Price & Farrington's Estate and Tax Planning *Fast* Faxts August, 2001

Estate, Tax and Family Wealth Preservation Planning For Advisors

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When To Turn To A Professional For Tax and Financial Help: The Importance of Good Advice

There is enough free information out there today—on TV, radio, the Internet and in print—to enable you to handle almost any tax or financial transaction without professional help. That's not necessarily a good idea. In some situations it doesn't pay to do it yourself, no matter how much you'd save in fees. *How to tell when you need professional help…*

Risk/Reward. Base your decision on a risk/reward analysis. Seek help when the cost of doing something wrong—the risk—outweighs the price of an expert who will keep you out of trouble.

☑ Consider the cost of your time in handling things yourself.

☑ Make an honest assessment of your ability to handle the situation.

☑ Recognize key situations that call for professional assistance.

Tax Return Preparation. *Consider using a paid preparer if you have:*

→**Complicated Investments.** If you sold securities or other properties you have to contend with as many as a dozen different tax rates in 2001– depending upon your holding period, the type of asset involved and your tax bracket.

→**Business Interests.** If you are a sole proprietor or an owner of a pass-through entity, such as an S-Corp, tax issues can be complex.

→**Alternative Minimum Tax (AMT).** In future years, as regular tax rates decline, your risk of being subject to the AMT increases dramatically. Use an accountant to run the numbers and help you plan for AMT.

IRAs. New simplified IRA distribution rules make it easy to calculate what you're required to withdraw after age 70½ in order to avoid penalty. *But some IRA situations call for expert tax advice...*

→**Figuring substantially equal periodic payments (SEPPs)** for those under age 59½ who wish to avoid the 10% early distribution penalty. Miscalculation can trigger a penalty on all distributions that purport to be SEPPs.

→**Designating Beneficiaries** properly so that the right beneficiary receives the IRA in the right way at the right time (Outright? In trust?) with maximum flexibility, protection and tax deferral. Drafting beneficiary designations properly is *not* for amateurs.

→**Handling Inherited IRAs.** One of the most confusing areas for IRA beneficiaries is knowing how much must be withdrawn from an inherited IRA, and when. Without help, unnecessary distributions can be taken, depleting the IRA and sacrificing years of tax-deferred buildup.

Investments. Anyone with more than $100,000 to invest should work with a financial professional. Fees should not be a deterrent. Coming into new money—through an inheritance, a damage award, cashing in stock options or selling a business—may be a time for help. Designing and tracking the proper portfolio allocation to meet your goals is serious business, especially in a flat stock market. Seeking out professional guidance is a no-brainer. A part-time, do-it-yourself approach can be a very costly mistake.

Retirement. Key financial decisions must be made when you retire—including whether to take a monthly pension or a lump-sum from the pension plan. The wrong decision can be costly to you and your survivors.

There are many variables in planning a portfolio and a budget—interest factors, rate of inflation, life expectancy etc. You should seek out expert assistance to process the information and formulate plans.

Estate Planning. Basic wills, living trusts and other estate planning tools are available in books, office supply companies and online. Here too, a do-it-yourself approach can be very costly to your heirs.

Danger. Pre-printed forms or trust "mills" are unlikely to help you understand the new tax law or how to take advantage of the full scope of options available for *your* specific situation and goals. Your surviviors could end up with much less than they expected and be stuck with huge tax bills. *Without proper legal counseling you'll miss out on...*

☑ Tax-saving strategies.

☑ Legal planning techniques for special situations and beneficiaries with special needs.

☑ Flexible marital deduction planning.

☑ Privacy, with fee and cost minimization.

☑ Asset titling dangers and strategies.

☑ Properly drafted beneficiary designations.

☑I Implemening foolproof lifetime incapacity planning.

☑ Streamlining estate administration.

In short, using preprinted forms is likely to result in problems that could easily have been avoided with proper legal counseling.

Too much. Too little. Over 100 years ago, John Ruskin made an important statement about payment for services: "It is unwise to pay too much, but it's also unwise to pay too little. When you pay too much you lose a little money, that's all. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot—it can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run. And if you do that, you will have enough to pay for something better."

The moral. Turn to a professional for tax and financial advice, including a knowledgeable insurance advisor. Build a team that serves *your* interests—or get a new team. ■

Until next time, we wish you good planning!

Glen D. Price

"Judging by my allowance, Dad, you look like a man trapped in a low-yielding financial portfolio."

Attend an Upcoming Seminar:

"Protect Your Estate!
The *Nuts & Bolts* of Estate Planning"
Wed., Sept. 19, 10:00 a.m.-12:15 p.m.

"*Advanced* Estate Planning
For Estates of $2 Million and Above"
Thurs., Sept. 20, 7:00 p.m-9:00 p.m.

IRC 412(i) Workshop for Advisors
Fri., Sept. 21, 12:00 p.m.-2:00 p.m.

Bellefield Office Park Conf Ctr in Bellevue
2 CE Credits per Seminar; Call to Register
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