

FIVE ESTATE BLUNDERS

When you hear the words *estate planning*, what mental images do you see? Do you see beautiful, tanned people with incredible wealth, living in enormous mansions, riding in shiny limousines and boarding private jets bound for exotic destinations? If so, then you are only partially correct. In reality, everyone has an estate worth planning.



Some estates just are more complex than others. In this article we will review five basic estate blunders common to princes and to paupers alike.

#1 Incapacity Issues

On your 18th birthday you are considered an adult American citizen and you become responsible for your own personal, health care and financial decisions. Even your parents become strangers to you, in a legal sense, should you become incapacitated. This same *legal strangerhood* applies, by the way, between spouses.

As a result, every adult

American, married or single, should appoint agents through proper *Durable Powers Of Attorney* to make their personal, health care and financial decisions in the event of their incapacity. Alternatively, a court process involving at least three lawyers may be required to appoint agents for you, with ongoing court supervision. This can be both invasive and expensive.

#2 Minor Children Matters

Silver and gold aside, if you are blessed with children, then they are your most valuable assets ... even if you feel like trading them for S & H Green Stamps at times.

INSIDE

Proper estate planning is not just for the rich and famous. Surprisingly, however, that is a common misconception. Every adult American has an estate worth planning, regardless of their net worth. In this article we review some critical concerns and plans.

Our page three article considers the subject of Family Feuds resulting from an inheritance, or lack thereof. Your family may not resemble the Hatfields and the McCoys, but family disharmony can be avoided through proper planning (and communication).

If your minor children were orphaned, who would rear them to adulthood and impart your morals and values to them? Only through a *Last Will & Testament* can you appoint the appropriate guardians (i.e., back-up parents) for your minor children. Alternatively, a court process would be required to appoint them. This process is not only expensive and public, but the court may not appoint the same parties you would have selected.

#3 Death & Taxes

Death is a certainty. When it comes to transferring your

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earthly possessions upon your death, you can either make it easy on your loved ones through proper estate planning, or you can leave it up to the court system by default. Prior planning is, without fail, the more efficient and effective option. There are a variety of planning methods to accomplish this transfer. For example, *Revocable Living Trusts* are commonly used to transfer assets post-mortem, independent of the legal system in many states.

Taxes are the other certainty of life, as Benjamin Franklin so aptly observed. That said, proper estate planning can save hundreds of thousands of dollars from unnecessary federal estate taxes. If you are married, is your estate plan taking full advantage of your available estate tax exemption through a combination *Credit Shelter/QTIP Marital Trust*?

#4 Inheritance Risks

No one values the worth of a dollar like the person who earned it and paid taxes on it. Have you arranged your estate to impart your work ethic to the next

generation and beyond? Careful consideration should be given, therefore, to protecting and preserving an inheritance through one or more *Long-Term Discretionary Trusts* for your loved ones. Properly structured, such trusts will protect and preserve an inheritance for generations to come from squandering, divorces, lawsuits and bankruptcies. Without proper estate planning, a lifetime of thrift can disappear in a season of conspicuous consumption, or through common personal misfortune.

#5 Procrastination Perils

Some 58 percent of adult Americans lack even a basic will* (and many others have an outdated plan that no longer meets their needs**). Simple procrastination is the primary reason. Sadly, as a result, these otherwise responsible adult Americans may leave a legacy of unnecessary pain and conflict for their loved ones.

* Lawyers.com study (May, 2004)

** Anecdotal experience



Word Puzzler

Search this scrambler for words related to "Five Estate Blunders."

Actuarial	Advantage
Beautiful	Blunders
Court	Dollars
Efficient	Exotic
Expensive	Independent
Lawsuit	Legal
Mansions	Misfortune
Pain	Paupers
Taxes	Thrift
Transfer	Trusts

I Q O E Q H M A N S I O N S L
N A Z X K A I S W J K Z T R A
D J C O F U R J X E F L T E R
E N U T R O F S I M U N X D M
P G M I U N R T T F E P B N X
E H A C V A R H I I E J I U I
N A L T L A R T C N U A K L L
D L L L N I U I S F P S P B E
E L O S F A F I A R A I W Z G
N D F T E F V T S L E O T A A
T E F B E E D D A E P P R N L
R R C B M S L H A H X J U H Q
X O U G K X Z O P W Y A S A V
V S N O E T X T S V M O T U P
S N O A C H N X L O M U S J B

FAMILY FEUDS

The bloody feud between the Hatfields and the McCoys ended well over a century ago, spanned two decades and resulted in a dozen deaths in and around the Appalachian area of eastern Kentucky. This famous *inter-family* feud had all of the elements of a Hollywood drama.

While the Hatfields and the McCoys may have settled their differences long ago, *intra-family* feuds are rather common these days following the death of a family member. That fact was confirmed in a survey conducted by the AARP/Scudder Investment Program of Americans age 50 and over. According to the survey, 20 percent of the respondents cited problems among surviving family members due to their inheritance, or lack thereof. Oftentimes these feuds are over tangible personal property and family business interests.

Tangible Personal Property

The survey made an interesting discovery: cash is the most prized asset over which family members fight, but tangible personal property (e.g., heirlooms like antiques and jewelry) came in a close second. In fact, respondents reported that such property accounts for 47 percent of the feuds, followed by personal residences at 43 percent, other real estate at 31 percent and other investments at 11 percent. Fortunately, the laws of most states provide a flexible solution for the specific distribution of tangible personal property.

As part of your estate planning, these states authorize a separate writing to be made on which you list the specific items and who is to receive them. In most instances, this writing may be handwritten, but it must be signed and *incorporated by reference* within the legal estate planning

documents themselves. A little time spent preparing this writing as part of your overall planning can help thwart problems later.

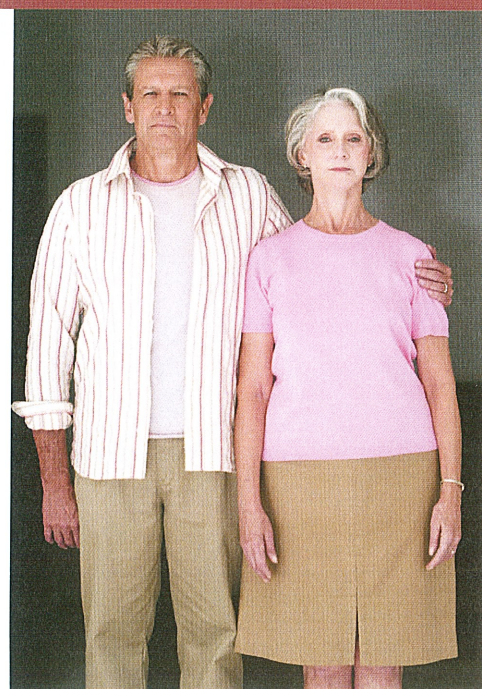
Family Business Interests

Did you know 90 percent of all U.S. businesses are family-owned or family-controlled? They represent one-third of the elite Fortune 500, generate one-half of the U.S. Gross National Product and pay half of the total wages earned in this country. Sadly, only one-third survive their founder. Although federal estate taxes can be blamed for part of this dismal survival record, family feuds are as likely the culprit.

For example, will your surviving spouse continue the business or will they sell it? Who will buy it? Will any of your children take over the reins and, if so, will they buy it or inherit it? If they inherit it, how will the inheritance of your other children be equalized? Are there any in-laws who could become out-laws, just to stir up trouble? In short, intra-family

issues can cause a family business to run aground. Only by carefully coordinating your personal estate planning with your business succession planning can these issues be resolved before they arise.

Not surprisingly, the survey found that of the respondents reporting *no conflicts* over an inheritance, 63 percent said they had known what to expect ahead of time, with 82 percent believing their inheritance was fair.

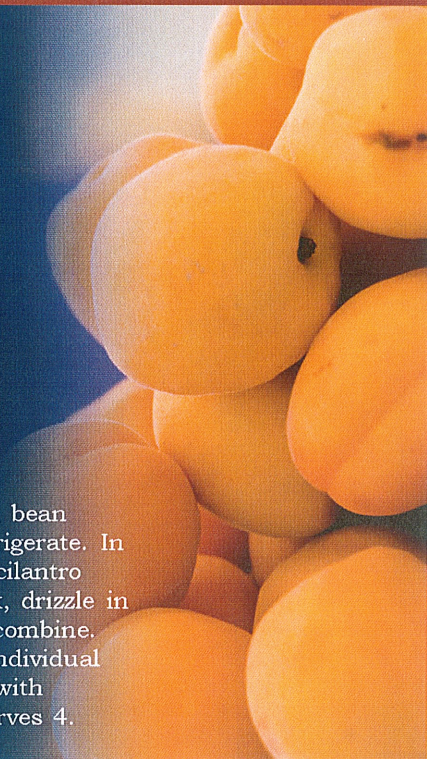


HOME-COOKED GOODNESS

Fresh Apricot Thai Salad

- 2 C. fresh apricots, diced
- 2 C. cooked chicken, diced
- 1 C. bean sprouts, rinsed & dried
- 1 C. cucumber, peeled & sliced
- 1/4 C. rice vinegar
- 2 tsp. sugar
- 1 Tbsp. fresh cilantro, chopped
- 1/4 C. canola oil
- 1/2 tsp. chili oil
- 2 Tbsp. peanuts, coarsely chopped
- 1 lime, cut into wedges

In a large bowl, combine apricots, chicken, bean sprouts and cucumbers; set aside and refrigerate. In a small bowl, combine vinegar, sugar and cilantro until sugar is dissolved. With a wire whisk, drizzle in oils while vigorously whisking mixture to combine. Toss salad with dressing and arrange on individual dinner plates lined with lettuce. Sprinkle with peanuts and garnish with lime wedges. Serves 4.



“There is
a wisdom
of the head,
and a wisdom
of the heart.”
— Charles Dickens

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