

Price & Farrington's Estate and Tax Planning FastFacts

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Estate, Tax, Retirement and Family Wealth Planning for Advisors+ Clients

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Difficult Discussions and The Three Ps: Is Your Planning in Place?

To Our Clients, Colleagues and Friends:

Difficult Decisions

Have you noticed that some discussions are harder to initiate than others? Some of the most difficult discussions are with members of your own family — your parents, your spouse, your children. One topic that every family member needs to discuss sooner, rather than later, is *estate planning*.

The challenge. Have you had a frank discussion with family members about your wealth and your plans for it after you're gone? Family members seem to avoid discussions about their personal wealth, whether substantial or modest. If you have adult children, do they understand *how much* they may inherit, *when* and *how* their inheritance may be distributed to them, and why they may be *treated differently* than their siblings regarding the inheritance? If your children don't understand now, how will your estate plan prevent misunderstanding after you're gone? A recent survey found that the failure to have this discussion

could trigger family turmoil in the future. The survey of Americans age 50 and over discovered that twenty percent of the respondents experienced family fights over inheritance issues. Of the respondents reporting *no conflicts*, 63 percent said they had known what to expect in advance and 82 percent of them believed they were treated fairly. These survey results, together with plenty of anecdotal evidence, clearly underscore the benefit of discussing estate planning issues with your loved ones to avoid unexpected problems.

Incapacity. As part of your difficult discussions, be sure to share your plans for avoiding an expensive and time-consuming court process in the event of your incapacity. Let your family know who will be making your **financial and health care decisions** when you can't as a result of an injury or illness. Will it be a primary family member, or a sibling or other close relation, or a third-party professional, or some combination? Have you designated back-ups in case your first choice is unable to serve? While you're at it, be sure to discuss the game plan for handling your **long-term care** needs, including how you intend to pay for it.

Post-Mortem. The reality of death can be emotionally and even physically traumatic for the loved ones you leave behind. Even so, many financial and non-financial matters must be resolved promptly and correctly. For instance, **final expenses, bills and taxes** won't wait to be paid. Hundreds of thousands of dollars could be lost to the IRS if certain post-mortem estate planning techniques aren't implemented promptly and timely.

Your family should know today whom the **go-to person or institution** would be when the time comes. Do



Glenn D. Price

they? This will eliminate any unnecessary surprises and hurt feelings. Such advance notice will give your loved ones time to become acquainted with the **post-mortem fiduciaries** (personal representatives and trustees) you've selected, especially if they are third-party professionals. At the same time, any non-professionals you may have appointed will be aware of and have time to prepare for their future duties.

Treasure hunt. If you became incapacitated (or worse) today, who would know where you keep all of your important **financial and legal papers**? Have you created an **inventory of your assets**? Have you reviewed and recorded the **ownership arrangements**, as well as the **beneficiary designations**, for those assets? Are the titles and designations current? Do they **reinforce** or do they **undermine** your estate planning goals set forth in your **will** or your **revocable living trust**? A will leaving your property equally to your three adult children is not worth the paper it's written on if you own your home and your invest-



"He's one tough cookie. I've never seen anyone bounce back from an autopsy before."

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ment account as *joint tenants with rights of survivorship* with your oldest daughter. Do your children have the names and contact information for your *estate planning attorney* and other *professional advisory team* members? These are the very people who will be in the best position to provide vital assistance when the time comes. Will your final legacy to your family include an unpleasant treasure hunt through your papers and effects? And how will your family know if or when they've successfully completed the treasure hunt?

A little bit of time identifying, organizing, reviewing, updating and valuing your asset inventory will pay big dividends when the incapacity or death-time fiduciaries you are counting on are called upon to assume their duties *on your behalf*.

The moral. Like most things in life, prior planning is the key to success. When it comes to your estate plan—both lifetime and death-time—proper *planning* and open *communication today* are essential for family harmony and well being *tomorrow*.

Ponderables

Pride is tasteless, colorless and sizeless. Yet it is the hardest thing to swallow.

August B. Black

Any idiot can face a crisis; it is this day-to-day living that wears you out.

Anton Chekhov

We lost a lot when we stopped writing letters. You can't reread a phone call.

Liz Carpenter

One of the secrets of life is to make stepping stones out of stumbling blocks.

Jack Penn

Forgiveness is the sweetest revenge.

The Three Ps

Are you ready? In case something happens to you tomorrow, have you covered *the three Ps of estate planning: your people; your property; and your plans*?

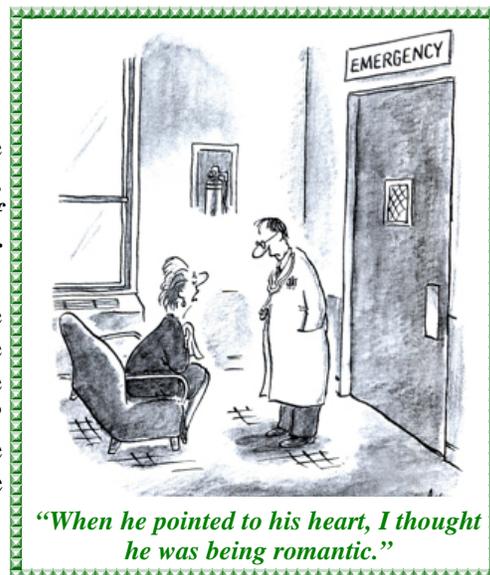
Your people. Our lives are enriched by the relationships we develop with people. Who are the important people in your life? Depending upon your unique circumstances, your list may include your *spouse, partner, children, grandchildren, parents, siblings, neices, nephews, neighbors, friends or colleagues*. Beyond these, your list of important "people" may include *worthy causes, charities, and even pets*.

Your property. This includes real estate, bank, investment and retirement accounts, life insurance, promissory notes, business interests, tangible personal property (antiques, heirlooms, collections, for which sentimental value can far exceed appraised value). What have you accumulated? Has it been valued and inventoried? Is it titled properly?

Your plans. Whom have you appointed as your *back-up decision-makers* for health care and financial decisions during incapacity? Do they have the time, willingness and expertise to serve? Have you appointed *guardians*—both temporary and permanent—to care for your children and ensure that they will be reared in a loving home during your incapacity or following your death?

Issues surrounding the *division and distribution of property* can shipwreck family relationships. Many family fallouts result from failure to make legal arrangements for the distribution of *sentimental items*.

Do you have a *family business*? Most fail to survive the transition from one generation to the next, largely because they have no succession plan. Who among your children will inherit your business? Have you made arrangements to treat your other children *fairly*, if not



equally? Does your plan discourage conflict among your heirs?

Is yours a *blended family*? How will you provide for your surviving spouse and still fulfill your desire to leave an inheritance to your children from a prior marriage? Does your plan protect any inheritance left for your surviving spouse from a potential *next spouse*?

Divorces, lawsuits, bankruptcies and *affluenza* can wipe out an inheritance virtually overnight. Does your estate plan provide *inheritance protection* both *for* and *from* your children (and their possible future misfortunes)?

Finally, does your plan contain the flexibility to minimize or outright eliminate federal and Washington state *estate tax* following your death?

The moral? Failure to make *and maintain* proper estate planning for *the three Ps — your people, your property and your plans* — can lead to nasty consequences. ■



Alan Penn