Protect a portion of your estate if you pass away first and your surviving spouse remarries. Special Trusts can be set up to protect your current surviving spouse and ensure that your assets don't end up in the wrong hands. Take action now to protect your family.

10. Address different needs of different children. No two children are alike. Customized estate planning can assure that each child's personal needs are addressed in the manner you deem best.

11. Prevent or discourage challenges to your estate plan. Establishing a Revocable Living Trust now makes it more difficult for objections when you are no longer around to speak for yourself.

12. Encourage and reward heirs who make smart life decisions, and prevent the depletion of your estate from those who do not. There can be a point at which giving a child more money can make them less productive and less happy. A Family Incentive Trust can be tailored with financial incentives which encompass your family values and goals to encourage and motivate your children. Such a trust can be a loving way to support your children while inspiring them to be productive members of society and fostering their sense of self-worth.

13. Assure an education for children, or grandchildren, despite what they (or their parents) dream of doing with the inheritance. Establishing an Educational Trust can assure that your children and/or grandchildren use their inheritance for education and not fund a vacation in Las Vegas.

14. Plan for a "Brady-Bunch" family estate plan and assure the step-parent doesn't spend your children's inheritance and/or provide for a spouse without sacrificing the intended legacy for children of a prior marriage. Divorce and second marriages can have devastating effects on the inheritance you intend for your children, if your estate plan is not reviewed and updated. Often times, the original "traditional" estate plan will not

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meet the needs or provide the protection needed for your new blended family, so proper planning is imperative.

15. Pursue charitable goals you may not otherwise feel you can afford. Considerably cutting probate expenses allows you to also leave a legacy to a charitable organization you admire.

ABOUT THE ACADEMY

This report reflects the opinion of the American Academy of Estate Planning Attorneys. It is based on our understanding of national trends and procedures, and is intended only as a simple overview of the basic estate planning issues. We recommend you do not base your own estate planning on the contents of this Academy Report alone. Review your estate planning goals with a qualified estate planning attorney.

The Academy is a national organization dedicated to promoting excellence in estate planning by providing its exclusive Membership of attorneys with up-to-date research on estate and tax planning, educational materials, and other important resources to empower them to provide superior estate planning services.

The Academy expects Members to have at least 36 hours of legal education each year specifically in estate, tax, probate and/or elder law subjects. To ensure this goal is met, the Academy provides over 40 hours of continuing legal education each year. The Academy has also been recognized as a consumer legal source by *Money Magazine*, *Consumer Reports Money Adviser* and Suze Orman in her book, *9 Steps to Financial Freedom*.

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