



Ann Merkley

Why Estate Planning Will Always Be Important

When it comes to making plans for the future, you may have already given thought to how you would like to distribute your assets after something happens to you. Perhaps you've even written a will. But many legal and tax advisers caution their clients against using a will alone to distribute assets after death.

Here are just a few reasons why:

- **Loss of privacy:** After an individual dies, his or her will is entered into probate court, where its contents become public.
- **Delayed access to cash:** Assets passing through probate also can be vulnerable to delays, challenges and court costs, which can mean that cash to pay final expenses of the estate can be tied up for long periods of time.
- **Increased taxes:** Assets that are distributed to heirs through a will are subject to estate taxes. Assets distributed through an irrevocable trust may receive more favorable estate tax treatment because the assets have been removed from the taxable estate through lifetime gifts, which may have incurred gift taxes.

Several strategies are available to avoid the public disclosures that occur during the probate process, including passing assets through life insurance, annuities and retirement plans. Trusts can be valuable in providing both privacy and continuing management and distribution of assets. And all of these strategies are part of the estate planning process.

The Benefits of Estate Planning

Estate planning can help to smooth the transition of your assets should you die or become incapacitated. Specifically, it can help you to:

- Preserve assets and distribute them in the way you choose;
- Protect minor children;
- Fulfill obligations to a child or sibling with special needs, or to take care of elderly parents;
- Protect a spouse or partner from financial hardship;
- Give children and/or grandchildren a financial foundation on which to build;
- Ensure protection for yourself and family in times of sickness or medical incapacity; and
- Leave a social legacy to your community through a charitable bequest.

Estate and Gift Taxes

With the passage of the American Taxpayer Relief Act of 2012 (ATRA), which permanently set the federal estate and gift tax exemption at \$5 million (adjusted for inflation annually), many individuals are not currently subject to federal estate or gift taxes. ATRA also provides for "portability," which is the ability of a surviving spouse to use a deceased spouse's unused federal estate tax exemption. Collectively, married couples can pass on assets of \$10 million (adjusted for inflation annually) without the imposition of federal estate or gift taxes.

If your family's estate is not currently subject to federal estate and gift taxes, *it still could be in the future*. And don't forget about state taxes. Over 20 states and the District of Columbia currently impose estate and/or inheritance taxes.

Estate Planning is a Process

But regardless of the legislative environment, estate planning remains a valuable, time-tested tool that you can use to help ensure the distribution of *more* of your assets – in the ways you choose – to the individuals and institutions you care about after your passing.

It is important to recognize that estate planning is a dynamic process that requires professional help along the way. And it's a process that, due to the changes that will inevitably occur in your life – as well as the law – will require regular review during your lifetime. *

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Merkley Wealth Associates is an all female comprehensive financial services firm located in Clive. Ann Merkley can be reached at 515-457-1286 or ann_merkley@glic.com.

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